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➡ Designates that this is a change item



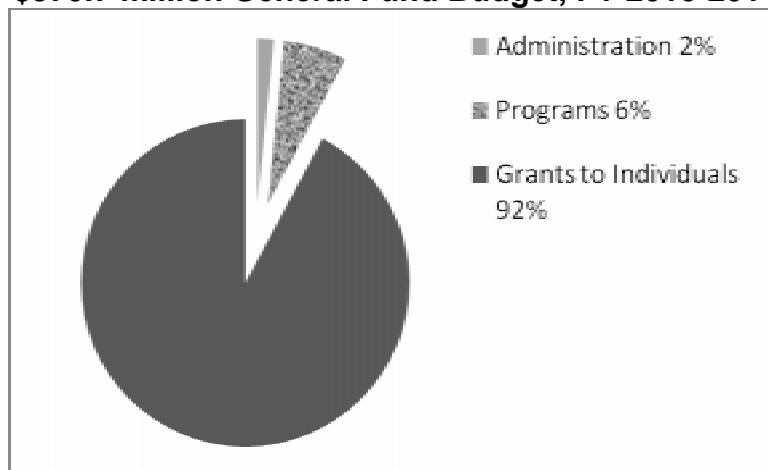
January 27, 2009

The 2009 Minnesota Legislature:

On behalf of Governor Tim Pawlenty, I am submitting the Office of Higher Education's recommendation for the FY 2010-2011 budget. This budget consists of \$370.7 million from the state's General Fund and \$348.1 million from other funds for a total of \$718.8 million. The budget reflects a 4 percent reduction from the General Fund base for the current biennium, or a net reduction of \$15 million. Care was taken to minimize the impact of these reductions on students and families. Because 92 percent of the agency's General Fund dollars are awarded directly to students; however, protecting students entirely from a budget reduction of this magnitude is difficult.

The Governor's budget includes additional reductions in agency administration of \$532,000 and other program reductions of \$6.4 million. General Fund reductions of \$10.5 million for the Achieve Scholarship program are reflected, made possible by lower-than-anticipated demand for the program in its first year. The budget includes an increase of \$2.4 million to support projected spending for tuition reciprocity.

**Office of Higher Education Budget
\$370.7 million General Fund Budget, FY 2010-2011**



The Office of Higher Education is a cabinet-level state agency administering financial aid programs for students including the State Grant program, a student loan program, work study, a student child care grant, the Minnesota GI Bill and other programs. The agency licenses private postsecondary institutions, oversees the state's 529 college savings plan and provides information to families and students to help them gain access to postsecondary education. In addition, the agency serves as the state's clearing-house for data, research and analysis on postsecondary enrolment, financial aid, finance and trends.

We look forward to working with you in the coming months.

Susan Heegaard,
Director

Agency Purpose

The purpose of the Minnesota Office of Higher Education is to:

- ◆ help students achieve financial access to postsecondary education;
- ◆ enable students to choose among postsecondary education options;
- ◆ protect and inform education consumers;
- ◆ produce independent, statewide information and data on postsecondary education; and
- ◆ facilitate interaction among and collaboration with organizations that share responsibility for K-12 and postsecondary education in Minnesota.

The Office of Higher Education became a cabinet-level agency following the 2003 Legislative session. The director serves as the governor's advisor on higher education.

Core Functions

Minnesota Statutes, Chapter 136A, gives the Minnesota Office of Higher Education core responsibilities to:

- ◆ administer state financial aid programs for students;
- ◆ publish and distribute to students and parents information about academic and financial preparation, including financial aid;
- ◆ approve, register, and license private colleges and career schools;
- ◆ oversee statewide library service programs that improve access to information and support cost-effective library operations;
- ◆ collect, maintain and report data and analysis on higher education including data on student enrollment, financial aid, and higher education accountability;
- ◆ administer federal programs that affect students and institutions on a statewide basis;
- ◆ prescribe policies, procedures, and rules necessary to administer the programs under the agency's supervision;
- ◆ negotiate and administer statewide interstate tuition reciprocity programs; and
- ◆ represent the executive branch positions and proposals on higher education in the legislative process.

Operations

Through delivery of its core programs, the Office of Higher Education serves several primary constituencies including:

- ◆ current college students;
- ◆ students and families who are preparing for postsecondary education;
- ◆ colleges and universities that participate in financial aid administration and library services for students;
- ◆ students and educators in the K-12 system;
- ◆ policymakers and researchers who evaluate programs and policies and use statewide postsecondary education data.

The Office of Higher Education provides programs and services through different means, including:

Student Financial Aid Programs. The Minnesota State Grant program provides more than \$150 million in need-based aid to Minnesota students annually. The agency's other core financial aid programs are the SELF loan program, the Minnesota College Savings Plan and interstate tuition reciprocity agreements. The agency also administers other student financial aid programs such as the Postsecondary Child Care Grant Program, State

At A Glance

Two-year State Budget:

\$384 million general fund
\$335 million student loan fund
\$ 11 million federal and agency funds

More than 90% of the agency's general fund appropriation is for grants to students.

Annual Business Processes:

\$163 million in grants to 80,000 students
\$140 million in student loans to 28,000 students
\$ 12 million in work study to 12,000 students

27,000 Minnesota students participate in interstate tuition reciprocity.

150 private institutions registered or licensed.

49,000 accountholders in the Minnesota College Savings Plan, with more than \$638 million in assets in March 2008.

Work Study Program, Public Safety Officers' Survivors Benefit Program, American Indian Scholarship, Achieve Scholarship and GI Bill. These programs enable thousands of Minnesota students to have financial access to, and choice of, postsecondary educational opportunities.

Research and Analysis. The agency collects and reports information on higher education enrollment, financial aid and postsecondary trends. In 2006, the Office of Higher Education produced the first higher education accountability report measuring the higher education sector's effectiveness in meeting state goals. The agency serves as a clearinghouse for public information on Minnesota higher education including issues like participation rates, degrees granted, and how students pay for college.

Outreach and Publications. The agency's publications, Web sites, interactive resources and direct contact with students and families enable it to provide outreach to current and prospective college students including communities of color, low-income families, and families with no previous higher education experience. The Get Ready program, working in tandem with the federally-sponsored GEAR UP (Gaining Early Awareness and Readiness for Undergraduate Program) and the state-funded Intervention for College Attendance Program grants, provide a continuum of contact and service to low income students from 4th grade through high school as they prepare for college admission and attendance. The two programs enable the agency to expand its outreach effectiveness to K-12 students.

Library Resources. The MINITEX Library Information Network provides students, scholars and residents of Minnesota and contiguous states with cost effective access to a wide range of library resources and information, including delivery of interlibrary loan materials, cooperative licensing, and access to electronic resources. The Minnesota Library Information Network is a statewide virtual library that electronically links major Minnesota libraries. The Learning Network of Minnesota provides access to educational programs and library resources through Web-based learning interactive videos, and other telecommunications technology. The Learning Network enables students to have access to learning opportunities that otherwise would be unavailable at their college or in their geographic area.

Licensing and Registration. Through state laws that outline the registration and licensure requirements of private colleges, universities, and career schools, the Office of Higher Education protects students as consumers by ensuring that private postsecondary institutions meet state standards and operate legally in Minnesota.

Budget

The Office of Higher Education's budget for the 2008–09 biennium totals approximately \$732 million. Of this amount, \$384 million (52%) is state general fund dollars, \$335 million (46%) is the Student Loan Capital Fund, and the remaining \$13 million (2%) comprises special revenue, federal and agency funds.

The Office of Higher Education staff includes 70 full-time equivalent (FTE) employees, of which 26 are state funded.

Contact

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<i>Dollars in Thousands</i>					
	Current		Governor Recomm.		Biennium
	FY2008	FY2009	FY2010	FY2011	2010-11
<u>Direct Appropriations by Fund</u>					
General					
Current Appropriation	190,488	188,873	188,873	188,873	377,746
Recommended	190,488	188,873	184,976	185,795	370,771
Change		0	(3,897)	(3,078)	(6,975)
% Biennial Change from 2008-09					-2.3%
<u>Expenditures by Fund</u>					
Direct Appropriations					
General	189,206	192,737	184,976	185,795	370,771
Miscellaneous Special Revenue	1,188	0	0	0	0
Statutory Appropriations					
General	83	0	0	0	0
Miscellaneous Special Revenue	657	671	554	562	1,116
Federal	5,126	5,475	5,475	4,740	10,215
Office Of Higher Education	157,680	168,388	168,388	168,388	336,776
Total	353,940	367,271	359,393	359,485	718,878
<u>Expenditures by Category</u>					
Total Compensation	4,772	5,518	5,225	5,215	10,440
Other Operating Expenses	18,820	20,415	19,419	18,702	38,121
Payments To Individuals	173,137	178,161	179,053	179,853	358,906
Local Assistance	16,622	13,149	11,268	11,287	22,555
Other Financial Transactions	140,589	150,028	150,028	150,028	300,056
Transfers	0	0	(5,600)	(5,600)	(11,200)
Total	353,940	367,271	359,393	359,485	718,878
<u>Expenditures by Program</u>					
Student Financial Aid-Outreach	179,586	183,151	176,968	177,033	354,001
State Student Loans	156,657	167,006	167,006	167,006	334,012
Fiscal Policy & Research	4,619	3,337	2,981	3,008	5,989
Libraries And Technology	10,828	10,834	9,748	9,748	19,496
Agency/Loan Administration	2,250	2,943	2,690	2,690	5,380
Total	353,940	367,271	359,393	359,485	718,878
Full-Time Equivalents (FTE)	70.3	70.3	70.3	70.3	

<i>Dollars in Thousands</i>				
	FY2009	Governor's Recomm.		Biennium
		FY2010	FY2011	2010-11
Fund: GENERAL				
FY 2009 Appropriations	188,873	188,873	188,873	377,746
Technical Adjustments				
Biennial Appropriations		400	400	800
Current Law Base Change		3,637	3,656	7,293
Pt Contract Base Reduction		(2)	(2)	(4)
Subtotal - Forecast Base	188,873	192,908	192,927	385,835
Change Items				
Interstate Reciprocity	0	1,000	1,400	2,400
Other Program Reductions	0	(3,216)	(3,216)	(6,432)
Achieve	0	(5,450)	(5,050)	(10,500)
Agency Administration Reduction	0	(266)	(266)	(532)
Total Governor's Recommendations	188,873	184,976	185,795	370,771
Fund: MISCELLANEOUS SPECIAL REVENUE				
Planned Statutory Spending	671	554	562	1,116
Total Governor's Recommendations	671	554	562	1,116
Fund: FEDERAL				
Planned Statutory Spending	5,475	5,475	4,740	10,215
Total Governor's Recommendations	5,475	5,475	4,740	10,215
Fund: OFFICE OF HIGHER EDUCATION				
Planned Statutory Spending	168,388	168,388	168,388	336,776
Total Governor's Recommendations	168,388	168,388	168,388	336,776

OFFICE OF HIGHER EDUCATION**Program: Student Financial Aid-Outreach****Change Item: Achieve Scholarship Increase for Online Course Taking**

Fiscal Impact (\$000s)	FY 2010	FY 2011	FY 2012	FY 2013
General Fund				
Expenditures	\$(5,450)	\$(5,050)	\$(4,750)	\$(4,250)
Revenues	0	0	0	0
Other Fund				
Expenditures				
Revenues	0	0	0	0
Net Fiscal Impact	\$(5,450)	\$(5,050)	\$(4,750)	\$(4,250)

Recommendation

The Governor recommends changing the Achieve Scholarship program to increase awards to individual students who have completed an online course while in high school by \$150. A \$1,200 Achieve scholarship is currently awarded to students who complete a set of college preparatory classes while in high school and come from families with annual incomes less than \$75,000. The \$150 increase in the scholarship is estimated to cost \$450,000 each year (\$900,000 for the biennium) and will be paid out of unspent funds from the \$10 million annual appropriation. In addition, the Governor recommends a reduction of \$5.45 million in FY 2010 and \$5.05 million in FY 2011 from this program to make the appropriation fit the demand for the program. Demand is projected based on the number of recipients and amount spent in FY 2009 plus 10% growth each year in the number of recipients.

Background

In the Achieve program, high school graduates from families with incomes less than \$75,000 who complete any one of four sets of courses earn a one-time scholarship of \$1,200. The program is designed to address two critical barriers to college attendance: lack of academic preparation and financial access.

The Achieve Scholarship program began in FY 2009. It is available to students who graduate from high school after 1/01/2008. To be eligible, a student must have a family adjusted gross income of less than \$75,000 reported on the Free Application for Federal Student Aid and complete one of four sets of courses while in high school. The four possible course scenarios are listed at www.getreadyforcollege.org/achieve. Eligible students must graduate from high school, complete the FAFSA application, and submit an Achieve Scholarship application along with an official high school transcript. Students receive a one-time award for a year of postsecondary enrollment, which they may use any time during the first four years after they graduate from high school.

The appropriation for Achieve Scholarships was \$3.4 million in FY 2008 and \$7.4 million in FY 2009, a total of \$10.8 million for the 2008-2009 biennium. The language states the money was to be used for several purposes:

- ◆ Scholarships of \$1,200 for qualifying students, as described above.
- ◆ \$200,000 each year for Minnesota State Colleges and Universities and \$200,000 each year in rider language was for the University of Minnesota to offer Advanced Placement, International Baccalaureate and other courses to high school students in remote and underserved areas of the state.
- ◆ \$3 million in rider language to support access to rigorous high school courses and college attendance programs such as College in the Schools, Postsecondary Enrollment Options, Intervention for College Attendance and TRIO programs. The Office spent \$1.8 million on Advising and Counseling for College Program grants to 23 school sites to help ninth graders plan and prepare for postsecondary education. The agency added \$164,000 to the Intervention for College Attendance program from Achieve funds for competitive grants for pre-college awareness and intervention programs for low-income students.
- ◆ \$350,000 of the biennial appropriation for administration of the program, including developing the application, and processing procedures.

Approximately 2,400 students received awards totaling \$2.9 million in FY 2009. Assuming the number of recipients grows 10% per year; the agency estimates Achieve scholarships and administration for the current program to total \$3.7 million in 2010 and \$4.1 million in 2011. Increasing the scholarship by \$150 for eligible applicants who take at least one online course while in high school is estimated to add \$450,000 each year. With the addition of the increase for online course taking, the total amount of projected spending for Achieve Scholarships totals \$4.15 million in FY 2010 and \$4.55 million in FY 2011.

The requirements for the Achieve Scholarship program are very similar to the requirements for federal Academic Competitiveness Grants (ACG). Minnesota students earned 5,700 ACG grants in the 2006-2007 academic year. Approximately 3,400 of those were first-year students, most of whom should also be eligible for Achieve Scholarships. In addition, federal ACG grants are limited to students who also receive federal Pell Grants. About 75% of federal Pell Grants go to students from families with incomes of \$35,000 or less. Achieve Scholarships are available to students from families with incomes up to \$75,000. Based on these assumptions, the agency estimated spending for FY 2009 as \$7 million. As of 11/17/2009, spending for FY 2009 is estimated as \$2.9 million for awards to 2,400 students.

Spending on new financial aid programs tends to increase with time. Students and campus aid administrators become more familiar with the program. The Office of Higher Education continues to use a wide variety of methods (described more fully below) to increase the number of students, families, teachers and financial aid administrators who know about the program.

Relationship to Base Budget

The appropriation for the 2008-2009 biennium included rider language identifying base funding for this program in FY 2010 and FY 2011 as \$10 million per year. Of that amount, \$400,000 each year is designated for the University of Minnesota and Minnesota State Colleges and Universities to increase opportunities for high school students across the State to earn college credits while in high school. The language also stated up to \$200,000 may be used for administration of the program in the FY 2010-2011 biennium.

Key Goals and Measures

Identify relevant Minnesota Milestones or other statewide goals or indicators that relate to the proposal as required under M.S. 16A.10, Subd. 1c as amended by Laws 2008, Chapter 318.

Achieve Scholarships reduce the cost of postsecondary education to undergraduates by awarding funds that do not have to be repaid. In addition, they provide an incentive to high school students to prepare for postsecondary education. Research indicates students who take the rigorous sets of courses required for the scholarships are more likely to earn college degrees.

Key Measures for Achieve Scholarships:

- ◆ An online scholarship application and tracking system was developed and campus aid administrators were trained on the requirements of the program.
- ◆ Approximately 2,400 students received the scholarships in FY 2009.
 - ⇒ 56% of recipients were from families with incomes from \$45,000 to \$74,999.
 - ⇒ 44% of recipients were from families with incomes less than \$45,000.
 - ◆ The smaller percentage of recipients from low-income families raises a concern that students from low-income families are less likely to take the required courses. The required courses are the same as the courses required for high school graduation in Minnesota, with the exception of two years of foreign language courses.
- ◆ Minnesota State Grant applicants in their first year of postsecondary enrollment received individual email messages encouraging them to apply for Achieve Scholarships.
- ◆ Achieve scholarship information was distributed to Minnesota high school counselors and administrators in multiple ways.
- ◆ Campus aid administrators received information on the number of federal Academic Competitiveness Grants at their campuses in the previous year as a benchmark for the number of students likely to receive Achieve Scholarships.
- ◆ Approximately 3,500 scholarship applications were received as of 11/17/2008. Eleven percent of the applicants were ineligible because they did not meet the academic requirements and 5% were ineligible because they were from families with incomes of \$75,000 or more. The number of ineligible applicants was low for a new financial aid program, an indication that students received good information on program requirements.

OFFICE OF HIGHER EDUCATION

Program: Student Financial Aid-Outreach

Change Item: Achieve Scholarship Increase for Online Course Taking

- ♦ The agency communicated with campuses notifying them of the number of Academic Competitiveness Grant recipients on their campus, as an indication of how many potential Achieve Scholarship recipients they have enrolled, along with application instructions.

Alternatives Considered

If base appropriations are not changed for the program unspent funds will be used to cover any shortfalls in other Office of Higher Education financial aid programs or the unspent funds will cancel back to the general fund at the end of the biennium.

Statutory Change: *Laws of Minnesota, 2007*, Chapter 144, Article 1, Sec. 3, Sub. 13 and M.S. 136A.12 govern this program. An amendment to increase awards by \$150 for eligible applicants who take online courses while in high school is needed.

OFFICE OF HIGHER EDUCATION**Program: FISCAL POLICY & RESEARCH****Change Item: Agency Administration Reduction**

Fiscal Impact (\$000s)	FY 2010	FY 2011	FY 2012	FY 2013
General Fund				
Expenditures	\$(266)	\$(266)	\$(266)	\$(266)
Revenues	0	0	0	0
Other Fund				
Expenditures				
Revenues	0	0	0	0
Net Fiscal Impact	\$(266)	\$(266)	\$(266)	\$(266)

Recommendation

The Governor recommends a reduction of 10% each year from the Office of Higher Education's base budget for agency administration. The reduction is \$266,000 each year, for a total of \$532,000 for the biennium. The reduction is recommended as part of the plan to meet the shortfall in state revenue due to the economic recession.

Background

The reduction for administration of the financial aid programs and other agency activities is \$266,000 (10%) each year. The Office will continue the hiring and salary freeze, reduce out-of-state travel, reduce printing and spending on employee development, and reduce purchase of supplies and software. The Office does not plan to make reductions in administrative funds for the Minnesota American Indian Scholarship program, since administrative activities for that program are currently underfunded by \$75,000 each year.

Relationship to Base Budget

This is a 10% reduction in agency administration. The budget base for agency administration in FY 2009 is \$2,660,000.

Key Goals and Measures

The Office will reduce administrative expenses and pursue changes in operations to further increase the productivity of staff.

Alternatives Considered

The reduction is recommended as part of the plan to meet the shortfall in state revenue due to the economic recession.

Statutory Change: None

OFFICE OF HIGHER EDUCATION**Program: Interstate Tuition Reciprocity****Change Item: Increase to cover reciprocity obligations to North Dakota**

Fiscal Impact (\$000s)	FY 2010	FY 2011	FY 2012	FY 2013
General Fund				
Expenditures	\$1,000	\$1,400	\$1,800	\$1,900
Revenues	0	0	0	0
Other Fund				
Expenditures				
Revenues	0	0	0	0
Net Fiscal Impact	\$1,000	\$1,400	\$1,800	\$1,900

Recommendation

The Governor recommends increases of \$1.0 million in FY 2010 and \$1.4 million in FY 2011 in the general fund appropriation for interstate tuition reciprocity. The increased resources will cover projected increases in Minnesota's tuition reciprocity obligation to North Dakota under the agreement negotiated by the two states. Minnesota's obligation is increasing because Minnesota has many more high school graduates than North Dakota and more Minnesota students are choosing to attend North Dakota campuses.

Background

Minnesota's interstate tuition reciprocity agreements expand market choices and enrollment opportunities for state residents. In the Fall of 2006, 24,500 Minnesota residents and roughly 19,500 residents of Wisconsin, North Dakota, South Dakota, Iowa and Manitoba were enrolled in public postsecondary education institutions as tuition reciprocity students.

The difference between the number of Minnesotans attending in North Dakota and North Dakotans attending in Minnesota grew by 1,600 between academic years 2002-03 and 2006-07. There were 2,700 more Minnesotans attending in North Dakota than North Dakotans attending in Minnesota in academic year 2006-07.

Increasingly, more Minnesotans are choosing to attend North Dakota public post-secondary institutions. Correspondingly, fewer North Dakotans are choosing Minnesota public post-secondary education institutions. This is partly a result of the demographics of the two states. Minnesota had roughly 63,000 high school graduates in 2006, while North Dakota had about 8,000. Both states are projected to experience decreasing numbers of high school graduates. North Dakota's high school graduate numbers are projected to decrease at a greater rate than Minnesota's.

The Minnesota Office of Higher Education is authorized to enter into tuition reciprocity agreements in consultation with the Commissioner of Finance and each affected public postsecondary governing board. Tuition reciprocity agreements are not valid until approved by the University of Minnesota Board of Regents and Minnesota State Colleges and University's Board of Trustees. The agreements are ongoing and reviewed annually by the Minnesota Office of Higher Education.

Minnesota's tuition reciprocity agreements serve students, taxpayers and public postsecondary institutions in the participating jurisdictions. Minnesota's tuition reciprocity agreements also expand the student market for postsecondary institutions. Institutions can cast a wider net at competitive prices to attract the type of students they desire.

Minnesota's tuition reciprocity agreements remove non-resident admissions barriers. Under the agreements a Minnesota resident is to be considered for admission like a Wisconsin, North Dakota, South Dakota or Manitoba resident when applying to public postsecondary education institutions in those jurisdictions. Similarly, a resident of Wisconsin, North Dakota, South Dakota or Manitoba is to be considered as a resident of Minnesota when applying for admission to a Minnesota public postsecondary education institution.

Minnesota's agreements with Wisconsin and North Dakota provide for an interstate tuition reciprocity payment. These agreements are effectively agreements based on the costs of adding additional students to existing campuses – marginal costs. Minnesota is responsible for the marginal instructional costs not covered by the

OFFICE OF HIGHER EDUCATION

Program: Interstate Tuition Reciprocity

Change Item: Increase to cover reciprocity obligations to North Dakota

tuition paid by Minnesota resident students enrolled in Wisconsin and North Dakota. Wisconsin and North Dakota are responsible for the marginal instructional costs not covered by the tuition paid by their resident students enrolled in Minnesota. Marginal instructional costs are defined as 64% of instructional costs. Minnesota is projected to owe North Dakota an interstate tuition reciprocity payment in both the FY 2010-11 and FY 2012-13 biennia.

The Governor's recommended increase in the interstate tuition reciprocity appropriation is required to accommodate a projected increase in Minnesota residents attending North Dakota public post-secondary education institutions. Many of the Minnesota students who attend college in North Dakota return to Minnesota to live and work.

Relationship to Base Budget

This is an increase to a base budget of \$1.75 million per year. The base was \$2 million per year in the 2007 appropriations bill, but the amount for 2009 was reduced by \$250,000 in the 2008 budget reduction bill (*Laws of Minnesota 2008*, Chapter 363, Article 4, Section 3, Subdivision 2).

Key Goals and Measures

The Office of Higher Education will monitor changes in enrollment patterns and update interstate tuition reciprocity payment projections with new enrollment and cost data.

Interstate Tuition Reciprocity reduces cost barriers for students who want to attend a public college in a partner reciprocity state.

24,500 Minnesota residents are participating in tuition reciprocity in Wisconsin, North Dakota, South Dakota and Manitoba.

Alternatives Considered

The office evaluates the agreements annually to determine whether they are up to date and whether they continue to be mutually beneficial to the participating states.

Statutory Change: Not Applicable.

Statutory authority for interstate tuition reciprocity agreements is in M.S. 136A.08.

OFFICE OF HIGHER EDUCATION

Change Item: Moral Obligation

Fiscal Impact (\$000s)	FY 2010	FY 2011	FY 2012	FY 2013
General Fund				
Expenditures	\$0	\$0	\$0	\$0
Revenues	0	0	0	0
Other Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact	\$0	\$0	\$0	\$0

Recommendation

The Governor recommends new statutory language that would provide a moral obligation backup for tax-exempt revenue bonds issued for student loans under the Student Educational Loan Fund (SELF) loan program. The agency's financial advisors have recommended the agency receive statutory authority to issue moral obligation bonds to improve our ability to sell bonds for the SELF loan program at reasonable interest rates.

Background

The SELF program for student loans has existed since 1983. As of 6/30/2008 there were almost 214,000 loans outstanding valued at over \$690 million.

The funding needed to provide the loans was obtained through bonds issued by the agency. Currently the agency has \$527 million in outstanding taxable and tax-exempt bonds. The bonds were sold to bondholders as auction rate securities. However, given the dramatic changes in financial markets the auction rate security market is no longer viably operating. The agency needs to restructure the current outstanding portfolio and issue new bonds to insure funds will be available for students.

It has been very difficult to find alternative financial instruments given market conditions. The agency's financial advisors have recommended the agency receive statutory authority to issue moral obligation bonds. A moral obligation bond is a bond, usually issued by a state agency or authority, that is secured by a non-binding covenant that any amount necessary to make up any deficiency in pledged revenues available for debt service will be included in the budget recommendation made to the state legislature or other legislative body, which may appropriate moneys to make up the shortfall. The legislature or other legislative body, however, is not legally obligated to make such an appropriation. With this authority financing will be easier to obtain and rating agencies would give positive consideration in their determination of bond ratings.

The Minnesota Housing Finance Agency currently has this authority in chapter 462A. The Office of Higher Education would seek similar authority. The Minnesota Housing Finance Authority's statutory authority reads as follows:

Annual certificate of minimum needed for budget. In order to assure the payment of the principal of and interest on bonds and notes of the agency and the continued maintenance of all debt service reserve funds created and established therefor, the agency shall annually determine and certify to the governor, on or before December 1, (a) the amount, if any, then needed to restore each debt service reserve fund to the minimum amount required by the resolution or indenture establishing the fund, not exceeding the maximum amount of principal and interest to become due and payable in any subsequent year on all bonds or notes which are then outstanding and secured by such fund; and (b) the amount, if any, determined by the agency to be needed in the then immediately ensuing fiscal year, with other funds pledged and estimated to be received during that year, for the payment of the principal and interest due and payable in that year on all then outstanding bonds and notes secured by a debt service reserve fund the amount of which is then less than the minimum amount agreed. The governor shall include and submit to the legislature, in the budget for the following fiscal year, or in a supplemental budget if the regular budget for that year has previously been approved, the amounts certified by the agency in accordance with this subdivision.

There are at least four other states that have similar authority for student loan programs. They are New Jersey, Alaska, Connecticut and Utah. The authority differs in each case with the New Jersey version appearing to be the most robust, since it "pre-appropriates" the funds that would be required to replenish the debt service reserve annually. This constitutes an open appropriation from the state general fund. The Office of Higher Education is *not* seeking this authority. It is only seeking language similar to the Minnesota Housing Finance Authority language above.

Relationship to Base Budget

This proposal does not increase the state budget. It may have some impact on bond rating agencies consideration of state bonds.

Key Measures

The Office of Higher Education will continue to seek additional bond funds for the SELF program and continue to consult with its financial advisors on the impact of the authority.

Statutory Change: New language in M.S. 136A.

OFFICE OF HIGHER EDUCATION

Program:	Other Aid Programs, Technology and Outreach
Change Item:	Other Program Reductions

Fiscal Impact (\$000s)	FY 2010	FY 2011	FY 2012	FY 2013
General Fund				
Expenditures	\$(3,216)	\$(3,216)	\$(3,216)	\$(3,216)
Revenues	0	0	0	0
Other Fund				
Expenditures				
Revenues	0	0	0	0
Net Fiscal Impact	\$(3,216)	\$(3,216)	\$(3,216)	\$(3,216)

Recommendation

The Governor recommends a reduction of 9% each year from the Office of Higher Education's base budget for agency financial aid programs (other than the State Grant Program), outreach programs, the Learning Network of Minnesota, Minitex and MnLink library and data base programs. The reduction is \$3.22 million per year, for a total of \$6.44 million for the biennium out of a base budget for these items of \$34.76 million. The Office considered a 10% across the board reduction, but decided to strategically focus the reductions to mitigate the effect on students and their ability to pay for college where possible.

The reduction is recommended as part of the plan to meet the shortfall in state revenue due to the economic recession.

Background

Financial Aid Programs (Other than the State Grant Program and Achieve Scholarships) -

- ◆ State Work-Study – The reduction is \$622,000 (5%) each year from this program which pays 75% of the wages for 11,900 students to work on campus.
- ◆ Postsecondary Child Care Grants – The reduction is \$309,000 (5%) each year from this program which provides grants to low-income students for child care expenses.
- ◆ American Indian Scholarships – The reduction is \$94,000 (5%) in scholarships to low- and lower-middle income American Indian students.
- ◆ Minnesota College Savings Plan Matching Grants – The reduction is \$320,000 (31%) each year in funds that are projected to be unspent. This is not expected to reduce the number of recipients of the matching grants, which go to families with incomes of \$80,000 or less.

Technology and Library/Online Database Programs

- ◆ Learning Network of Minnesota – The reduction is \$480,000 (10%) each year. This may result in additional costs to campuses and libraries for leases to support bandwidth and related technology.
- ◆ Minitex – The reduction is \$563,000 (10%) each year. This may result in reduced access to books, articles and non-print materials for academic and public library users or increased costs to the libraries.
- ◆ MnLink – The reduction is \$40,000 (10%) each year. The reduction may slow the response to rapidly increasing user demand for online databases and catalogs.

College Preparedness Programs, Information and Outreach

- ◆ Student and Parent Information/Get Ready – The reduction is \$15,000 (4.9%) each year.
- ◆ Intervention for College Attendance Program – The reduction is \$49,000 (10%) each year.
- ◆ Postsecondary Enrollment for High School Student programs at the University of Minnesota and Minnesota State Colleges and Universities – The reduction is \$400,000 (100%) each year. The base appropriation was in rider language for the appropriation for the Achieve Scholarship program in Laws of Minnesota, 2007, Chapter 144.

Flow-Through Funds to Nonprofit Organizations

- ◆ Midwest Higher Education Compact dues – the reduction is \$5,000 (5.6%) each year.
- ◆ Postsecondary Service Learning/Campus Compact – The reduction is \$24,000 (10%) each year.

OFFICE OF HIGHER EDUCATION

Program:	Other Aid Programs, Technology and Outreach
Change Item:	Other Program Reductions

- ♦ United Hospitals and Clinics Family Practice – The reduction is \$45,000 (10%) each year.
- ♦ Teacher Education and Compensation Helps Early Childhood Teacher Scholarships – The reduction is \$250,000 (100%) each year.

Relationship to Base Budget

This is a substantial reduction in agency programs. The reductions to financial aid programs occur when students are likely to be facing tuition increases.

Postsecondary Child Care Grants and State Work Study are campus-based programs. The Office allocates funds to campuses based on the number of students likely to be eligible. The Office will allocate the reduced amounts to the campuses.

The American Indian Scholarship program provides awards to eligible students on a first-come, first-served basis. The reduced appropriation will mean there will be fewer students served and there will be a longer waiting list.

The reductions in Technology and Library Database Programs will mean reductions in service or increases in costs to campuses and libraries.

The reductions in Student and Parent Information will mean a decrease in the number of publications printed. The reduction in the Intervention for College Attendance program will mean fewer dollars for grants to programs to increase the preparedness of students who have been historically underserved in postsecondary education.

The reduction of funding through the Office of Higher Education for the University of Minnesota and Minnesota State Colleges and Universities programs that provide high school students with opportunities to earn college credit will not eliminate the programs. The programs receive funding through postsecondary institutions and the Minnesota Department of Education.

The reduction in the Teacher Education and Compensation Helps Early Childhood Teacher Scholarships eliminates funding through the Office of Higher Education. However, historically, this program has also received funding through the Department of Human Services.

Key Goals and Measures

The Office will work to implement the reductions in ways that minimize the impact on students, when possible.

Alternatives Considered

The Office considered a 10% across the board reduction, but decided to focus the reductions to mitigate the effect on students and their ability to pay for college where possible. Thus the proposal above includes reductions of 5% (rather than 10%) in Postsecondary Child Care Grants, American Indian Scholarships and State Work Study.

The Office is considering changes to the Minitex and MnLink library resources, technology and online data base programs. The University of Minnesota has been operating the programs under contract with the Office for many years.

The Office is also considering changes to the Learning Network of Minnesota. The Learning Network provides funds for leasing bandwidth and related technology. It is well established and provides substantial cost savings to Minnesota campuses and libraries. MnSCU has been a major partner in the Learning Network and has the largest number of campuses participating in the network.

Statutory Change: Not Applicable

Program Description

To compete in today's global economy, most Minnesotans will enroll in some form of postsecondary education. As education has become more essential, Minnesota has enacted significant financial aid programs and other assistance to help students overcome barriers to postsecondary education. The activities supported by the Office of Higher Education's student financial aid services are part of the state's strategy to keep education affordable and accessible for all Minnesota residents. The goal of state financial aid programs is to support the ability of students to choose the postsecondary institution that best meets their educational needs, regardless of their financial circumstances.

Financial Aid Activity at a Glance

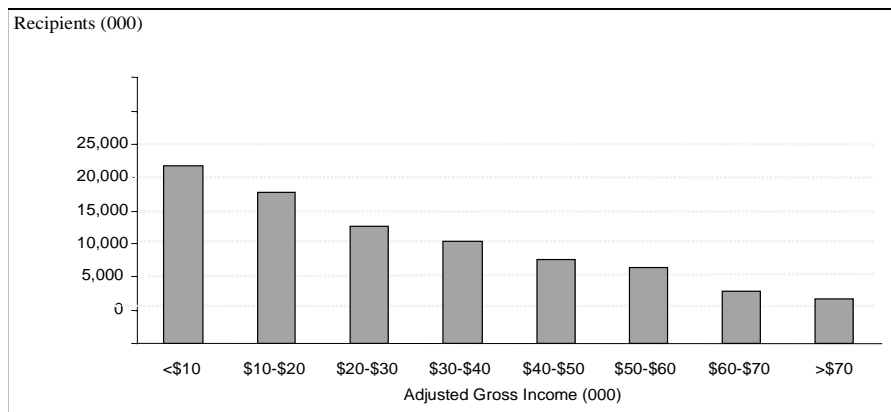
- ◆ State student financial aid programs served approximately 85,000 students and distribute \$175 million dollars of aid in FY 2008.
- ◆ There were more than 50,000 Minnesota College Savings Plan accounts with a total market value of more than \$600 million in 2008.

Financial Aid Activity

The **Minnesota State Grant** program is a need-based grant program for Minnesota undergraduate students designed to provide students with postsecondary opportunities. The program's framework assigns responsibility for paying for college to the student, the family and the taxpayer, if needed. The program expects a student to make an investment in his or her own education.

The State Grant program is among the largest need-based student aid programs in the country and is coordinated with the federal Pell Grant program. Students apply for the State Grant by completing the federal Free Application for Federal Student Aid (FAFSA). The State Grant program served 80,182 students and awarded \$156 million in fiscal year 2007. The average State Grant is about \$1,947. Eligible students are Minnesota residents attending a public or private college or university in Minnesota who demonstrate financial need.

Minnesota State Grant Recipients by Income Level, 2007



The **Minnesota Work Study** program provides students with part-time jobs so students can earn money to help meet their assigned payment responsibilities. Students demonstrate their need for Work Study by completing the Free Application for Federal Student Aid. State Work Study served 11,922 students in 2006-2007 who earned \$20 million, of which \$14.7 million were state funds.

The **Minnesota Achieve Scholarship** awards Minnesota high school graduates with a \$1,200 scholarship for completing rigorous college preparatory courses in high school. The program is new in 2008-2009 and is available to Minnesota residents from families with incomes below \$75,000 attending Minnesota colleges and universities.

The **Minnesota Postsecondary Child Care Program** provides students with dependent children with need-based child care grants to help offset the cost of childcare while they are in college. Students may receive up to \$2,600 per dependent child in fiscal year 2007. The program served 2,832 students in FY 2007 with an allocation of \$4.7 million.

The Safety Officers Survivor's Program provides grants to survivors of Minnesota public safety officers killed in the line of duty. In 2007, the program served 16 students and spent \$79,002.

The Minnesota SELF Loan Program is described in another section.

The **Minnesota College Savings Plan** a 529 Qualified Tuition Program, encourages individuals and families to save for postsecondary education. This "529 Plan" is defined and permitted under Section 529 of the United States Internal Revenue Code and Minnesota Statutes 136G. Earnings in the Minnesota College Savings Plan are tax deferred while invested and tax-free when distributed for qualified higher education expenses. Qualified expenses are defined in federal law and include tuition and fees plus room and board if the student attends at least half-time and books, supplies, and equipment required for enrollment.

Minnesota's Plan provides a state-funded matching grant to account beneficiaries from low- and middle-income Minnesota families. The matching grant is available to Minnesota resident account beneficiaries whose parent files a Minnesota individual income tax return with federal adjusted gross income of \$80,000 or less. If the beneficiary's family income is \$50,000 or less, 15% of the contribution can be matched, up to a total of \$400 annually. If the beneficiary's family income is between \$50,000 and \$80,000, 10% of the contribution can be matched up to a total of \$400 annually.

Account owners can contribute up to \$235,000 and funds can be used at campuses throughout the United States. The Office of Higher Education and the Minnesota State Board of Investment have contracted with TIAA-CREF Tuition Financing Inc. to administer the plan.

Tuition reciprocity agreements are negotiated and administered by the Minnesota Office of Higher Education. The agreements remove tuition and admissions barriers for Minnesota residents interested in attending public postsecondary institutions in Wisconsin, South Dakota, North Dakota and Manitoba. There were 27,000 Minnesota students attended colleges and universities in neighboring states at reduced prices in FY 2007. The agreements, each of which is structured differently, include a calculation that can result in interstate payments based upon enrollment and the cost of instruction. The interstate payment mechanism ensures that neither state bears a disproportionate share of the burden of educating the other state's residents. In December 2007 Wisconsin paid Minnesota \$10.0 million and there was no payment to North Dakota. In 2008 Wisconsin is projected to pay Minnesota \$10.0 million for 2007-2008 and Minnesota is projected to pay North Dakota \$1.6 million.

Outreach Activity

The **Get Ready/GEAR UP** program provides low-income and under-represented groups the opportunity to learn about and prepare for educational opportunities beyond high school. The Get Ready Program is an early awareness program operated by the agency and funded in part through a federal GEAR UP (Gaining Early Awareness and Readiness for Undergraduate Program) grant that provides low income students at an early age (fourth grade through middle school) and their parents with college and career planning information and academic skill preparation to encourage and prepare them to successfully complete high school and pursue higher education. The two primary goals of the Get Ready/GEAR UP programs are for students to graduate from high school and successfully transition into college. The Get Ready program serves over 4,000 students annually in 11 Title I schools in Minneapolis and St. Paul. Through its outreach efforts, the program provides its resources and support to an additional 17,000 students across the state.

The agency provides **Student and Parent Information** to students and citizens of Minnesota by developing and distributing publications, maintaining several web sites, making presentations and participating in special events. Efforts are designed to encourage postsecondary participation by providing information about college and how to pay for it, especially to low-income families and families of color.

Minnesota's **Intervention for College Attendance Program** is a grant program administered by the Office of Higher Education. The program awards grants on a competitive basis to encourage and support efforts by postsecondary institutions and community agencies to enhance and/or expand pre-college awareness or intervention programs for low-income students. The Intervention for College Attendance Program (ICAP) provided \$660,145 to 23 early intervention programs serving 2,579 low income students in 2008.

The state **Postsecondary Service Learning Program** supports collaborative projects of at least one campus and one community-based organization. In some cases, the community organization manages the program. Each grant-funded project engages students in service activities in local communities. "Service-learning" enhances students' academic experience, promotes career exploration, and builds a commitment to life-long civic engagement and service.

The state **Advising and Counseling for College Program** is designed to provide innovative advising and counseling programs to increase enrollment and success in rigorous high school courses and subsequent attendance and success at postsecondary institutions by Minnesota students.

Federal **Improving Teacher Quality Grants** are awarded to partnerships to conduct professional development in mathematics, science, and social studies to ensure that teachers are highly qualified in their subject matter and appropriate teaching skills. Eligible partnerships must include a teacher preparation division, school of arts and sciences of a higher education institution and a high-need school district.

Populations Served

The Minnesota State Grant Program, the Post Secondary Child Care Program, the Safety Officers Survivors Program, and State Work Study serve Minnesota residents attending Minnesota post secondary institutions. Interstate Tuition Reciprocity serves Minnesota residents attending public institutions in Wisconsin, North Dakota, South Dakota, Iowa Lake Community College, and Manitoba. It also serves students from those states that attend Minnesota public institutions. The Minnesota College Savings program is available to residents and non-residents alike. Outreach Programs target Minnesota residents especially low income populations and those with little or no experience with higher education.

Key Measures

The Minnesota State Grant Program and Safety Officers Survivors Program reduce the cost of postsecondary education by awarding funds that do not have to be repaid. The State Work Study program pays part of the wages for low-income students while they work at an eligible job, thus making it easier for them to find a job while in college. Income from work study also is not counted when calculating the student contribution for Federal Financial Aid. The Post Secondary Child Care Program helps students pay for childcare while they attend college.

The College Savings Plan encourages saving by reducing tax barriers to saving for college. Interstate Tuition Reciprocity reduces cost barriers for students who want to attend a public college in a partner reciprocity state. The Outreach Programs and Activities help students plan both financially and academically for college.

Outreach Activity at a Glance

- ◆ Get Ready serves 4,000 students directly in 11 urban schools and reaches another 17,000 through its outreach services.
- ◆ For the 2008-09 biennium, 16 service-learning projects at colleges and community-based organizations have been awarded state grants ranging from \$8,500 to \$23,000.
- ◆ For the 2008-2009 biennium, the Advising and Counseling for College Program awarded \$1.8 million to 23 school sites to help primarily ninth graders plan and prepare for postsecondary education.
- ◆ A number of ICAP sites supported increased high school graduation rates for under-represented students.
- ◆ For FY 2008, the federal Improving Teacher Quality Program supported 24 projects with grants totaling \$977,518.

Key measures for financial aid:

- ◆ The financial aid division of the Office of Higher Education, handles State Grants, Work Study, Child Care Grants, Safety Officer Survivors' Scholarship, American Indian Scholarship, Achieve Scholarship and the Minnesota GI Bill, and receives an average of 500 phone calls and e-mail inquiries per week from students and parents.
- ◆ Fund requests by institutions are received, evaluated, processed, approved, and funds transferred within 48 hours.
- ◆ State administrative costs for the State Grant program represent 0.32 percent of the cost of the program.
- ◆ 27,000 Minnesota residents participate in tuition reciprocity with Wisconsin, North Dakota, South Dakota and Manitoba.

Key measures for outreach:

- ◆ In an end-of-year evaluation, 95% of Get Ready Program students agreed the program helped them learn ways to pay for college; 95% reported the program helped them learn how much it would cost to attend different types of postsecondary institutions; 98% of participants agreed the program has helped them learn more about potential careers and the educational requirements for those careers; and 85% of the Get Ready parents indicated they gained knowledge about various ways to finance a postsecondary education.
- ◆ The Intervention for College Attendance Program (ICAP) provided \$696,000 to 24 early intervention programs serving 2,933 low income students across the state in 2008.
- ◆ The agency's informational web sites received 1.8 million hits in 2007 and students, parents and educators requested approximately 320,000 publications from the agency on preparing, selecting and paying for college.
- ◆ Twenty-three Minnesota schools were awarded \$1.8 million in grants to enhance counseling in FY 2008.

Budget

The Minnesota State Grant program, State Work Study, the Intervention for College Attendance program, and other financial aid are all funded through the state's general fund. Interstate Tuition Reciprocity receives a general fund appropriation.

The Minnesota College Savings Plan is funded through fees on accounts and an allocation from the general fund for matching grants.

The Get Ready program leverages state funds with federal GEAR UP grant funds.

The student and parent information activities are funded through the general fund.

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OFFICE OF HIGHER EDUCATION

Program: STUDENT FINANCIAL AID-OUTREACH

Program Summary

Dollars in Thousands					
	Current		Governor Recomm.		Biennium
	FY2008	FY2009	FY2010	FY2011	2010-11
<u>Direct Appropriations by Fund</u>					
General					
Current Appropriation	176,601	175,301	175,301	175,301	350,602
Technical Adjustments					
Biennial Appropriations			400	400	800
Current Law Base Change			3,620	3,620	7,240
Subtotal - Forecast Base	176,601	175,301	179,321	179,321	358,642
Governor's Recommendations					
Interstate Reciprocity		0	1,000	1,400	2,400
Other Program Reductions		0	(2,059)	(2,059)	(4,118)
Achieve		0	(5,450)	(5,050)	(10,500)
Total	176,601	175,301	172,812	173,612	346,424
<u>Expenditures by Fund</u>					
Direct Appropriations					
General	175,178	178,550	172,447	173,247	345,694
Statutory Appropriations					
General	33	0	0	0	0
Miscellaneous Special Revenue	247	111	31	31	62
Federal	4,128	4,490	4,490	3,755	8,245
Total	179,586	183,151	176,968	177,033	354,001
<u>Expenditures by Category</u>					
Total Compensation	1,767	2,094	2,060	2,043	4,103
Other Operating Expenses	1,846	2,076	1,378	660	2,038
Payments To Individuals	173,133	178,161	179,053	179,853	358,906
Local Assistance	2,827	800	57	57	114
Other Financial Transactions	13	20	20	20	40
Transfers	0	0	(5,600)	(5,600)	(11,200)
Total	179,586	183,151	176,968	177,033	354,001
<u>Expenditures by Activity</u>					
State Grants	161,348	163,048	157,354	157,754	315,108
Mn College Savings Program	368	652	700	700	1,400
Interstate Tuition Reciprocity	1,325	2,425	2,750	3,150	5,900
State Work Study	12,397	12,491	11,822	11,822	23,644
Outreach Programs	3,710	4,065	3,872	3,137	7,009
Student Financial Aid Services	438	470	470	470	940
Total	179,586	183,151	176,968	177,033	354,001
Full-Time Equivalents (FTE)	29.5	30.1	30.1	30.1	

Program Description

The Office of Higher Education administers the SELF Loan program and the Graduated Repayment Income Protection program. These loan programs assist undergraduate and graduate students in financing their educational expenses.

The SELF Loan program provides an additional source of long-term, low interest funding to Minnesota residents attending postsecondary education institutions both in and outside Minnesota and non-residents attending Minnesota institutions. Minnesota Statute 136A.1701 authorizes the creation of such supplemental loan programs.

The SELF Loan program provides funding to students at a competitive interest rate and without charging origination and guarantee fees. The program requires a credit-worthy co-signer and payment of interest while the borrower is in school. The Office of Higher Education uses various collection tools to collect on defaulted SELF Loans.

The activities provided under this program ensure fiscal integrity, efficient and effective use of resources through the use of continued process improvement methodologies including measurements and analysis. Agency staff uses technology to provide enhanced services to the public.

Activities

The **SELF Loan** program serves undergraduate and graduate students. Minnesota residents attending in Minnesota institutions or at one of more than 220 out-of-state institutions that have contracts with the program are eligible to borrow. Also, non-resident students attending eligible Minnesota institutions are eligible to borrow from this program. The SELF Loan program serves an estimated 28,000 students with \$140 million in disbursements annually.

The **Graduated Repayment Income Protection** program no longer lends funds to students. GRIP participants are graduates of Minnesota schools in dentistry, medicine, pharmacy, veterinary medicine, public health, and chiropractic medicine and Minnesota residents graduating from osteopathy programs. The GRIP Loan was discontinued in 1995 for new participants. The only activity is managing repayments from borrowers. The GRIP program has 26 borrowers in repayment. GRIP repayment should be completed by 2015. Repayments to the GRIP are deposited in the Loan Capital Fund.

Populations Served

The SELF Loan program serves undergraduate and graduate students who are either attending an eligible postsecondary institution in Minnesota or are Minnesota residents attending an eligible school in another state.

Key Measures

- ◆ The agency will continue to monitor and oversee the repayment process for these loan programs in a cost effective manner.
- ◆ The average processing time for a SELF Loan is 1-3 days.
- ◆ The cumulative SELF default rate is less than 2%.

Program at a Glance

- ◆ SELF Loan program serves approximately 28,300 students and lends \$140 million dollars of aid each year.
- ◆ Since 1985, the Office of Higher Education has made more than 300,000 SELF loans totaling over \$1.2 billion to students.
- ◆ The Office of Higher Education collected over \$6.3 million from SELF defaulters in FY 2008.
- ◆ 107,000 SELF borrowers continue to be served until their outstanding loans, totaling \$691 million are paid off.
- ◆ The Graduated Repayment Income Protection (GRIP) Program has just 26 borrowers in repayment.

Budget

There are no general fund appropriations for the SELF Loan program. Operating expenses are financed from bonds, loan repayments and investment income.

The SELF Loan program is funded through repayments of existing SELF Loans and through \$265.9 million of tax exempt bonds and \$261.1 million of taxable bonds outstanding. These revenues finance additional SELF Loans, pay interest on the bonds, and cover program operating costs including loan servicing. The Office of Higher Education is limited to a maximum of \$950 million in outstanding bonds. Tax-exempt bonds can be issued for student loans under Section 144(b)(1)(B) of the Internal Revenue Code of 1986, as amended.

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OFFICE OF HIGHER EDUCATION
Program: STATE STUDENT LOANS

Program Summary

<i>Dollars in Thousands</i>					
	Current		Governor Recomm.		Biennium
	FY2008	FY2009	FY2010	FY2011	2010-11
<u>Expenditures by Fund</u>					
Statutory Appropriations					
Office Of Higher Education	156,657	167,006	167,006	167,006	334,012
Total	156,657	167,006	167,006	167,006	334,012
<u>Expenditures by Category</u>					
Total Compensation	413	535	535	535	1,070
Other Operating Expenses	15,668	16,463	16,463	16,463	32,926
Other Financial Transactions	140,576	150,008	150,008	150,008	300,016
Total	156,657	167,006	167,006	167,006	334,012
<u>Expenditures by Activity</u>					
State Supplemental Loans	156,652	166,996	166,996	166,996	333,992
Other Loan Programs	5	10	10	10	20
Total	156,657	167,006	167,006	167,006	334,012
Full-Time Equivalents (FTE)	8.3	8.7	8.7	8.7	

Program Description

The Office of Higher Education's fiscal policy and research services support student and state interests in high quality, well-managed and financially accessible higher education opportunities.

This program comprises:

- ◆ data collection and reporting on higher education
- ◆ analysis of state student financial aid programs and other student financing issues
- ◆ consumer protection services that require private and out-of-state institutions to meet state standards

Activity at a Glance

- ◆ About 73 private career training providers are licensed to operate in Minnesota.
- ◆ About 70 private degree granting institutions are registered to operate in Minnesota.
- ◆ Enrollment records of 397,000 students attending nearly 200 institutions were reported in fall 2007.
- ◆ Research and analyses are available on the agency web site.

Activities

Research Services. Research services enable the state to identify trends and conditions in postsecondary education. Individual institutions maintain information on their own activities while data collection and analyses at the agency cover both public and private institutions for a more complete statewide picture.

The agency publishes an accountability report annually on higher education in the state. The report presents measures for a number of indicators organized under five state goals. The five state goals are:

- ◆ Improve success of all students, particularly students from groups under-represented in higher education.
- ◆ Create a responsive system that produces graduates at all levels who meet the demands of the economy.
- ◆ Increase student learning and improve skill levels of students so they can compete effectively in the global market place.
- ◆ Contribute to the development of a state economy that is competitive in the global market through research, workforce training, and other appropriate means.
- ◆ Provide access, affordability, and choice for all students.

Student Data. Databases are maintained for enrollment, degrees and other awards conferred by Minnesota institutions. The agency publishes both standard enrollment reports and special financial aid analyses. Staff also use federal and other sources of information to provide answers to questions about Minnesota higher education. Most information of general interest is posted on the agency web site which is becoming the primary way many users first look for data. Topics include financial aid, student enrollment and demographics.

Financial Data. Research on student financing includes a biennial survey of undergraduate financial aid at Minnesota institutions, and reporting on state financial aid programs for budgetary and policy purposes.

Consumer Protection. Statutes require the agency to set minimum standards for private and out-of-state institutions that offer programs in Minnesota.

The Minnesota Private Institution Registration Act (Minnesota Statute 136A.61-136A.71) provides quality control and consumer protection for private and out-of-state postsecondary institutions offering associate degree and higher educational programs within the state. Licensing of private schools (Minnesota Statute Chapter 141) provides quality control and consumer protection for private, career training providers offering programs below the associate degree level.

Standards address the quality of faculty, facilities and other program resources, financial stability, advertising and promotion, and protection for students if an institution does not maintain the program as promised or ceases operations. State oversight protects prospective students from schools that collect tuition money fraudulently, "diploma mills" that sell degrees without offering legitimate programs, and schools that lack sufficient expertise or financial resources to develop and maintain adequate postsecondary programs.

Population Served

Fiscal Policy and Research serves students, institutions and policy makers seeking information on financial aid, enrollments and trends for use in policy-making and program improvement.

Consumer protection serves consumers of higher education and private institutions within the higher education sector.

Key Measures

- ◆ Regular reports are issued to policy-makers and the public on financial aid programs, college financing, participation and enrollment trends.
- ◆ Reports required in statute are produced and delivered on time.
- ◆ Projections reports are delivered on schedule.
- ◆ Public input is gathered regularly on the Office of Higher Education's programs and initiatives.
- ◆ About 50 private, nonprofit and out-of-state postsecondary institutions are approved to offer degree programs in Minnesota; 27 other postsecondary providers are registered to offer non-degree programs or to have their name approved.
- ◆ Higher education accountability report produced first in 2006 and updated annually.

Budget

Research services are funded through general agency appropriations. Consumer protection services are funded by licensing fees paid by non-public higher education institutions.

OFFICE OF HIGHER EDUCATION

Program: FISCAL POLICY & RESEARCH

Program Summary

<i>Dollars in Thousands</i>					
	Current		Governor Recomm.		Biennium
	FY2008	FY2009	FY2010	FY2011	2010-11
<u>Direct Appropriations by Fund</u>					
General					
Current Appropriation	1,611	1,502	1,502	1,502	3,004
Technical Adjustments					
Current Law Base Change			17	36	53
Subtotal - Forecast Base	1,611	1,502	1,519	1,538	3,057
Governor's Recommendations					
Other Program Reductions		0	(69)	(69)	(138)
Agency Administration Reduction		0	(219)	(219)	(438)
Total	1,611	1,502	1,231	1,250	2,481
<u>Expenditures by Fund</u>					
Direct Appropriations					
General	2,023	1,911	1,596	1,615	3,211
Miscellaneous Special Revenue	1,188	0	0	0	0
Statutory Appropriations					
Miscellaneous Special Revenue	317	345	304	312	616
Federal	998	985	985	985	1,970
Office Of Higher Education	93	96	96	96	192
Total	4,619	3,337	2,981	3,008	5,989
<u>Expenditures by Category</u>					
Total Compensation	1,084	1,134	922	929	1,851
Other Operating Expenses	376	488	436	437	873
Payments To Individuals	4	0	0	0	0
Local Assistance	3,155	1,715	1,623	1,642	3,265
Total	4,619	3,337	2,981	3,008	5,989
<u>Expenditures by Activity</u>					
Accountability	219	275	165	165	330
Fiscal Policy & Research	1,053	1,158	1,054	1,062	2,116
Miscellaneous Grant Programs	2,159	1,904	1,762	1,781	3,543
Rochester University	1,188	0	0	0	0
Total	4,619	3,337	2,981	3,008	5,989
Full-Time Equivalents (FTE)	13.0	13.0	13.0	13.0	

Program Description

The Minnesota Office of Higher Education's library and technology programs provide statewide support functions to assist libraries and postsecondary institutions in providing Minnesotans with efficient access to library materials, distance education, and other learning resources.

Activities

- ◆ MINITEX
- ◆ MnLINK Gateway
- ◆ Learning Network of Minnesota

MINITEX. The mission of the MINITEX library system is to enhance the effectiveness and efficiency of libraries by expanding their access to information resources for their users. MINITEX provides a statewide courier delivery system; the Electronic Library for Minnesota; group licenses for scholarly resources for Minnesota academic libraries; a database of serial titles (journals, magazines) held by libraries in the MINITEX region; and a common database of books held by libraries worldwide. MnLINK and the Minnesota Digital Library are also part of MINITEX's service program.

MnLINK. MnLINK is a statewide virtual library that provides Web-based access to Minnesota library catalogs and state-licensed electronic resources. MnLINK widens access to library resources for all Minnesota residents by drawing upon the combined collections of Minnesota libraries.

Through the MnLINK Gateway (www.mnlink.org), Minnesota residents can search catalogs of academic, government, public and school libraries and request materials for distribution through the MINITEX delivery system. MnLINK integrated library system is in place in the public academic libraries of the University of Minnesota and MnSCU, along with state government and private college libraries. The Integrated Library System increases the efficiency of library operations, training, and enhances support for statewide resource sharing.

Learning Network. The Learning Network of Minnesota provides Internet, data, video and voice services to support academic programs and administrative services at the state's higher education institutions and K-12 schools. The Learning Network is fully integrated with the University of Minnesota and the Minnesota State Colleges and Universities' wide area networks, and all are part of the statewide network operated by the Office of Enterprise Technology. This collaboration is guided by the policy document *Learning Network Blueprint for Higher Education* (www.ohe.state.mn.us/pdf/blueprint.pdf).

The higher education portion of the Learning Network is comprised of six regional networks, each of which serves its member institutions with a range of educational technologies to enhance the delivery of programs and services between members and with other postsecondary institutions in the state. Public higher education institutions rely on the Learning Network for academic programs and administrative services.

These services include:

- ◆ Infrastructure to access Internet2 (partnership of higher education, industry and government to develop and deploy advanced network applications and technologies). As a full Internet2 member, the University of Minnesota sponsors access by all other higher education institutions and interested K-12 schools.
- ◆ Network applications such as Web-based course support, desktop video, administrative support and voice services.
- ◆ Connections to private higher education institutions, school districts, libraries, business and industry sites, correctional institutions, courthouses and medical facilities.

MINITEX Activity at a Glance

- ◆ More than one million books, articles, and non-print materials delivered to Minnesota libraries for residents.
- ◆ Over 1,600 Minnesota libraries of all types participate.

MnLINK Activity at a Glance

- ◆ The MnLINK Gateway allows library patrons to search multiple library catalogs with over 33 million volumes owned by 485 libraries; plus it provides access to on-line electronic resources.
- ◆ Patrons and library staff placed over 517,000 interlibrary loan requests via the MnLINK Gateway.

Learning Network Activity at a Glance

- ◆ The higher education portion of the Learning Network is fully integrated with the University of Minnesota and MnSCU's wide area networks.

- ◆ Value-added services such as faculty training, web conferencing, streaming media storage and distribution, and voice over IP support that have resulted in significant cost savings for many campuses.
- ◆ Network cost savings for the state and higher education institutions. The Learning Network aggregates purchases to take advantage of economies of scale.
- ◆ Support for joint degree programs between University of Minnesota and MnSCU campuses.
- ◆ Instructional cost savings. Community and technical college campuses, for example, can use video to share faculty and pool students in common sections.
- ◆ Technology to help institutions meet staffing needs. Colleges are hiring adjunct faculty who teach from their home communities via video.

Populations Served

Library and Technology programs serve Minnesota K-12 schools and public and private colleges and universities' students, libraries and their patrons across Minnesota and in North and South Dakota.

Key Measures

MINITEX:

- ◆ More than 11 million uses of licensed electronic resources through the Electronic Library for Minnesota. The cost for licensing ELM resources in FY 2008 was \$0.37 per Minnesota resident.
- ◆ More than 397,000 requests processed by MINITEX in FY 2007 with over 284,000 items filled.
- ◆ Minnesota Digital Library had 180,585 visitors viewing 1,864,300 pages in FY 2008.

MnLINK:

- ◆ Over 349,000 loans and copies were delivered to library patrons in FY 2008.

Learning Network of Minnesota:

- ◆ Demand for bandwidth at public postsecondary institutions in Minnesota grows significantly each year.

Budget

The entire MINITEX appropriation is for contracted services provided by MINITEX at the University of Minnesota. Additional revenue is generated from contracts for collaboration with the Minnesota Department of Education, the North Dakota State Library, and the South Dakota State Library. These funds are passed directly to MINITEX at the University of Minnesota. In Minnesota, MINITEX collaborates with academic, public, school, and state government libraries in order to share resources.

State funds are provided in an annual appropriation for the ongoing coordination and operation of the MnLINK gateway.

The Learning Network receives a biennial state appropriation to the Office of Higher Education. The agency disburses the funding to the six regional networks through a grant process.

OFFICE OF HIGHER EDUCATION

Program: LIBRARIES AND TECHNOLOGY

Program Summary

Dollars in Thousands					
	Current		Governor Recomm.		Biennium
	FY2008	FY2009	FY2010	FY2011	2010-11
<u>Direct Appropriations by Fund</u>					
General					
Current Appropriation	10,831	10,831	10,831	10,831	21,662
Subtotal - Forecast Base	10,831	10,831	10,831	10,831	21,662
Governor's Recommendations					
Other Program Reductions		0	(1,083)	(1,083)	(2,166)
Total	10,831	10,831	9,748	9,748	19,496
<u>Expenditures by Fund</u>					
Direct Appropriations					
General	10,828	10,834	9,748	9,748	19,496
Total	10,828	10,834	9,748	9,748	19,496
<u>Expenditures by Category</u>					
Other Operating Expenses	188	200	160	160	320
Local Assistance	10,640	10,634	9,588	9,588	19,176
Total	10,828	10,834	9,748	9,748	19,496
<u>Expenditures by Activity</u>					
Minitex Library System	5,631	5,631	5,068	5,068	10,136
Mn Link Implementation	397	403	360	360	720
Learning Network Of Minn	4,800	4,800	4,320	4,320	8,640
Total	10,828	10,834	9,748	9,748	19,496

Program Description

The Minnesota Office of Higher Education administrative services provide overall management, leadership and administrative support for the Office of Higher Education. Areas include the director's office, financial management and fiscal services, communications and outreach, legislative relations, information management, human resources and auditing.

Services Provided

This area provides administrative support of information and technology, financial management, internal office services, communications and human resources to assist all agency managers and staff in the effective implementation and efficient administration of their programs and activities. General responsibilities include:

- ◆ Provide overall higher education leadership for the state of Minnesota
- ◆ Provide overall leadership, direction, and supervision to approximately 70 full time equivalent staff
- ◆ Guide, support and facilitate the work of the Office of Higher Education
- ◆ Advocate and communicate the agency's services, programs, information and resources to constituents.

Activities

Distinct work units provide key services pertaining to agency administration:

Director's Office The agency director serves as a member of the governor's cabinet and advises the governor on higher education policy. The director's office oversees all the programs offered by the agency and presents statewide data collected by the agency. The director also represents the agency in a variety of policy forums with lawmakers, national organizations and state leaders relating to education.

Financial Services provides services including: accounting, auditing, budgeting, management of agency biennial budget narratives, fiscal oversight for agency contracts, financial analysis and reporting, agency administrative policies and procedures, purchasing, travel management, disbursement, receipt of funds and repayment processes for several programs and provision of agency receptionist services.

Human Resources provides all aspects of human resource management such as hiring, retention, termination, compensation, training, affirmative action, Americans with Disabilities Act compliance, insurance and workers compensation processing; creation/oversight of contracting process to ensure compliance with all state contract regulations and requirements; and application of continuous quality improvement to all agency services.

Information and Technology provides services including: analysis, design, programming, and maintenance of computer applications for student financial aid programs and administrative support; database administration; agency web site and intranet; minicomputer system management; agency network infrastructure; technical support and maintenance for personal computers and servers.

Communications, Outreach and Legislative Relations identifies, develops, maintains and distributes information, data and resources to groups most likely to need information about the agency's programs.

Key Measures

- ◆ Financial activities of the agency comply with the Department of Finance policies and procedures and generally accepted accounting principles.
- ◆ Payroll is completed accurately and within the scheduled time allotments.
- ◆ Audits are conducted for postsecondary institutions licensed or registered by the Minnesota Office of Higher Education.
- ◆ Computer systems meet agency and Minnesota resident needs.
- ◆ Publications and Web site meet Minnesota resident needs.

OFFICE OF HIGHER EDUCATION

Program: AGENCY ADMINISTRATION

Narrative

Population Served

Postsecondary institutions (both in-state and out-of-state), postsecondary students, agency staff and programs, contracted vendors, media, legislators, the Department of Finance, and the Governor's Office.

Budget

Revenue Sources: The Office of Higher Education administration services are funded by dedicated revenue, general fund appropriations, federal revenue and SELF Loan revenue.

OFFICE OF HIGHER EDUCATION

Program: AGENCY/LOAN ADMINISTRATION

Program Summary

<i>Dollars in Thousands</i>					
	Current		Governor Recomm.		Biennium
	FY2008	FY2009	FY2010	FY2011	2010-11
<u>Direct Appropriations by Fund</u>					
General					
Current Appropriation	1,445	1,239	1,239	1,239	2,478
Technical Adjustments					
Pt Contract Base Reduction			(2)	(2)	(4)
Subtotal - Forecast Base	1,445	1,239	1,237	1,237	2,474
Governor's Recommendations					
Other Program Reductions		0	(5)	(5)	(10)
Agency Administration Reduction		0	(47)	(47)	(94)
Total	1,445	1,239	1,185	1,185	2,370
<u>Expenditures by Fund</u>					
Direct Appropriations					
General	1,177	1,442	1,185	1,185	2,370
Statutory Appropriations					
General	50	0	0	0	0
Miscellaneous Special Revenue	93	215	219	219	438
Office Of Higher Education	930	1,286	1,286	1,286	2,572
Total	2,250	2,943	2,690	2,690	5,380
<u>Expenditures by Category</u>					
Total Compensation	1,508	1,755	1,708	1,708	3,416
Other Operating Expenses	742	1,188	982	982	1,964
Total	2,250	2,943	2,690	2,690	5,380
<u>Expenditures by Activity</u>					
Agency Management	611	671	671	671	1,342
Agency Admin Services	1,639	2,272	2,019	2,019	4,038
Total	2,250	2,943	2,690	2,690	5,380
Full-Time Equivalents (FTE)	19.5	18.5	18.5	18.5	

OFFICE OF HIGHER EDUCATION

Agency Revenue Summary

Dollars in Thousands

	Actual FY2008	Budgeted FY2009	Governor's Recomm. FY2010 FY2011		Biennium 2010-11
<u>Non Dedicated Revenue:</u>					
Other Revenues:					
General	10,818	10,377	8,490	7,390	15,880
Total Non-Dedicated Receipts	10,818	10,377	8,490	7,390	15,880
<u>Dedicated Receipts:</u>					
Departmental Earnings:					
Miscellaneous Special Revenue	213	225	225	225	450
Grants:					
Miscellaneous Special Revenue	289	91	51	31	82
Federal	5,113	5,455	5,455	4,720	10,175
Other Revenues:					
Miscellaneous Special Revenue	255	226	227	227	454
Federal	2	10	10	10	20
Office Of Higher Education	126,911	74,696	148,458	148,458	296,916
Other Sources:					
Federal	11	10	10	10	20
Office Of Higher Education	15,300	20,100	20,100	20,100	40,200
Total Dedicated Receipts	148,094	100,813	174,536	173,781	348,317
Agency Total Revenue	158,912	111,190	183,026	181,171	364,197

Federal Funds Summary

Federal Program (\$ in Thousands)	Related SFY 2008 Spending	Primary Purpose	SFY 2008 Revenues	SFY 2009 Revenues	Estimated SFY 2010 Revenues	Estimated SFY 2011 Revenues
LEAP/SLEAP	\$1,265	GI	\$1,265	\$1,235	\$1,235	\$1,235
GEAR UP	\$2,850	SO	\$2,850	\$2,500	\$2,500	\$2,500
Eisenhower Grants	\$998	GCBO	998	\$985	\$985	\$985
Paul Douglas Repayments	\$ 13	SO	\$13	\$20	\$20	\$20
College Access Grant		SO		\$735	\$735	
Agency Total	\$5,126		\$5,126	\$5,475	\$5,475	\$4,740

Key:

Primary Purpose

SO = State Operations

GPS = Grants to Political Subdivision

GI = Grants to Individuals

GCBO = Grants to Community Based Organizations

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↻ Designates that this item is a change item	

Agency Purpose

This independent agency was created in 1987 in part as an outcome of the federal Welsch Consent Decree to promote the highest attainable standards for treatment, competence, efficiency, and justice for persons receiving care and treatment for mental illness, developmental disabilities, chemical dependency, and emotional disturbance from a Minnesota agency, facility, or program (M.S. 245.95, subd. 2).

The agency's vision is to bring about change that improves the effectiveness and efficiency of the service delivery system, while ensuring that some of Minnesota's most vulnerable persons are protected.

Core Functions

- ◆ Review identified serious injuries and deaths of consumers residing in or receiving services from licensed facilities, agencies, or programs.
- ◆ Intervene to resolve disputes through education, facilitation, and advocacy tools.
- ◆ Assist consumers to obtain the highest attainable quality of care to meet their needs.
- ◆ Recommend to elected officials, government agencies, and service providers ways to improve services to consumers.
- ◆ Identify systemic issues that affect the adequacy and quality of services delivered to consumers.
- ◆ Conduct training seminars and provide information to professionals and those involved with or affected by the Civil Commitment Act and other related laws.
- ◆ Team, coordinate, and cooperate with other Minnesota state agencies on individual and systemic cases.

Operations

Client Services Unit

This agency provides a statutorily directed statewide service to adults and children who are receiving treatment or services for mental illness, developmental disabilities, chemical dependency, or emotional disturbance. Secondary receivers of service are family members and persons or entities interested in high quality services for persons with mental disabilities. There are seven regional client services offices, located in: Anoka, Brainerd, Duluth, Fergus Falls, St. Paul, St. Peter, and Willmar. Regional office staff is the backbone in delivering services, including:

- ◆ neutral fact finding reviews, coupled with facilitation, education and problem resolution;
- ◆ assertive advocacy when required;
- ◆ reviewing and reporting on broader issues impacting service delivery and quality;
- ◆ civil commitment information and training system wide, and;
- ◆ information, education, self-advocacy assistance, and referral.

Medical Review Unit

This agency has a statutory responsibility to review deaths and serious injuries of clients in any Minnesota state licensed facility, agency, or program providing services to the agency's client population. This review process includes:

- ◆ reviewing deaths or serious injuries of persons with mental, developmental, or chemical disabilities who were or are receiving services;
- ◆ providing direct feedback to agencies, facilities, or programs on how service delivery can be improved, and;
- ◆ alerting and educating providers of service (via web-based list service) of potential problems or dangers and recommending improvements in service delivery.

At A Glance

Recent agency actions include:

- ◆ Providing service in almost two thousand death and serious injuries reviews and thousands more client reviews, assistance, and information requests.
- ◆ Continuation of a suicide education and outreach program as part of the medical review process.
- ◆ Updating a web-based list service to provide information on medical alerts and related information and increasing agency web site links and information.
- ◆ Providing education and training on civil commitment and related issues to professionals statewide, as well as consultation with North and South Dakota providers regarding inter-state compacts.

Key Goals

- ◆ Work with the service delivery system to achieve the highest attainable standards of treatment and respect for persons in Minnesota receiving services for mental and developmental disabilities, chemical dependency and emotional disturbance.
- ◆ Address unmet needs in the service delivery system relating to civil commitment.

These goals are directly related to the ombudsman's statutorily directed mission, under M.S. 245.95.

Key Measures

- ◆ **Number of client contacts:** This represents the number of contacts the agency receives gauging the demand for the services provided. Contacts range from requests for basic information to complex inquiries reaching across multiple service systems. Responses are prioritized to address situations with the greatest need.

Fiscal Year	Total
2007	3,393
2008	3,803

- ◆ **Death and serious injury reports:** Whenever a death or serious injury occurs, providers are required to notify the agency. While a large percentage of these are not preventable, the agency seeks to reduce the preventable incidents and improve the quality of care provided through education and training activities.

Fiscal Year	Serious Injuries	Deaths
2007	1,254	552
2008	1,362	612

- ◆ **Civil commitment training provided:** The Civil Commitment Training and Resource Center (CCTRC) continues to provide training to a wide variety of professionals. In addition, the CCTRC has expanded to include agency staff on several issues, including the transport of those on hold orders; handling commitments; border state service challenges, and how managed care organizations prepare for providing case management for committed persons.

Fiscal Year	Training Sessions Provided	Professionals Trained
2007	14	642
2008	11	530

One of the purposes of these activities is to ensure the civil commitment process is utilized appropriately, to avoid unnecessary and costly usage. The agency cannot measure how many civil commitments, lawsuits or injuries have been prevented as a result of our efforts, but we will continue the work as a value-added effort to improve the mental, developmental, and chemical health systems.

Budget

- ◆ 100% of agency budget is from the general fund
- ◆ 88% of the agency's budget is for staffing 16 full-time employees and four part-time employees
- ◆ 12% of the agency's budget is for other operating expenses
- ◆ Agency operations generate \$300,000 per year in federal Medicaid reimbursement to the general fund

Contact

Office of the Ombudsman for Mental Health and Developmental Disabilities
121 7th Place East, Suite 420
Saint Paul, Minnesota 55101-2117
Phone: (651) 757-1800
Toll Free: (800) 657-3506

Agency website: <http://www.ombudmhdd.state.mn.us>

For additional information please contact:
Paul Doyle, Director of Policy and Administration
Phone: (651) 757-1809
Email: paul.doyle@state.mn.us.

<i>Dollars in Thousands</i>					
	Current		Governor Recomm.		Biennium
	FY2008	FY2009	FY2010	FY2011	2010-11
<u>Direct Appropriations by Fund</u>					
General					
Current Appropriation	1,584	1,655	1,655	1,655	3,310
Recommended	1,584	1,655	1,580	1,580	3,160
Change		0	(75)	(75)	(150)
% Biennial Change from 2008-09					-2.4%
<u>Expenditures by Fund</u>					
Direct Appropriations					
General	1,495	1,744	1,580	1,580	3,160
Miscellaneous Special Revenue	3	0	0	0	0
Total	1,498	1,744	1,580	1,580	3,160
<u>Expenditures by Category</u>					
Total Compensation	1,339	1,521	1,428	1,450	2,878
Other Operating Expenses	159	223	152	130	282
Total	1,498	1,744	1,580	1,580	3,160
<u>Expenditures by Program</u>					
Ombudsman For Mh & Mr	1,498	1,744	1,580	1,580	3,160
Total	1,498	1,744	1,580	1,580	3,160
Full-Time Equivalents (FTE)	17.2	17.2	16.5	16.5	

<i>Dollars in Thousands</i>				
	FY2009	Governor's Recomm.		Biennium
		FY2010	FY2011	2010-11
Fund: GENERAL				
FY 2009 Appropriations	1,655	1,655	1,655	3,310
Subtotal - Forecast Base	1,655	1,655	1,655	3,310
Change Items				
Operating Budget Reduction	0	(75)	(75)	(150)
Total Governor's Recommendations	1,655	1,580	1,580	3,160

OMBUD FOR MENTAL HEALTH & DD

Change Item: Operating Budget Reduction

Fiscal Impact (\$000s)	FY 2010	FY 2011	FY 2012	FY 2013
General Fund				
Expenditures	\$(75)	\$(75)	\$(75)	\$(75)
Revenues	0	0	0	0
Net Fiscal Impact	\$(75)	\$(75)	\$(75)	\$(75)

Recommendation

The Governor recommends a reduction of \$75,000 each year in FY 2010 and FY 2011 from the general fund budget of the Ombudsman for Mental Health and Developmental Disabilities.

Background

The recommended reduction will be taken from the following areas of the agency operating budget:

- ◆ Salaries and Compensation
- ◆ Travel

Approximately 95% of the agency's budget is for static costs (compensation, rent, and communications). Staff reductions will result in fewer deaths receiving a full review, a reduction in provision of consultations for system improvement; and fewer instances of personal interaction with vulnerable clients. Work will be redistributed so the agency continues to meet its statutory mandated services. There will also be a priority placed on functions used by the Department of Human Services to recapture additional federal financial participation (FFP) to the general fund.

Relationship to Base Budget

One hundred percent of the agency's funding comes from the general fund. This reduction reflects a 5% reduction to the agency's general fund budget in FY 2010-11.

Key Goals and Measures

This change item may affect the following agency goals and performance measures:

- ◆ Number of client contacts: This represents the number of contacts the agency receives gauging the demand for the services provided.
- ◆ Civil commitment training provided: The agency's Civil Commitment Training and Resource Center (CCTRC) continues to provide training to a wide variety of professionals.

The budget submitted for the ombudsman seeks to safeguard core activities and reduce administrative overhead. The resulting budget will focus on new ways to operate the department's core functions.

Alternatives Considered

None.

Statutory Change: Not Applicable.

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Agency Purpose

The Office of Ombudsperson for Families is authorized by M.S. 257.0755 and was created in 1991 to investigate decisions, acts, and other matters of agencies, programs, or facilities providing protection or placement services to children of color. Statute requires the agency to operate independently, but to collaborate with the Indian Affairs Council, the Chicano-Latino Affairs Council, the Council on Black Minnesotans, and the Council on Asian-Pacific Minnesotans. The applicable community specific board (hereinafter, board) selects the ombudsperson for each community. Each ombudsperson serves in unclassified service at the pleasure of the board. Each board consists of five members appointed by the chair of that specific community council. The board members are required to meet four times a year to advise the ombudspersons on overall policies.

Core Functions

The agency's primary duty is to ensure that all laws governing the protection of children and their families are implemented in a culturally appropriate manner, and that decision-making processes are in compliance with the laws that protect children of color in the state of Minnesota. Each ombudsperson has the authority to investigate individual occurrences and issue reports to highlight where problems exist.

Additional duties of the agency include working with local and state courts, policy makers, and service providers to promote integrated systems to ensure family reunification, stability, security, and permanency. This agency reaffirms the state's commitment of making and keeping the family whole and enhancing the well being of Minnesota's children. Finally, the agency helps develop policy to support and create culturally competent and bilingual social workers in communities of color throughout Minnesota.

Key Goals

- ◆ **Ensure children and families are protected during all child placement proceedings.** This goal comes from the ombudsperson's mission statement.
- ◆ **Our communities will be safe, friendly and caring.** The ombudsperson office's activities support this goal by helping to ensure quality social services are received for each respective community. This goal is from *Minnesota Milestones*, see: <http://server.admin.state.mn.us/mm/goal.html>.

Key Measures

Through the agency's actions, recommendations; and work with state and county officials, the courts, policymakers and service providers; Minnesota has increased the number of children placed with family members – in relative adoptive and relative foster homes. Best practice standards tell us that the best way to ensure safety and permanency in placement is to try to keep children within their families. While the agency's focus is on children of color, our efforts have helped make significant, positive outcomes for all Minnesota children in foster care.

At A Glance

The chart below shows the disparity in Minnesota of children of color in out of home placements compared to white children.

This disparity is carried over into: the decisions of whose children are placed out of home; the accessibility of services; the quality of services; the urgency in service delivery; the cultural and linguistic considerations, particularly for immigrant and refugee groups; permanency considerations; the monitoring and evaluating case plans and family outcomes; and the lack of culturally competent child welfare workers, to name but a few.

	Total Number of Children in Minnesota	Number and % in Out of Home Placement***	
Black/African American*	64,308	3,071	4.78%
American Indian/Alaska Native*	20,607	1,816	8.81%
Asian/Pacific Islander*	53,831	339	.63%
Hispanic**	55,640	1,237	2.22%
White	1,079,278	7,770	.01%
Race Unknown	24,453	525	2.15%

* This includes children with their race indicated as the only race according to the 2000 census.

** This number includes children of all races who had the ethnicity "Hispanic/Latino/Spanish."

*** Data represents unique count of children in care in 2007 from the Minnesota Department of Human Services report on the distribution of race of children in out-of-home care.

- ◆ Out of home placements compared to total population in Minnesota:

	% of Children in 2000 Minnesota population	% of Children in Out-of-Home Care			
		2001	2003	2005	2007
African American/Black	5.0	19.3	21.4	20.0	20.8
American Indian	1.6	11.2	11.8	11.5	12.3
Asian/Pacific Islander	4.2	2.3	2.3	2.1	2.3
White	83.9	58.3	56.0	56.3	52.5
Unknown race	1.9	1.5	1.8	2.5	3.5
Hispanic*	4.3	5.9	7.0	7.8	8.4

Source: Minnesota Department of Human Services 2007 Child Welfare Report to the 2008 Legislature

- ◆ Out of home placements in relative adoptive and relative foster homes in Minnesota:

	2003		2005		2007	
	# of Children	% of Children	# of Children	% of Children	# of Children	% of Children
Relative Pre-Adoptive Home	229	1.8	434	2.3	445	2.3
Relative Foster Home	3097	16.0	3436	17.9	3,186	16.2

Sources: Minnesota Department of Human Services, Relative Placement Settings for Children in Out of Home Care 2000-2005, Minnesota Department of Human Services 2007 Child Welfare Report to the 2008 Legislature

Budget

- ◆ 73% of agency budget is from the general fund, 27% is from a transfer from the Department of Human Services. These funds are generated by activities performed that qualify for federal financial participation, as specified by M.S. 257.0769
- ◆ 75% of the agency's budget is for staffing; a total of 5.0 FTE's including the four ombudspersons and one full-time clerical staff person
- ◆ 25% of the agency's budget is for operating expenses

Contact

Ombudsperson for Families

1450 Energy Park Drive, Suite 106

Saint Paul, Minnesota 55108

Toll free: (888) 234-4939

Fax: (651) 643-2539

For additional information please contact:

Ann Hill, Ombudsperson for African-American Families (651) 642-0897

Dawn Blanchard, Ombudsperson for American Indian Families (651) 643-2523

Bauz Nengchu, Ombudsperson for Asian-Pacific Families (651) 643-2514

Muriel Gubasta, Ombudsperson for Spanish-Speaking Families (651) 643-2537

Additional information is also available on the agency website:

<http://www.ombudsfamilies.state.mn.us/>

<i>Dollars in Thousands</i>					
	Current		Governor Recomm.		Biennium
	FY2008	FY2009	FY2010	FY2011	2010-11
<u>Direct Appropriations by Fund</u>					
General					
Current Appropriation	255	265	265	265	530
Recommended	255	265	252	251	503
Change		0	(13)	(14)	(27)
% Biennial Change from 2008-09					-3.3%
<u>Expenditures by Fund</u>					
Direct Appropriations					
General	255	265	252	251	503
Statutory Appropriations					
Miscellaneous Special Revenue	155	169	141	118	259
Total	410	434	393	369	762
<u>Expenditures by Category</u>					
Total Compensation	327	343	312	299	611
Other Operating Expenses	83	91	81	70	151
Total	410	434	393	369	762
<u>Expenditures by Program</u>					
Ombudsperson For Families	410	434	393	369	762
Total	410	434	393	369	762
Full-Time Equivalents (FTE)	4.9	5.0	4.4	4.0	

OMBUDSPERSON FOR FAMILIES

Change Summary

<i>Dollars in Thousands</i>				
	FY2009	Governor's Recomm.		Biennium
		FY2010	FY2011	2010-11
<i>Fund: GENERAL</i>				
FY 2009 Appropriations	265	265	265	530
Subtotal - Forecast Base	265	265	265	530
Change Items				
Operating Budget Reduction	0	(13)	(14)	(27)
Total Governor's Recommendations	265	252	251	503
<i>Fund: MISCELLANEOUS SPECIAL REVENUE</i>				
Planned Statutory Spending	169	141	118	259
Total Governor's Recommendations	169	141	118	259

OMBUDSPERSON FOR FAMILIES

Change Item: Operating Budget Reduction

Fiscal Impact (\$000s)	FY 2010	FY 2011	FY 2012	FY 2013
General Fund				
Expenditures	\$(13)	\$(14)	\$(14)	\$(14)
Revenues	0	0	0	0
Net Fiscal Impact	\$(13)	\$(14)	\$(14)	\$(14)

Recommendation

The Governor recommends a reduction of \$13,000 in FY 2010 and \$14,000 in FY 2011 to the general fund budget of the Ombudsperson for Families.

Background

The recommended reduction will be taken from salaries. There should be no reduction in FTE because the office will use special revenue fund carry-forward to mitigate the loss of general fund resources.

Relationship to Base Budget

The recommended reduction represents a 5% reduction of the agency's general fund budget.

Key Goals and Measures

This change item may affect the following agency goals and performance measures:

- ◆ Ensure children and families are protected during all child placement proceedings;
- ◆ Out of home placements compared to total population in Minnesota;
- ◆ Out of home placements in relative adoptive and relative foster homes in Minnesota.
(for additional information on key goals and measures, refer to the Ombudsperson for Families agency profile)

This recommended reduction intends to safeguard core activities and reduce administrative overhead. The agency will manage budget reductions through various service level reductions or eliminations, staffing decreases, and/or operating expense reductions. The resulting budget will focus on new ways to operate the department's core functions.

Alternatives Considered

None.

Statutory Change: Not Applicable

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Agency Purpose

The Minnesota Board of Optometry (Board) was established in 1915 and is mandated by Minnesota Statutes sections 148.52 – 148.62 and Minnesota Rules, chapter 6500 to protect the public through the regulation of optometrists in the state of Minnesota. Regulation is accomplished through initial licensure examination, annual license renewal and required continuing education requirements.

The mission of the Board is:

- ◆ to promote the public's interest in receiving quality optometric health care from competent optometrists;
- ◆ to protect the public by ensuring that all licensed optometrists meet the educational and practical requirements specified in law; and
- ◆ to protect the public by setting standards for quality optometric health care.

Core Functions

The Board fulfills its mission by:

- ◆ reviewing and approving examination standards to insure knowledge of applicants for licensure as optometrists;
- ◆ reviewing of continuing education required to maintain knowledge for the safe practice of optometry;
- ◆ managing complaints alleging violation of Board statutes and rules through initial committee review, thorough investigation and disciplinary conferences with licensees to determine whether legal action against an optometrist is warranted; and
- ◆ providing accurate information about licensure requirements, standards of practice and disciplinary process to the public, licensees and other interested parties.

Operations

- ◆ The board is comprised of seven individuals appointed by the Governor, of which five are licensed optometrists.
- ◆ The Board serves consumers, licensed optometrists, applicants for optometry licensure, other governmental agencies, third party payers and sponsors of continuing education courses. Services are delivered through direct communication (telephone, mail, email, and in-person).
- ◆ There are nineteen approved professional optometric degree programs in the United States, Canada and Puerto Rico. Students seeking career information are provided assistance from the board.
- ◆ The Board's Education Committee reviews national standardized examinations required of applicants for licensure.

Key Goals

- ◆ Maintain excellence in optometry regulation.
- ◆ Increase use of online license renewal by licensees.
- ◆ Implement an online application service in 2009.

Key Measures

- ◆ Public protection – the Board's website offers several services to the public including viewing disciplinary orders, access to information on the complaint process and obtaining forms and information regarding how to file a complaint, and viewing individual licensee disciplinary history.
- ◆ Online services – the Board offers license verification, address and contact information changes, license renewals, and information for licensees.
- ◆ Licenses will be issued to applicants within two days of review by Board at each scheduled board meeting.

At A Glance

Minnesota Board of Optometry Statistics FY 2008 – 2009

Board members: Seven, including five optometrists and two public members, appointed by the Governor.

New licenses issued: 74

Total Licensed: 1,004

Complaints received: 7

Complaints resolved: 8

- ◆ New online service for licensure applications were added this biennium, with a goal of 25% of all applications completed online.
- ◆ Public information – the Board offers a public website, newsletters, presentations, public outreach, brochures, and real people answering the phone during business hours.

Budget

Total direct and indirect expenditures for FY 2008-09 are estimated to be \$265,000, which includes 1.0 FTE employees. Direct expenditures include salaries, rent and other operating expenditures. The Board receives a direct appropriation for these costs. Indirect expenditures include costs of services received by the Attorney General's Office, Health Professional Services Program, and the Administrative Services Unit. The Board is responsible for collecting sufficient revenue to cover both direct and indirect expenditures.

The Board is estimated to collect \$233,000 in FY 2008-09, which is deposited as non-dedicated revenue into the state government special revenue fund. Revenue is collected from fees charged to applicants, licensees, and sponsors of continuing education programs.

Contact

Minnesota Board of Optometry
2829 University Avenue Southeast, Suite 550
Minneapolis, Minnesota 55414

The website at: <http://www.optometryboard.state.mn.us/> gives visitors easy access to useful information.

Email: optometry.board@state.mn.us

Laurie Mickelson, Executive Director
Email: laurie.mickelson@state.mn.us

Phone: (651) 201-2762
Fax: (651) 201-2763
TDD: (612) 297-5353 or 1-800-627-3529

<i>Dollars in Thousands</i>					
	Current		Governor Recomm.		Biennium
	FY2008	FY2009	FY2010	FY2011	2010-11
<u>Direct Appropriations by Fund</u>					
State Government Spec Revenue					
Current Appropriation	98	114	114	114	228
Recommended	98	114	101	101	202
Change		0	(13)	(13)	(26)
% Biennial Change from 2008-09					-4.7%
<u>Expenditures by Fund</u>					
Direct Appropriations					
State Government Spec Revenue	91	121	101	101	202
Open Appropriations					
State Government Spec Revenue	1	5	5	5	10
Total	92	126	106	106	212
<u>Expenditures by Category</u>					
Total Compensation	70	84	73	73	146
Other Operating Expenses	22	42	33	33	66
Total	92	126	106	106	212
<u>Expenditures by Program</u>					
Optometry, Board Of	92	126	106	106	212
Total	92	126	106	106	212
Full-Time Equivalents (FTE)	1.0	1.0	1.0	1.0	

<i>Dollars in Thousands</i>				
	FY2009	Governor's Recomm.		Biennium
		FY2010	FY2011	2010-11
<i>Fund: STATE GOVERNMENT SPEC REVENUE</i>				
FY 2009 Appropriations	114	114	114	228
Technical Adjustments				
One-time Appropriations		(13)	(13)	(26)
Subtotal - Forecast Base	114	101	101	202
Total Governor's Recommendations	114	101	101	202
<i>Fund: STATE GOVERNMENT SPEC REVENUE</i>				
Planned Open Spending	5	5	5	10
Total Governor's Recommendations	5	5	5	10

OPTOMETRY BOARD

Agency Revenue Summary

Dollars in Thousands

	Actual FY2008	Budgeted FY2009	Governor's Recomm. FY2010 FY2011		Biennium 2010-11
<u>Non Dedicated Revenue:</u>					
Departmental Earnings:					
State Government Spec Revenue	120	113	111	111	222
Total Non-Dedicated Receipts	120	113	111	111	222
<u>Dedicated Receipts:</u>					
Total Dedicated Receipts	0	0	0	0	0
Agency Total Revenue	120	113	111	111	222

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Agency Purpose

The mission of the Board of Peace Officer Standards and Training (POST) is to develop, maintain, and enforce selection, education, and licensing standards. Established in 1978 by M.S. 626.84, the purpose of the POST Board is to regulate and enhance the profession of law enforcement throughout the state of Minnesota.

Core Functions

The POST Board's mission is implemented through the following core functions:

- ◆ administer license examinations;
- ◆ license peace officers and part-time peace officers;
- ◆ renew and restore peace officer and part-time peace officer licenses;
- ◆ manage a training reimbursement fund to law enforcement agencies;
- ◆ monitor compliance with standards of conduct;
- ◆ establish and maintain pre-service education curriculum;
- ◆ examine compliance of continuing education requirements; and
- ◆ perform other services as mandated by the legislature.

At A Glance

The Minnesota Board of Peace Officer Standards and Training licenses more than 10,500 peace officers and part-time peace officers. It also certifies 23 two- and four-year post-secondary institutions throughout the state that deliver the Professional Peace Officer Education programs.

Compared to the nation, Minnesota's licensing system is unique, as it requires all peace officers to obtain a post-secondary degree. Also, there is no state-level police training academy as in most other states.

Since 1978, the Minnesota POST Board's standards have been recognized as a model for many other states that have subsequently adopted similar systems.

Operations

The POST Board meets four times yearly to review and set policies regarding minimum selection, education, and licensing standards within the parameters established by legislation. The POST Board licenses over 10,500 peace officers and part-time peace officers. Since the majority of these are employees of police departments and sheriff's offices, the POST Board also works closely with local units of government. As a regulatory agency, the POST Board's licensing system ensures law enforcement officers are well-trained and meet a high level of professional conduct.

Key Goals

- ◆ Review and promulgate changes to Minnesota Rules Chapter 6700 to ensure rules are consistent with policies and practices of the Board.
- ◆ Recertify twenty-three Professional Peace Officer Education (PPOE) programs emphasizing the evaluation of physical and psychological admissions standards and safety policies.
- ◆ Upgrade PPOE Coordinator materials to include a revised coordinator's manual, sign-off form and student exam application and new procedures for transcript checks.
- ◆ Examine technology alternatives to increase efficiency in administering exams and overall data collection, processing and storage.
- ◆ Enhance compliance among accredited sponsors by improving efficiency of the evaluation process.
- ◆ Provide oversight and management of the e-licensing system.

Key Measures

- ◆ License and renew 10,218 peace officers, 274 part-time peace officers, 1,154 inactive officer licenses and 98 inactive part-time officers.
- ◆ Conduct compliance reviews for 10% of the state's 471 law enforcement agencies.
- ◆ Recertify the Professional Peace Officer Education programs at 23 colleges and universities.
- ◆ Monitor Continuing Education providers.
- ◆ Monitor complaints of allegations of misconduct and Impartial Policing complaints.

Budget

The POST Board is funded through a special revenue account from a surcharge on certain criminal and traffic offenses. Although the law directs the state treasurer to credit 39% of the proceeds of the first \$25 of that surcharge to the Peace Officer Training Account, POST's budget cannot exceed the legislated base appropriation. Minnesota Statutes 171.20 Subdivision 4 (d) states certain non-DUI reinstatement fees are to be deposited in a special revenue account and are appropriated to POST for training reimbursements to local government. The FY 2009 budget from these sources is \$4.728 million and the agency resources are allocated as follows:

◆ Reimbursements to local governments:	\$3,159,000
◆ General operating costs:	\$1,169,000
◆ Reimbursements to local governments from non-DUI related Driver's License Reinstatements	\$ 400,000

The POST Board has 12 full-time employees.

Contact

For more information, contact the POST Board at (651) 643-3060.

The POST Board website at www.post.state.mn.us gives visitors convenient access to useful information about Minnesota's peace officer licensing system, news, updates, application forms, directories to board and staff, and links to other related information.

PEACE OFFICERS BOARD (POST)

Agency Overview

Dollars in Thousands					
	Current		Governor Recomm.		Biennium
	FY2008	FY2009	FY2010	FY2011	2010-11
<u>Direct Appropriations by Fund</u>					
Miscellaneous Special Revenue					
Current Appropriation	4,271	4,328	4,328	4,328	8,656
Recommended	4,271	4,328	4,328	4,328	8,656
Change		0	0	0	0
% Biennial Change from 2008-09					0.7%
<u>Expenditures by Fund</u>					
Direct Appropriations					
Miscellaneous Special Revenue	4,246	4,353	4,328	4,328	8,656
Statutory Appropriations					
Miscellaneous Special Revenue	452	400	400	400	800
Total	4,698	4,753	4,728	4,728	9,456
<u>Expenditures by Category</u>					
Total Compensation	907	963	947	947	1,894
Other Operating Expenses	180	231	222	222	444
Local Assistance	3,611	3,559	3,559	3,559	7,118
Total	4,698	4,753	4,728	4,728	9,456
<u>Expenditures by Program</u>					
Peace Officers Standards&Train	4,698	4,753	4,728	4,728	9,456
Total	4,698	4,753	4,728	4,728	9,456
Full-Time Equivalents (FTE)	11.9	12.2	11.7	11.3	

PEACE OFFICERS BOARD (POST)

Agency Revenue Summary

Dollars in Thousands

	Actual FY2008	Budgeted FY2009	Governor's Recomm. FY2010 FY2011		Biennium 2010-11
<u>Non Dedicated Revenue:</u>					
Departmental Earnings:					
General	474	536	536	536	1,072
Total Non-Dedicated Receipts	474	536	536	536	1,072
<u>Dedicated Receipts:</u>					
Total Dedicated Receipts	0	0	0	0	0
Agency Total Revenue	474	536	536	536	1,072

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➡ Designates that this item is a change item

Agency Purpose

As the state's arts education agency, the Perpich Center for Arts Education* serves as the principal resource for arts education in Minnesota, and is nationally recognized for its innovative and rigorous programs. Created by statute in 1985, the agency's mission is to provide all Minnesota students the opportunity to develop and integrate their artistic and academic abilities to their highest potential.

The agency's Outreach unit (Professional Development and Research), Arts High School (AHS) and Library operate as a hub providing integrated services to the entire state.

*Formerly the Minnesota Center for Arts Education

At A Glance

- ◆ In 2008, agency outreach programs impacted more than 20,000 teachers, artists, students, college faculty, and parents from over 80 Minnesota school districts and communities.
- ◆ Teachers participating in agency programs (in 2008), taught 115,095 students in hundreds of classrooms.
- ◆ Arts High School graduation rates consistently exceed 95%.
- ◆ Two-Thirds of surveyed alumni are engaged in careers associated with the "creative economy."

Core Functions

Outreach Unit (Professional Development and Research) **Promoting Excellence**

The agency promotes change, innovation and improvement in educational practice. At the request of the Minnesota Department of Education, the Perpich Center led the process of revising academic standards for the arts in 2008 and, in the future, will be assuming a leadership role in their implementation. By striving to fuse artistic ability and academic excellence, the Perpich Center fosters creative thinkers who contribute valued perspectives in society for the 21st century global economy.

Building the Education and Arts Community

The agency stimulates networking and promotes partnerships among educators, arts teachers, teaching artists, administrators in schools, and arts organizations throughout Minnesota. By helping teachers and educators improve curricula, implement the Minnesota Academic Arts Standards, partner with artists, and assess and report student achievement, the Perpich Center enriches schools and classrooms throughout the state.

The Perpich Center incubates new assessment and accountability systems to provide the potential for statewide tracking of the arts - in compliance with *No Child Left Behind's* designation of the arts as a core academic subject.

The Perpich Center brings to Minnesota:

- ◆ **Improved Education Practice.** Minnesota teachers and their students benefit from professional and technical support in interdisciplinary arts education (sciences and humanities), and the arts areas of Dance, Literary Arts, Media Arts, Music, Theater, and Visual Arts for preschool, elementary, middle, and secondary schools.
- ◆ **Education Funding Resources.** Annual state funding of \$145,000 attracted \$650,000 in private and federal funds to develop the agency's Quality Teaching Network professional development and assessment/accountability program. The Perpich Center received funding from the U.S. Department of Education (\$1 million from 2005-2009) to extend this program to teachers from high poverty schools across Minnesota.
- ◆ **Community Development.** The Comprehensive Arts Planning Project (CAPP), which promotes municipal-school district collaboration, has provided the impetus for over three-million dollars in local investment for community-based arts and cultural projects.
- ◆ **Innovation for the Creative Economy.** Successful Arts High School alumni are engaged in the "creative economy" through the fields of art and design, communications, music performance and production, photography, publishing, film and television, software, and computer games and electronic publishing. The Perpich Center has also incubated K-12 creative-technology programs in media arts and music.
- ◆ **Best Practice Publications:** Teachers use publications such as *Engaging Students in the Arts and the Artful Teaching and Learning Handbook*, to discover new pedagogical approaches to stimulate student creativity and problem-solving.

- ◆ **High School to Higher Education Transition Models.** The Perpich Center (1) works with the University of Minnesota to offer College in the School programs; (2) provides guidance to teacher college/university teacher training programs; and (3) collaborates with MnSCU by hosting Bemidji State University's distance learning teacher licensure program.

Agency statewide 2008 impact includes:

- ◆ 6,000 K-12 teachers engaged in Perpich Center professional development programs;
- ◆ 2,259 planning meetings (or contacts) with K-12 School Administrators;
- ◆ 12,141 Minnesota arts teachers participated in training sessions;
- ◆ 4,037 teachers in disciplines other than the arts participated in training sessions;
- ◆ 2,036 artist practitioners received education training sessions;
- ◆ 547 consultations with higher education faculty in teacher training programs;
- ◆ 1,382 contacts with higher education students in teacher training programs;
- ◆ 14,122 K-12 students taught by Perpich Center staff trainers;
- ◆ 115,095 Minnesota K-12 students taught by teachers impacted by Perpich Center programs and trainers;
- ◆ 88 school districts were involved with Perpich Center outreach and professional development;
- ◆ 68 grants totaling \$470,000 (in the biennium) awarded to schools and school districts;
- ◆ 58 partnering relationships with arts, artists and cultural organizations; and
- ◆ 20 partnerships with professional education organizations.

The Arts High School (AHS in Golden Valley)

The Arts High School, a tuition-free, public high school, delivers a comprehensive education centered in the arts. It is the school of choice for students from across the state to develop skills and work processes associated with high-level attainment in the arts. The school is open to all 11th and 12th grade students who are Minnesota residents; a residential option is offered to students enrolled from outside the Twin Cities. With enrollment limited to a maximum of 310 students, AHS offers the benefit of learning in a small community while allowing students to take advantage of the significant arts resources in the Twin Cities. Students hail from 99 of Minnesota's 134 legislative districts and 43 of 87 counties.

While AHS provides serious pre-professional training for emerging artists, it also gives students the tools to pursue excellence in many disciplines and walks-of-life throughout their higher education and professional careers. The school embodies an approach to learning focused on each student's personal goals, skills, learning styles, and aspirations. The curriculum, based on clearly defined, high standards of achievement, meets or exceeds state and national academic standards for graduation. Additionally, the Arts High School faculty (working with outreach staff) develops and shares student-centered and arts-focused curricular models to all Minnesota students (through the implementation of the academic arts standards).

The Arts High School offers instruction in six arts areas (Dance, Literary Arts, Media Arts, Music, Theater, and Visual Arts) and English, Math, Science, Social Studies, and World Languages. Programs integrate arts and academics to provide powerful learning experiences for students—evidenced by a nearly 100% graduation rate and the quality and range of post secondary options throughout the nation that students pursue.

Arts High School students excel both artistically and academically. In the 2007-2008 year:

- ◆ 96% of the senior class graduated;
- ◆ 81% of graduating class members are attending colleges in 23 states directly after graduation; more than 30% of these are attending professional art schools; and;
- ◆ 14% of other graduates chose internships, exchange and service programs, the military, or pre-college work experiences;
- ◆ Over 15%, of the student body received state and national-level commendations for excellence in their art field (including film festivals, arts exhibits, theater, dance and music awards);
- ◆ The Literary Arts Program published a compilation of student writing - for the second consecutive year; and
- ◆ Media Arts (film) teacher Nancy Norwood received the Coca Cola - Arts Teacher of the Year Award (an honor bestowed annually on two arts teachers in the nation)

Perpich Center Agency Library

The Library maintains a specialized collection of arts instruction materials for educators, and holds over 17,000 titles, including books, videos, DVDs, audiotapes, CDs, and periodicals. Over 600 K-12 and post-secondary teachers check out materials annually, for use in schools, program development, and research.

Any Minnesota residents 18 years of age or older may apply to borrow materials from the library collection free-of-charge. Reference assistance is provided by library staff, and materials are searchable and available to borrow on the website. The Library provides access to teaching materials (unavailable in other collections) for all Minnesota teachers, and supports the Perpich Center's outreach work to the state as well as arts high school faculty and staff. The library also lends materials to other academic and state agency libraries through a statewide inter-library loan network.

Operations

The Perpich Center's operations are organized around two core functions:

- ◆ providing arts education outreach resources and extension services to the state; and
- ◆ providing upper-level high school education for students from across Minnesota.

The administrative structure includes directors of outreach operations, the Arts High School, Administrative Management and Technology. The Perpich Center operates with an integrated program delivery structure for Outreach and Arts High School functions. The 30-acre campus in Golden Valley includes a residential dormitory for non-metro students, and buildings dedicated to outreach operations and the Arts High School.

Key Goals

The Perpich Center's mission, vision and goals directly link to the Minnesota Milestone vision that "our citizens will be good thinkers, creative, always learning, with the skills to compete internationally."

- ◆ *Mission:* to provide all Minnesota students the opportunity to develop and integrate their artistic and academic abilities to their highest potential.
- ◆ *Vision:* Perpich Center for Arts Education is a nationally recognized education leader uniquely positioned to fuse artistic ability and academic excellence, producing creative thinkers who contribute valued perspectives in society.

These statements support key Agency goals (established by the Board of Directors) for:

- ◆ *Program and Service Delivery* – Perpich Center for Arts Education will develop, implement and disseminate arts education programs and services that reflect best practices and meet the diverse needs of the students and teachers it serves throughout the state.
- ◆ *Public Policy* – Perpich Center for Arts Education will influence public policy (in education and access for youth to cultural resources) through research, advocacy and partnerships.

Key Measures

- ◆ Over 6,000 teachers impacted annually through professional development programs;
- ◆ Over 14,000 K-12 students directly impacted by Perpich Center staff;
- ◆ 88 school districts impacted annually by Perpich Center programs;
- ◆ 54 cultural organizations annually engaged through cooperative partnership programs;
- ◆ Over 100,000 Minnesota K-12 students taught by teachers impacted annually by Perpich Center initiatives;
- ◆ 231 (67.9%) of Minnesota's 340 school districts have participated in the community and school district based Comprehensive Arts Planning Program (CAPP);
- ◆ 35% of graduates pursue professional training in the arts. AHS graduates also attain admission to top national and regional colleges and universities;
- ◆ Two-thirds of surveyed alumni are engaged in careers associated with the "creative economy";
- ◆ More than 15% of the Arts High School students annually receive state and national-level commendations for excellence in their art field;
- ◆ The Arts High School maintains a graduation rate of over 95%; and

- ◆ More than 80% of AHS students pursue post-secondary education immediately following graduation.

Budget

FY 2008-09 agency activities are funded primarily through General Fund appropriations, comprising 88.4% of total funding. Additional funding comes from departmental earnings and other revenue include: student fees, interest earnings, intergovernmental agreements, etc. making up 9.5% of total funding; Federal grants, 0.6%; and miscellaneous revenues and gifts, 1.5%. In the school year beginning September 2008, the Perpich Center has approximately 70 full-time employees.

Contact

Office of the Executive Director
Perpich Center for Arts Education
6125 Olson Memorial Highway
Golden Valley, Minnesota 55422
Phone: (763) 591-4719
Fax: (762) 591-4722
Email: www.pcae.k12.mn.us

Dollars in Thousands					
	Current		Governor Recomm.		Biennium
	FY2008	FY2009	FY2010	FY2011	2010-11
<u>Direct Appropriations by Fund</u>					
General					
Current Appropriation	6,929	7,090	7,090	7,090	14,180
Recommended	6,929	7,090	7,087	2,825	9,912
Change		0	(3)	(4,265)	(4,268)
% Biennial Change from 2008-09					-29.3%
<u>Expenditures by Fund</u>					
Direct Appropriations					
General	6,926	7,082	7,087	2,825	9,912
Statutory Appropriations					
Miscellaneous Special Revenue	943	1,215	935	0	935
Federal	432	113	107	0	107
Miscellaneous Agency	17	30	30	0	30
Gift	24	17	6	6	12
Total	8,342	8,457	8,165	2,831	10,996
<u>Expenditures by Category</u>					
Total Compensation	5,597	5,788	5,721	2,825	8,546
Other Operating Expenses	2,465	2,354	2,137	6	2,143
Capital Outlay & Real Property	2	4	4	0	4
Payments To Individuals	32	20	19	0	19
Local Assistance	229	261	254	0	254
Other Financial Transactions	17	30	30	0	30
Total	8,342	8,457	8,165	2,831	10,996
<u>Expenditures by Program</u>					
Center For Arts Educ	8,342	8,457	8,165	2,831	10,996
Total	8,342	8,457	8,165	2,831	10,996
Full-Time Equivalents (FTE)	73.4	75.0	72.7	0.0	

<i>Dollars in Thousands</i>				
	FY2009	Governor's Recomm.		Biennium
		FY2010	FY2011	2010-11
Fund: GENERAL				
FY 2009 Appropriations	7,090	7,090	7,090	14,180
Technical Adjustments				
Pt Contract Base Reduction		(3)	(3)	(6)
Subtotal - Forecast Base	7,090	7,087	7,087	14,174
Change Items				
Convert Perpich to Charter School	0	0	(4,262)	(4,262)
Total Governor's Recommendations	7,090	7,087	2,825	9,912
Fund: MISCELLANEOUS SPECIAL REVENUE				
Planned Statutory Spending	1,215	935	912	1,847
Change Items				
Convert Perpich to Charter School	0	0	(912)	(912)
Total Governor's Recommendations	1,215	935	0	935
Fund: FEDERAL				
Planned Statutory Spending	113	107	107	214
Change Items				
Convert Perpich to Charter School	0	0	(107)	(107)
Total Governor's Recommendations	113	107	0	107
Fund: MISCELLANEOUS AGENCY				
Planned Statutory Spending	30	30	30	60
Change Items				
Convert Perpich to Charter School	0	0	(30)	(30)
Total Governor's Recommendations	30	30	0	30
Fund: GIFT				
Planned Statutory Spending	17	6	6	12
Total Governor's Recommendations	17	6	6	12
<u>Revenue Change Items</u>				
Fund: MISCELLANEOUS SPECIAL REVENUE				
Change Items				
Convert Perpich to Charter School	0	0	(912)	(912)
Fund: FEDERAL				
Change Items				
Convert Perpich to Charter School	0	0	(107)	(107)
Fund: MISCELLANEOUS AGENCY				
Change Items				
Convert Perpich to Charter School	0	0	(30)	(30)

PERPICH CENTER FOR ARTS EDUC

Change Item: Convert Perpich to Charter School

Fiscal Impact (\$000s)	FY 2010	FY 2011	FY 2012	FY 2013
General Fund				
Expenditures	\$0	\$(4,262)	\$(7,087)	\$(7,087)
Revenues	0	0	0	0
Other Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact	\$0	\$(4,262)	\$(7,087)	\$(7,087)

Recommendation

The Governor recommends transitioning the Arts High School to charter school status and discontinuing the Perpich Center for Arts Education as a state agency. This initiative results in a \$4.262 million reduction in the Perpich Center budget in FY 2010-11 and a \$14.174 million reduction in FY 2012-13. The reductions in the Perpich Center budget are offset to some extent by increases in K-12 education aids. Overall, this proposal nets \$2.2 million in savings in FY 2010-11 and \$9 million in savings in FY 2012-13.

Background

Existing charter school law allows for the creation of schools that specialize in a specific subject matter. These laws did not exist at the time the Perpich Center for Arts Education was formed. Given the ability to create an arts centric charter school, the Governor recommends the state no longer operate the existing Arts High School as a state agency. This proposal also discontinues the outreach and professional development components of the agency.

During FY 2010, the Perpich Center will continue to operate as a state agency, while undergoing preparation for the transition to a charter school, including finding a partner organization to act as a sponsor. If the Perpich Center is unable to find an organization willing to sponsor the new charter school, the Minnesota Department of Education (MDE) will act as the sponsor.

The savings as a result of this proposal are displayed in this change item. This proposal also generates costs in the K-12 aids portion of the budget. Currently students at the Arts High School do not generate general education funding on the K-12 formula. These students will generate state K-12 funding if they attend the newly created charter school or if they return to their home districts. Both the savings and costs are summarized below and costs are displayed in a change item in the MDE budget.

	FY 2011	FY 2012	FY 2013
Current Perpich Base Appropriation	\$(7,087,000)	\$(7,087,000)	\$(7,087,000)
Severance Costs	2,825,000	0	0
General Education Aid	1,682,000	2,160,000	2,166,000
Charter Lease	250,000	312,000	312,000
Charter Start Up	104,000	130,000	26,000
Total Reduction	\$(2,226,000)	\$(4,485,000)	\$(4,583,000)

Relationship to Base Budget

The base budget for the Perpich Center is unchanged for FY 2010. The FY 2011 appropriation of \$2.825 million is intended to cover severance costs for Perpich Center employees and other costs associated with eliminating the agency. There is no base funding for the agency for FY 2012 and beyond.

Key Goals and Measures

This change item addresses the following Minnesota Milestone:

- ◆ Government in Minnesota will be cost-efficient, and services will be designed to meet the needs of the people who use them.

Statutory Change: Repeal M.S. 129C

Dollars in Thousands

	Actual FY2008	Budgeted FY2009	Governor's Recomm. FY2010 FY2011		Biennium 2010-11
<u>Non Dedicated Revenue:</u>					
Total Non-Dedicated Receipts	0	0	0	0	0
<u>Dedicated Receipts:</u>					
Departmental Earnings:					
Miscellaneous Special Revenue	67	63	71	72	143
Grants:					
Miscellaneous Special Revenue	101	75	100	-812	-712
Federal	432	113	107	0	107
Other Revenues:					
Miscellaneous Special Revenue	535	749	663	731	1,394
Miscellaneous Agency	17	30	30	0	30
Gift	15	3	3	3	6
Other Sources:					
Miscellaneous Special Revenue	12	13	13	13	26
Total Dedicated Receipts	1,179	1,046	987	7	994
Agency Total Revenue	1,179	1,046	987	7	994

Federal Funds Summary

The Perpich Center for Arts Education received a three-year professional development project federal grant from the United States Department of Education in August of 2005. The award was for approximately \$1 million dollars for a three-year period to provide professional development to arts teachers from high poverty schools across Minnesota. Quality Teaching in the Arts (QTA) is worked on in conjunction with the state's Quality Teaching Networks (QTN) project and began the first year of grant-supported activity in September 2005 (state fiscal year 2006). The projected QTA grant end date has been extend until September 2010.

Federal Program (\$ in Thousands)	Related SFY 2008 Spending	Primary Purpose	SFY 2008 Revenues	SFY 2009 Revenues	Estimated SFY 2010 Revenues	Estimated SFY 2011 Revenues
Federal Quality Teaching	433	SO	433	113	107	107
Agency Total	433		433	113	107	107

Key:

Primary Purpose

SO = State Operations

GPS = Grants to Political Subdivision

GI = Grants to Individuals

GCBO = Grants to Community Based Organizations

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Agency Purpose

The Minnesota Board of Pharmacy (Board) was established in 1885. Minnesota Statutes chapters 151 and 152 provide the Board with the authority to act as the licensure agency for pharmacists and businesses involved in the legitimate distribution of prescription drugs in Minnesota.

The mission of the Board is:

- ◆ to promote, preserve, and protect the public health, safety, and welfare by fostering the provision of quality pharmaceutical care to the citizens of Minnesota through the examination and licensure of pharmacists, the regulation of the practice of pharmacy, and the inspection of licensed pharmacies, wholesalers, manufacturers; and
- ◆ to ensure that prescription drugs are provided to the public in a safe and effective manner by qualified licensees.

Core Functions

- ◆ setting educational and examination standards for initial and continuing licensure;
- ◆ conducting unannounced inspections of all pharmacies, drug wholesale houses, drug manufacturers, medical gas distributors, and controlled substance researchers in Minnesota;
- ◆ responding to public and agency inquiries and complaints regarding the licensure and conduct of applicants, registrants, and licensees;
- ◆ setting standards of practice and conduct for licensees and pursuing disciplinary action when necessary to ensure those standards are met; and
- ◆ providing information and education about licensure requirements, standards of practice and Minnesota drug law to licensees, registrants, and the public.

Operations

The Board's operations have an impact on the public and on licensees and registrants. Board staff provides information directly to the public in response to inquiries concerning the legal requirements and standards for pharmacy practice. When responding to complaints from the public, the Board conducts an investigation and takes disciplinary action when appropriate. The public also benefits from the inspections carried out by Board Surveyors. The inspections identify licensees that are not following the best standards of practice and encourage adherence to those standards. The Board promotes use of best standards by promulgating formal rules, developing and distributing informal guidelines, providing feedback to licensees during inspections and complaint investigations, and posting useful information on the Board's website. The Board helps ensure the competency of individuals working in the pharmacy field by setting requirements for the education, training and examination of licenses and registrants.

Key Goals

- ◆ The Board shares the Minnesota Milestone goal that state citizens will be healthy. By promoting best standards for pharmacy practice, the Board helps achieve the goal of reducing premature deaths.
- ◆ Allow licensees, registrants and citizens online access to as many services as possible.
- ◆ Help reduce the abuse of prescription drugs.
- ◆ Resolve consumer complaints in a timely fashion.
- ◆ Increase the number of completed facility inspections.

Key Measures

- ◆ Passage of rule changes necessary to promote the use of best standards of practice.
- ◆ Upgrade of website and licensing database to allow for more online services and easier access to documents and information.
- ◆ Implementation of the Controlled Substances Prescription Electronic Reporting System.

At A Glance

MN Board of Pharmacy Statistics

(For fiscal year ending June 30, 2008)

Board members: Seven, five pharmacists and two public members, appointed by the Governor
Staff: 11 Full-time employees
Licensees and registrants: 19,554
Complaints received: 94
Complaints resolved: 76
Disciplinary orders issued: 11

- ◆ Number of complaints resolved – the percent increase from year to year will be monitored.
- ◆ Number of facilities inspected – the percent increase from year to year will be monitored.

Budget

Total direct and indirect expenditures for FY 2008-09 are estimated to be \$3.155 million, which includes salary for 11 full-time equivalent employees. Direct expenditures include salaries, rent and other operating expenditures. The Board receives a direct appropriation for these costs. Indirect expenditures include costs of services received by the Attorney General's Office, Health Professional Services Program, and the Administrative Services Unit. The Board is responsible for collecting sufficient revenue to cover both direct and indirect expenditures.

The Board is estimated to collect \$3.111 million in FY 2008-09, which is deposited as non-dedicated revenue into the state government special revenue fund. Revenue is primarily comes from fees charged to applicants, licensees, and registrants. Civil penalties account for a small portion of Board revenues.

The Board was awarded a federal grant of \$395,899 that will be used to implement the Controlled Substances Prescription Electronic Reporting System.

Contact

Minnesota Board of Pharmacy
2829 University Avenue Southeast, Suite 530
Minneapolis, Minnesota 55414

The website at:

<http://www.phcybrd.state.mn.us/> gives visitors easy access to useful information about the Board of Pharmacy. Types of information available through the website include; regulatory news and updates, rules and Minnesota statutes, public notices and forms.

Cody Wiberg, Executive Director
Email: Cody.Wiberg@state.mn.us
Phone: (651)201-2825
Fax: (651)201-2837
TDD: 1-800-627-3529

Dollars in Thousands					
	Current		Governor Recomm.		Biennium
	FY2008	FY2009	FY2010	FY2011	2010-11
<u>Direct Appropriations by Fund</u>					
State Government Spec Revenue					
Current Appropriation	1,375	1,442	1,442	1,442	2,884
Recommended	1,375	1,442	1,388	1,388	2,776
Change		0	(54)	(54)	(108)
% Biennial Change from 2008-09					-1.5%
<u>Expenditures by Fund</u>					
Carry Forward					
State Government Spec Revenue	56	0	0	0	0
Direct Appropriations					
State Government Spec Revenue	1,330	1,487	1,388	1,388	2,776
Open Appropriations					
State Government Spec Revenue	0	41	25	25	50
Statutory Appropriations					
Federal	0	200	196	0	196
Total	1,386	1,728	1,609	1,413	3,022
<u>Expenditures by Category</u>					
Total Compensation	1,091	1,243	1,160	1,150	2,310
Other Operating Expenses	295	485	449	263	712
Total	1,386	1,728	1,609	1,413	3,022
<u>Expenditures by Program</u>					
Pharmacy, Board Of	1,386	1,728	1,609	1,413	3,022
Total	1,386	1,728	1,609	1,413	3,022
Full-Time Equivalents (FTE)	10.4	11.0	10.3	9.8	

PHARMACY BOARD

Change Summary

<i>Dollars in Thousands</i>				
	FY2009	Governor's Recomm.		Biennium
		FY2010	FY2011	2010-11
<i>Fund: STATE GOVERNMENT SPEC REVENUE</i>				
FY 2009 Appropriations	1,442	1,442	1,442	2,884
Technical Adjustments				
One-time Appropriations		(29)	(29)	(58)
Program/agency Sunset		(25)	(25)	(50)
Subtotal - Forecast Base	1,442	1,388	1,388	2,776
Total Governor's Recommendations	1,442	1,388	1,388	2,776
<i>Fund: STATE GOVERNMENT SPEC REVENUE</i>				
Planned Open Spending	41	25	25	50
Total Governor's Recommendations	41	25	25	50
<i>Fund: FEDERAL</i>				
Planned Statutory Spending	200	196	0	196
Total Governor's Recommendations	200	196	0	196

PHARMACY BOARD

Agency Revenue Summary

Dollars in Thousands

	Actual FY2008	Budgeted FY2009	Governor's Recomm. FY2010 FY2011		Biennium 2010-11
<u>Non Dedicated Revenue:</u>					
Departmental Earnings:					
State Government Spec Revenue	1,580	1,533	1,533	1,533	3,066
Total Non-Dedicated Receipts	1,580	1,533	1,533	1,533	3,066
<u>Dedicated Receipts:</u>					
Grants:					
Federal	0	200	196	0	196
Total Dedicated Receipts	0	200	196	0	196
Agency Total Revenue	1,580	1,733	1,729	1,533	3,262

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Agency Purpose

The Board of Physical Therapy (Board) was created in 1999 and is mandated by Minnesota Statutes 148.65 – 148.78 and Minnesota Rules 5600.0100 – 5601.3200. The Board is responsible for protection of the public through the regulation of physical therapists and physical therapist assistants in the state of Minnesota. Regulation is accomplished through licensure examination and renewal, as well as investigation and resolution of complaints.

The vision of the Board is:

- ♦ to ensure that Minnesota citizens receive quality physical therapy services from competent physical therapists; and

The mission of the Board is:

- ♦ to protect the public through licensure of qualified physical therapists and physical therapist assistants, and to provide timely and impartial resolution of complaints against licensees.

Core Functions

The Board accomplishes its mission by:

- ♦ establishing standards for initial licensure;
- ♦ responding to complaints about physical therapists and enforcing the laws governing the practice of physical therapy in Minnesota;
- ♦ ensuring that physical therapists meet the standards for licensure renewal;
- ♦ identifying physical therapists who fail to maintain the minimum standards necessary for the provision of safe and quality care;
- ♦ when warranted, providing timely and appropriate disciplinary or corrective action;
- ♦ establishing continuing education requirements and monitoring compliance with those requirements; and
- ♦ providing accurate information and education to the public, other interested parties, and licensees.

Operations

The Board serves consumers (patients and clients as well as family members and friends of patients), licensed physical therapists and physical therapist assistants, applicants for licensure, employers, governmental agencies, third party payers, and sponsors of education courses. Board functions include providing public protection through the review of and resolution of complaints and discipline of licensees when warranted; the provision of education and resource information to the public and licensees; the granting of initial Minnesota licenses to qualified individuals; the renewal of annual licenses; and the review and approval of continuing education courses. Services are delivered through direct communication (telephone, mail, email, and in-person), the board's website, and presentations to licensees and students in Minnesota physical therapist and physical therapist assistant educational programs.

Key Goals

- ♦ Implement initial PT and P.T.A. license applications from the Board's website by the end of FY 2009, with goal of 50% of initial applications being received online.
- ♦ Process online annual license renewals within two business days of receipt of all licensing requirements and renew 75% of licensees online (P.T.A.s are a new category of licensee and they will be renewing for the 1st time in FY 2009).
- ♦ Develop a comprehensive continuing competency proposal for legislative or rulemaking initiative by the end of FY 2010.

At A Glance

MN Licensed Physical Therapist Statistics

(As of June 30, 2008)

Total New PTs Licensed:	400
Total New P.T.A.s Licensed:	900*

Total New Licensees: 1,300

* P.T.A. licensure enacted in 2007 session

Total PTs Licensed:	3,800
Total P.T.A.s Licensed:	900
Total Licensed:	4,700

Age of licensees:

Under 40 yrs old	47%
Under 50 yrs old	75%

Addresses of licensees:

Metro Twin Cities	52%
Greater Minnesota	34%
States adjacent to MN	9%
Other	4%

Educational programs in MN

Physical Therapists: 4, approx 150 grads/yr
Physical Therapist Ass'ts: 3, approx 75 grads/yr

Total Complaints:	60
Total Resolved Complaints:	45

Key Measures

- ◆ Public protection – the Board's website offers services to the public including viewing board disciplinary orders, accessing information on the complaint process, printing forms and information regarding how to file a complaint, and viewing individual licensee licensure status and disciplinary history.
- ◆ Online services – the Board offers license verification, address and contact information changes, license renewals, information for licensees, printable initial licensure application forms and instructions, printable continuing education application forms and instructions, and printable physical therapy statutes and rules.
- ◆ Public information – Board website, newsletters, presentations, public outreach, brochures, real people answering the phone during business hours.
- ◆ Currently the Board has 88% of its licensees using the online renewal service.
- ◆ Initial Licensure of Physical Therapist Assistants. Statute revision in FY 2007 established initial licensure for physical therapist assistants (P.T.A.s). 1,200 initial P.T.A. applications were submitted during FY 2008.

Budget

Total direct and indirect expenditures for FY 2008-09 are estimated to be \$741,000, which includes 3.0 full time equivalent employees. Direct expenditures include salaries, rent and other operating expenditures. The Board receives a direct appropriation for these costs. Indirect expenditures include costs of services received by the Attorney General's Office, Health Professional Services Program, Office of Mental Health Program and the Administrative Services Unit. The Board is responsible for collecting sufficient revenue to cover both direct and indirect expenditures.

The Board is estimated to collect \$891,000 in FY 2008-09, which is deposited as non-dedicated revenue into the state government special revenue fund. Revenue is collected from fees charged to applicants, licensees, and sponsors of continuing education programs.

Contact

Minnesota Board of Physical Therapy
2829 University Avenue Southeast
Suite 420
Minneapolis, Minnesota 55414

The website at: <http://www.physicaltherapy.state.mn.us/> gives visitors easy access to useful information about physical therapists. Types of information available through the website include: regulatory news and updates, public notices, search and verification of licensure status, Minnesota PT statutes and rules, complaint and report information and forms, disciplinary orders, and licensure application forms and instructions.

Stephanie Lunning, Executive Director
Email: physical.therapy@state.mn.us
Phone: (612) 627-5406
Fax: (612) 627-5403
TDD: 1-800-627-3529

<i>Dollars in Thousands</i>					
	Current		Governor Recomm.		Biennium
	FY2008	FY2009	FY2010	FY2011	2010-11
<u>Direct Appropriations by Fund</u>					
State Government Spec Revenue					
Current Appropriation	306	295	295	295	590
Recommended	306	295	295	295	590
Change		0	0	0	0
% Biennial Change from 2008-09					-1.8%
<u>Expenditures by Fund</u>					
Carry Forward					
State Government Spec Revenue	8	0	0	0	0
Direct Appropriations					
State Government Spec Revenue	251	350	295	295	590
Open Appropriations					
State Government Spec Revenue	3	5	6	6	12
Total	262	355	301	301	602
<u>Expenditures by Category</u>					
Total Compensation	187	234	241	240	481
Other Operating Expenses	75	121	60	61	121
Total	262	355	301	301	602
<u>Expenditures by Program</u>					
Physical Therapy Bd	262	355	301	301	602
Total	262	355	301	301	602
Full-Time Equivalents (FTE)	2.5	3.0	2.9	2.8	

PHYSICAL THERAPY BOARD

Agency Revenue Summary

Dollars in Thousands

	Actual FY2008	Budgeted FY2009	Governor's Recomm. FY2010 FY2011		Biennium 2010-11
<u>Non Dedicated Revenue:</u>					
Departmental Earnings:					
State Government Spec Revenue	519	372	406	406	812
Total Non-Dedicated Receipts	519	372	406	406	812
<u>Dedicated Receipts:</u>					
Total Dedicated Receipts	0	0	0	0	0
Agency Total Revenue	519	372	406	406	812

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Agency Purpose

The Minnesota Board of Podiatric Medicine (Board) was established in 1916 and is mandated by M.S. 214, M.S. 153.01 – 153.26 and Minnesota Rules 6900. The Board is responsible for the regulation of podiatrists in the state of Minnesota. Regulation is accomplished through licensure examination and renewal, as well as by the investigation of complaints.

The mission of the Board is to:

- ◆ extend the privilege to practice to qualified applicants; and
- ◆ investigate complaints relating to the competency or behavior of individual licensees or individuals with permits issued by the board.

At A Glance

Minnesota Board of Podiatric Medicine License Statistics

(As of June 30, 2008)

Total Licensed Podiatrists:197
 Total Temporary Permits:7
 FY08 Complaints received:11
 Complaints Resolved in FY08:8
 Board Members:7
 (Five podiatrists and two public members
 Appointed by the Governor)

In addition, the board responds to inquiries regarding scope of practice, provides license verification information to credentialing agencies, and initiates legislative changes, as needed to update the practice act for podiatric medicine.

The Board's activities are guided by the following principles:

- ◆ responsibility for public safety will be fulfilled with respect for due process and adherence to laws and rules;
- ◆ customer services will be delivered in a respectful, responsive, timely, communicative, and nondiscriminatory manner;
- ◆ government services will be accessible, purposeful, responsible, and secure; and
- ◆ business functions will be delivered with efficiency, accountability and a willingness to collaborate.

Core Functions

The Board regulates the practice of podiatric medicine by:

- ◆ responding to public and agency inquiries, complaints and reports regarding licensure and conduct on applicants, permit holders, licensees and unlicensed practitioners;
- ◆ reviewing complaints of alleged violations of statutes and rules, holding disciplinary conferences with licensees, and taking legal action to suspend or revoke the licenses of podiatrists who fail to meet standards;
- ◆ setting and administering educational requirements and examination standards for licensure as a podiatrist; and
- ◆ providing information and education about licensure requirements and standards of practice to the public and other interested audiences.

Operations

Services are delivered by issuing licenses to qualified individuals, renewal certificates to licensees meeting continuing education requirements, temporary permits to individuals completing residencies, and license verifications to credentialing services and medical facilities. The agency protects the public by investigating complaints and holding educational and disciplinary conferences with licensees. Board orders for disciplinary actions and Agreements for Corrective Action further protect the public.

Key Goals

- ◆ maintain excellence in the practice of podiatric medicine;
- ◆ allow licensees, permit holders and citizens online access to information about podiatric medicine;
- ◆ keep licensees informed of changes affecting the practice of podiatric medicine;
- ◆ respond in a timely manner to requests for license verifications;
- ◆ promptly report disciplinary actions to the national databank and to all who have requested such notification;
- ◆ provide immediate access to information on the complaint process and to the printing of complaint forms through the board's website;

- ◆ offer online payment for license verifications through the board's website;
- ◆ provide immediate access to application forms, license renewal forms, board newsletters, names and contact information for board members, and copies of the board's statutes and rules through the web site.

Key Measures

- ◆ 80% of the requests for license verifications are fulfilled within 48 hours of receipt at the Board office;
- ◆ residencies in Minnesota have decreased from four podiatric residencies to three residencies over the past five years (a loss of one residency position); however, one podiatric residency plans to increase its incoming class from two residents to three residents in July of 2009;
- ◆ all residency programs in Minnesota have migrated from one or two year residencies to three year surgical residencies in order to offer more extensive instruction in various medical specialties, and the development of increased skills in the surgical and conservative management of foot and ankle pathology;
- ◆ the Board office has seen an increase of 21 licensed podiatrists from 176 in June of 2003 to 197 licensed podiatrists at the end of June 2008 (an increase of 12%);
- ◆ of the podiatrists in active practice at this time, 70% are under 50 years old, and only 7% are over 60 years of age;
- ◆ over the past five years, an average of 11 complaints have been received each year; however, as the number of licensed podiatrists has increased by 12%, the average number of complaints received on an annual basis has declined by 1%.

Budget

Total direct and indirect expenditures for FY 2008-09 are estimated to be \$175,000, which includes .50 full time equivalent employees. Direct expenditures include salaries, rent and other operating expenditures. The Board receives a direct appropriation for these costs. Indirect expenditures include costs of services received by the Attorney General's Office, Health Professional Services Program, and the Administrative Services Unit. The Board is responsible for collecting sufficient revenue to cover both direct and indirect expenditures.

The Board is estimated to collect \$173,000 in FY 2008-09, which is deposited as non-dedicated revenue into the state government special revenue fund. Revenue is collected from fees charged to applicants, licensees, and sponsors of continuing education programs.

Contact

Minnesota Board of Podiatric Medicine
2829 University Avenue Southeast, Suite 430
Minneapolis, Minnesota 55414
<http://www.podiatry.state.mn.us>
Email: podiatric.medicine@state.mn.us
Phone: (612) 617-2200
Fax: (612) 617-2698
Keith Hovland, Executive Director

Dollars in Thousands					
	Current		Governor Recomm.		Biennium
	FY2008	FY2009	FY2010	FY2011	2010-11
<u>Direct Appropriations by Fund</u>					
State Government Spec Revenue					
Current Appropriation	54	63	63	63	126
Recommended	54	63	56	56	112
Change		0	(7)	(7)	(14)
% Biennial Change from 2008-09					-4.3%
<u>Expenditures by Fund</u>					
Carry Forward					
State Government Spec Revenue	3	0	0	0	0
Direct Appropriations					
State Government Spec Revenue	51	66	56	56	112
Open Appropriations					
State Government Spec Revenue	6	8	8	8	16
Total	60	74	64	64	128
<u>Expenditures by Category</u>					
Total Compensation	39	50	40	40	80
Other Operating Expenses	21	24	24	24	48
Total	60	74	64	64	128
<u>Expenditures by Program</u>					
Podiatry, Board Of	60	74	64	64	128
Total	60	74	64	64	128
Full-Time Equivalents (FTE)	0.5	0.5	0.5	0.5	

<i>Dollars in Thousands</i>				
	FY2009	Governor's Recomm.		Biennium
		FY2010	FY2011	2010-11
Fund: STATE GOVERNMENT SPEC REVENUE				
FY 2009 Appropriations	63	63	63	126
Technical Adjustments				
One-time Appropriations		(7)	(7)	(14)
Subtotal - Forecast Base	63	56	56	112
Total Governor's Recommendations	63	56	56	112
Fund: STATE GOVERNMENT SPEC REVENUE				
Planned Open Spending	8	8	8	16
Total Governor's Recommendations	8	8	8	16

PODIATRY BOARD

Agency Revenue Summary

Dollars in Thousands

	Actual FY2008	Budgeted FY2009	Governor's Recomm. FY2010 FY2011		Biennium 2010-11
<u>Non Dedicated Revenue:</u>					
Departmental Earnings:					
State Government Spec Revenue	91	85	96	86	182
Total Non-Dedicated Receipts	91	85	96	86	182
<u>Dedicated Receipts:</u>					
Total Dedicated Receipts	0	0	0	0	0
Agency Total Revenue	91	85	96	86	182

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➡ Designates that this item is a change item



January 27, 2009

To the 2009 Minnesota Legislature:

On behalf of Governor Pawlenty, I am pleased to submit FY 2010-11 budget recommendations for the Minnesota Pollution Control Agency (MPCA). This budget includes \$20.7 million in appropriations from the General Fund, \$133.0 million from the Environmental Fund, \$78.7 million from the Remediation Fund, \$44.0 million in federal funds, \$37.2 from the new Clean Water Fund, and \$42.3 million from other sources for a total biennial budget of \$355.4 million. In its budget plan, the MPCA identified a number of program reductions, including a 10 percent base reduction in requested appropriations from the General Fund.

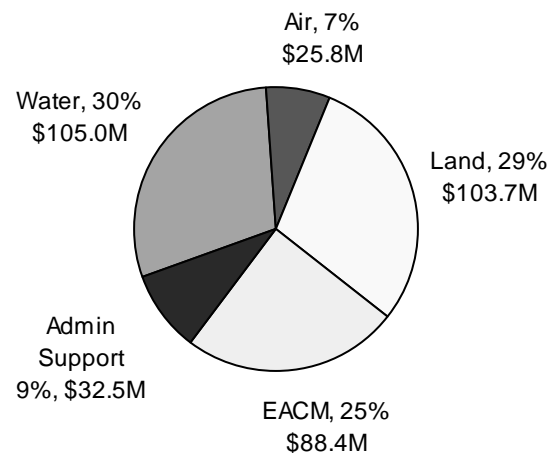
The MPCA's FY2010-2011 \$355.4 million budget is organized into five programs: Water, Air, Land, Environmental Assistance and Cross Media (EACM), and Administrative Support. The Water, Air and Land Programs represent the three environmental media. EACM includes activities that cross and integrate the three environmental media by providing assistance and prevention opportunities, providing scientific monitoring and technical support, building partnerships, providing training and certification programs, and educating citizens on environmental issues. Administrative Support enables the delivery of program activities by the other agency programs.

In addition to the Agency's traditional programs and regulatory strategies, programs designed to foster prevention are critical to protecting and improving the environment. The MPCA is now a reliable source of data and a problem-solving partner with stakeholders. The MPCA's recent change in its mission statement to: *working with Minnesotans to protect, conserve and improve our environment and enhance our quality of life*, clearly articulates this idea.

To fulfill this mission the MPCA has adopted these principles:

- Focus on priorities and manage for environmental results;
- Actively partner to leverage knowledge, ideas and resources;
- Rely on data for decisionmaking;
- Integrate environmental, economic and social sciences when developing environmental policy; and,
- Strive for excellence and innovation in service delivery.

FY2010-2011 Governor's Recommended Budget



The activities associated with the following parts of the MPCA's vision have the effect of bringing the mission statement to life:

Minnesotans take responsibility to protect our environment. Many core regulatory functions seek partnerships that leverage state and local government resources. The MPCA has developed partnerships with local governments to implement septic system requirements, provide assistance and enforce feedlot regulations, monitor stormwater protection practices at construction sites, and to accomplish non-regulatory functions such as assessing, protecting and restoring surface waters.

Minnesota's air is clean and clear. The MPCA maintains a stable point source air emission permitting program, a core regulatory function. The MPCA also maintains an active air monitoring system that provides information on toxics present in the air and issues air alerts when pollutants reach unhealthy levels for some citizens.

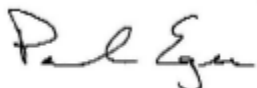
Minnesota's land promotes healthy ecosystems and sustainable land use. The MPCA maintains a permitting program for municipal and industrial solid waste landfills and a program to recover and reuse waste materials. The MPCA coordinates the cleanup of spills and contaminated sites and directs investigations into potentially contaminated sites. The MPCA's Emergency Response, Brownfields, Closed Landfill, Petroleum Remediation and Superfund/RCRA programs enable the Agency to take the lead on investigations and cleanups.

Minnesota has clean, sustainable surface and ground water. The MPCA protects the waters of the state through its core regulatory functions such as permitting of municipal and industrial point source wastewater dischargers. Total Maximum Daily Loads (TMDLs) determinations are required for all surface waters identified as not meeting water quality standards.

The MPCA achieves excellence in operations. The MPCA continues to make significant investment in gathering data through its regulatory, assistance, and assessment programs. Making data accessible and useful is critical to advancing the Agency's environmental mission. The MPCA strives to improve internal operations and business processes using specific tools such as Six Sigma practices and LEAN. The MPCA has also focused efforts on leadership development through a Leadership Academy, now in its second year.

The Governor's recommended budget for FY2010-11 supports the MPCA's highest priorities. The Agency will continue to build the foundation established during the last three years in assessing the waters of the state and developing TMDL reports to meet federal and state clean water objectives. In addition, the MPCA will advance strategies to reduce greenhouse gas emissions and maintain Minnesota's air quality. The MPCA must maintain its core regulatory programs to ensure that air, water and waste standards, regulations and priorities are met. The MPCA will build upon past successes in these areas to keep pace with the changing face of environmental protection and restoration.

Sincerely,



Temporary Commissioner

Agency Purpose

The mission of the Minnesota Pollution Control Agency (MPCA) is to work with Minnesotans to protect, conserve, and improve our environment and enhance our quality of life.

The vision for the MPCA is:

- ◆ clean and sustainable surface and ground water systems;
- ◆ clean and clear air;
- ◆ land that supports desired uses;
- ◆ excellence in operations; and
- ◆ Minnesotans taking responsibility to protect our environment.

The results of MPCA's efforts are tangible: reduced waste; increased recycling levels; and air, land, and water that are cleaner now than 30 years ago.

Guiding Principles

MPCA's mission is implemented through the following guiding principles:

- ◆ Focus on priorities and manage for environmental results.
- ◆ Partner to leverage knowledge, ideas, and resources.
- ◆ Rely on data for decision-making.
- ◆ Integrate environmental, economic and social sciences when developing environmental policy.
- ◆ Strive for excellence and innovation in service delivery.

Operations

MPCA separates its work according to media: water, air and land. Three of MPCA's budget programs reflect these three media. Environmental Assistance and Cross-Media, the fourth budget program, includes activities that combine the three major media. Administrative Support, the fifth budget program, encompasses the support services that enable efficient program delivery.

The Commissioner's Office sets the strategic direction for MPCA and provides an essential link to stakeholders and partners. In addition, the agency is organized into eight divisions. Programs and services are managed and delivered through MPCA offices in St. Paul, Duluth, Brainerd, Rochester, Mankato, Detroit Lakes, Willmar, and Marshall.

The Environmental Analysis and Outcomes Division monitors and evaluates the physical, chemical, and biological conditions of Minnesota's environment. The Division identifies potential impacts to human health and the environment, helps set environmental goals, establishes environmental standards, helps develop permit limits, and reports results to staff, stakeholders, and citizens.

The Prevention and Assistance Division provides information and economic, technical, and educational assistance that result in the implementation and increased use of environmentally and economically beneficial behaviors, technologies, and products. First Link staff answers regulatory and environmental questions from businesses and citizens. Community development staff builds partnerships with community leaders on green development and sustainability. The Information Systems Office manages telecommunications, desktop and Web services, and MPCA's information systems infrastructure.

At A Glance

- ◆ Leverage partnerships and resources to address environmental issues and achieve positive results. By "blending" technology and technical and financial assistance, prevention, regulation and cleanup solutions, complex environmental issues, such as the restoration of impaired waters, are addressed effectively and efficiently.
- ◆ Provide an innovative approach to conserving resources, reducing waste, and increasing recycling through the product stewardship program.
- ◆ Monitor more than 750 sites across the state to determine environmental conditions of air, surface waters, and ground water.
- ◆ Provide resources to local units of government to reduce waste generation and improve the cost effectiveness of recycling, composting and recovery programs.
- ◆ Perform permitting, inspection, compliance determination, and enforcement actions at sites and facilities whose operations impact the condition of air, water, and land.
- ◆ Oversee state-financed clean-up at 265 contaminated sites and oversight of an additional 3,000 sites.
- ◆ Train wastewater operators, landfill inspectors and household hazardous waste facility staff.

The Remediation Division is dedicated to cleaning up accidental spills that pollute the soil, water or air through its Emergency Response Section. Most other division remediation work is focused on pollution that occurred over a long period of time. Division activities include the Closed Landfill and Superfund programs, petroleum contaminated site and leaking storage tank cleanup, the Brownfield program for land redevelopment, and the voluntary investigation and cleanup program.

The Regional Division provides for environmental problem solving at the local level. The Division is focused on building local capacity to restore and improve the environment. Water quality programs specifically include feedlots, basin management, and other efforts that target nonpoint source pollution. Staff also completes environmental review, disburses clean water partnership grants, and completes total maximum daily load (TMDL) plans and studies under the Clean Water Legacy Act.

The Industrial Division provides regulatory services to industrial sources of air, water, and land pollution. Permitting, compliance, and enforcement for water and air quality, industrial solid waste, hazardous waste, and industrial stormwater are based in this Division as well as the associated rule-making for petroleum storage tanks. Recent and significant growth prompted MPCA to form teams that focus on large ethanol/biofuels and mining projects.

The Municipal Division provides regulatory services to operators of publicly-owned wastewater treatment and stormwater facilities. Services are also provided to mixed municipal landfills and transfer stations. The rulemaking processes for water and waste programs also fall within the scope of responsibilities for this division.

The new Data Performance Management Division, created in August 2008, will implement data and performance management systems. The Division's focus is on creating an accessible and useful data management system; deploying a continuous improvement effort that extends MPCA's capability to address environmental work; leading organizational development; and advancing adoption of environmentally sustainable practices to reduce MPCA's environmental footprint, and influence other agencies to do likewise.

The Operational Support Division oversees MPCA's financial management and its business operations (vehicle fleet, equipment and supplies, facilities and leasing, mail and shipping). Further, the Division provides essential support through human resource management and communication services. Division staff is mainly located in St. Paul, though a number of communication professionals work in regional offices.

The MPCA Citizens' Board acts on significant and controversial environmental issues.

Budget

Authorized spending for FY 2008-09, including the changes signed into law in 2008, totaled \$344.6 million. The mix of funding is 16% general fund, 38% environmental fund, 23% remediation fund, 12% federal and 10% other sources. This includes one-time biennial funding of \$31.4 million from the general fund and \$8.4 million from the environmental fund.

Contact

For more information, contact: Paul Eger, MPCA Deputy Commissioner, at (651) 296-7319.

In addition, visitors can learn more about environmental issues at www.pca.state.mn.us such as pollution prevention, reuse, recycling, responsible waste management, sustainable practices, as well as regulatory news, rules, public notices, details about environmental quality and current "hot topics."

MPCA's strategic plan can be accessed at www.pca.state.mn.us/publications/reports/strategicplan.html.

Dollars in Thousands					
	Current		Governor Recomm.		Biennium
	FY2008	FY2009	FY2010	FY2011	2010-11
<u>Direct Appropriations by Fund</u>					
Environment & Natural Resource					
Current Appropriation	0	850	850	850	1,700
Recommended	0	850	0	0	0
Change		0	(850)	(850)	(1,700)
% Biennial Change from 2008-09					-100%
General					
Current Appropriation	44,293	12,029	12,029	12,029	24,058
Recommended	44,293	12,029	10,341	10,341	20,682
Change		0	(1,688)	(1,688)	(3,376)
% Biennial Change from 2008-09					-63.3%
Petroleum Tank Release Cleanup					
Current Appropriation	1,000	0	0	0	0
Recommended	1,000	0	0	0	0
Change		0	0	0	0
% Biennial Change from 2008-09					-100%
State Government Spec Revenue					
Current Appropriation	48	48	48	48	96
Recommended	48	48	48	48	96
Change		0	0	0	0
% Biennial Change from 2008-09					0%
Environmental					
Current Appropriation	62,425	62,622	62,622	62,622	125,244
Recommended	62,425	62,622	63,359	63,619	126,978
Change		0	737	997	1,734
% Biennial Change from 2008-09					1.5%
Remediation Fund					
Current Appropriation	11,016	11,086	11,086	11,086	22,172
Recommended	11,016	11,086	11,086	11,086	22,172
Change		0	0	0	0
% Biennial Change from 2008-09					0.3%
Clean Water Fund					
Current Appropriation	0	0	0	0	0
Recommended	0	0	12,913	24,325	37,238
Change		0	12,913	24,325	37,238
% Biennial Change from 2008-09					n.m.

Dollars in Thousands					
	Current		Governor Recomm.		Biennium
	FY2008	FY2009	FY2010	FY2011	2010-11
<u>Expenditures by Fund</u>					
Direct Appropriations					
Environment & Natural Resource	107	850	0	0	0
General	25,838	28,684	10,341	10,341	20,682
State Government Spec Revenue	48	48	48	48	96
Environmental	60,781	64,273	63,359	63,619	126,978
Remediation Fund	10,192	11,406	11,086	11,086	22,172
Clean Water Fund	0	0	12,913	24,325	37,238
Statutory Appropriations					
Clean Water Revolving Fund	7,397	4,325	3,724	3,724	7,448
State Government Spec Revenue	1	2	2	2	4
Miscellaneous Special Revenue	17,253	22,123	16,068	16,231	32,299
Federal	23,460	24,152	22,056	22,034	44,090
Environmental	2,819	3,261	3,013	3,013	6,026
Remediation Fund	27,068	26,134	28,202	28,294	56,496
Gift	664	2,109	1,371	1,030	2,401
Total	175,628	187,367	172,183	183,747	355,930
<u>Expenditures by Category</u>					
Total Compensation	69,759	71,690	75,038	76,245	151,283
Other Operating Expenses	68,313	76,444	66,374	72,324	138,698
Capital Outlay & Real Property	2	10	158	3,008	3,166
Local Assistance	30,890	35,321	26,909	28,466	55,375
Other Financial Transactions	6,664	3,902	3,052	3,052	6,104
Transfers	0	0	652	652	1,304
Total	175,628	187,367	172,183	183,747	355,930
<u>Expenditures by Program</u>					
Water	56,632	59,499	47,048	58,458	105,506
Air	13,119	14,117	12,817	12,951	25,768
Land	49,627	53,786	52,021	51,731	103,752
Ea And Cross-Media	39,451	41,258	44,193	44,193	88,386
Administrative Support	16,799	18,707	16,104	16,414	32,518
Total	175,628	187,367	172,183	183,747	355,930
Full-Time Equivalents (FTE)	918.2	958.7	963.3	963.3	

POLLUTION CONTROL AGENCY

Change Summary

<i>Dollars in Thousands</i>				
	FY2009	Governor's Recomm.		Biennium
		FY2010	FY2011	2010-11
Fund: ENVIRONMENT & NATURAL RESOURCE				
FY 2009 Appropriations	850	850	850	1,700
Technical Adjustments				
One-time Appropriations		(850)	(850)	(1,700)
Subtotal - Forecast Base	850	0	0	0
Total Governor's Recommendations	850	0	0	0
Fund: GENERAL				
FY 2009 Appropriations	12,029	12,029	12,029	24,058
Technical Adjustments				
Current Law Base Change		(500)	(500)	(1,000)
One-time Appropriations		(20)	(20)	(40)
Pt Contract Base Reduction		(18)	(18)	(36)
Subtotal - Forecast Base	12,029	11,491	11,491	22,982
Change Items				
General Fund Reduction	0	(1,150)	(1,150)	(2,300)
Total Governor's Recommendations	12,029	10,341	10,341	20,682
Fund: PETROLEUM TANK RELEASE CLEANUP				
FY 2009 Appropriations	0	0	0	0
Subtotal - Forecast Base	0	0	0	0
Total Governor's Recommendations	0	0	0	0
Fund: STATE GOVERNMENT SPEC REVENUE				
FY 2009 Appropriations	48	48	48	96
Subtotal - Forecast Base	48	48	48	96
Total Governor's Recommendations	48	48	48	96
Fund: ENVIRONMENTAL				
FY 2009 Appropriations	62,622	62,622	62,622	125,244
Technical Adjustments				
One-time Appropriations		(4,200)	(4,200)	(8,400)
Subtotal - Forecast Base	62,622	58,422	58,422	116,844
Change Items				
Air Emissions Fees	0	167	427	594
Environmental Fund Resource Redirection	0	4,500	4,500	9,000
SSTS License Fees	0	270	270	540
Total Governor's Recommendations	62,622	63,359	63,619	126,978
Fund: REMEDIATION FUND				
FY 2009 Appropriations	11,086	11,086	11,086	22,172
Subtotal - Forecast Base	11,086	11,086	11,086	22,172
Total Governor's Recommendations	11,086	11,086	11,086	22,172
Fund: CLEAN WATER FUND				
FY 2009 Appropriations	0	0	0	0
Subtotal - Forecast Base	0	0	0	0
Change Items				
Clean Water Funding	0	12,913	24,325	37,238
Total Governor's Recommendations	0	12,913	24,325	37,238
Fund: CLEAN WATER REVOLVING FUND				

POLLUTION CONTROL AGENCY

Change Summary

<i>Dollars in Thousands</i>				
	FY2009	Governor's Recomm.		Biennium
		FY2010	FY2011	2010-11
Planned Statutory Spending	4,325	3,724	3,724	7,448
Total Governor's Recommendations	4,325	3,724	3,724	7,448
Fund: STATE GOVERNMENT SPEC REVENUE				
Planned Statutory Spending	2	2	2	4
Total Governor's Recommendations	2	2	2	4
Fund: MISCELLANEOUS SPECIAL REVENUE				
Planned Statutory Spending	22,123	16,068	16,231	32,299
Total Governor's Recommendations	22,123	16,068	16,231	32,299
Fund: FEDERAL				
Planned Statutory Spending	24,152	22,056	22,034	44,090
Total Governor's Recommendations	24,152	22,056	22,034	44,090
Fund: ENVIRONMENTAL				
Planned Statutory Spending	3,261	2,748	2,748	5,496
Change Items				
Continue E-Waste as Statutory Appropriat	0	265	265	530
Total Governor's Recommendations	3,261	3,013	3,013	6,026
Fund: REMEDIATION FUND				
Planned Statutory Spending	26,134	28,202	28,294	56,496
Total Governor's Recommendations	26,134	28,202	28,294	56,496
Fund: GIFT				
Planned Statutory Spending	2,109	1,371	1,030	2,401
Total Governor's Recommendations	2,109	1,371	1,030	2,401
<u>Revenue Change Items</u>				
Fund: ENVIRONMENTAL				
Change Items				
SSTS License Fees	0	270	270	540

POLLUTION CONTROL AGENCY

Change Item: Environmental Fund Resource Redirection

Fiscal Impact (\$000s)	FY 2010	FY 2011	FY 2012	FY 2013
Environmental Fund				
Expenditures	\$4,500	\$4,500	\$5,000	\$5,000
Transfer Out	(400)	(6,900)	(4,000)	(4,000)
Remediation Fund				
Expenditures	0	0	0	0
Transfer In	(400)	(6,900)	(4,000)	(4,000)
Net Fiscal Impact	\$4,500	\$4,500	\$5,000	\$5,000

Recommendation

The Governor recommends net increased appropriations to the Minnesota Pollution Control Agency (MPCA) of \$4.5 million in each year of the biennium from the environmental fund to fund agency priority programs. The Governor also recommends that the transfer from the environmental fund to the remediation fund be reduced by \$400,000 in FY 2010, by \$6.9 million in FY 2011, and by \$4.0 million in future fiscal years.

Background

The MPCA's core regulatory non-remediation programs and activities are funded by appropriations from the environmental fund. The MPCA proposes to reallocate resources within the environmental fund and, above the level of reallocated resources, requests increased appropriations to fund a number of new and continuing program priorities. The proposed reallocations and new appropriations are listed below.

In addition to the net increase in direct appropriations listed in the table above, the MPCA proposes reducing by \$400,000 the amount transferred to the remediation fund in FY 2010 and decreasing the interfund transfer by \$6.9 million FY 2011. By decreasing the amount transferred annually to the remediation fund, the MPCA will limit expenditures on closed landfill construction, closed landfill operations and maintenance, and Superfund / MERLA. The decreased transfer to the remediation fund means more resources remain in the environmental fund's available fund balance.

The MPCA is requesting the following changes in the direct appropriations from the environmental fund.

- ◆ Reduce program spending by \$900,000 in each year of the biennium, and redirect the amount of the annual reduction to fund high priority program uses, as noted in the table above. MPCA is currently engaged in a review of programs and agency operations with the intent of identifying specific activities for elimination, consolidation, changes in program delivery and other operating efficiencies.
- ◆ Continue the appropriation of \$3.0 million in each of FY 2010 and FY 2011 for the regulatory services provided by the MPCA to the growing biofuels/ethanol, mining and other expanding economic sectors. Continued funding enables the MPCA to respond to requests for permit review and approvals in sectors where the applications are typically complex and require significant staff time. If funding is not continued, permitting in the developing economic sectors will be immediately impacted, and the MPCA's service levels and response time in all other permitting categories will experience noticeable decreases as well.
- ◆ Develop an air emissions database, a critical need as the EPA is shifting this responsibility to the state level, and the MPCA is currently assessing its long-term needs and implementation timetable. The MPCA plans to spend \$700,000 in FY2010 and \$700,000 in FY 2011 to develop and implement the new database.
- ◆ Use \$750,000 in each year of the biennium to position the agency to respond to federal action and court challenges relating to climate change.
- ◆ Commit \$450,000 in each year of the biennium to continue joint powers agreements (JPAs) with local governments as partners in the development and implementation of stormwater management plans and practices.

POLLUTION CONTROL AGENCY

Change Item: Environmental Fund Resource Redirection

- ◆ Increase funding to county SCORE grants by \$500,000 in FY 2010 and FY 2011. The additional funding demonstrates the MPCA's continued support of Minnesota's recycling system; helps restore lost program elements; and continues the positive economic and environmental benefits associated with the recycling system in the 87 counties and in 1 additional sanitation district.

Relationship to Base Budget

Direct appropriations in the MPCA's base budget from the environmental fund are \$58.4 million in each year of the biennium. The MPCA's request for new direct appropriations from the environmental fund is an increase of about 7% in FY 2010 and FY 2011.

***Special Note:** Because the fund transfer between the environmental and remediation funds are fund level transfers, the impact of the reduced transfer is not reflected in the fiscal pages for this agency or program. The impact will be recognized in the Consolidated Fund Statement that is included in this Governor's budget book.*

Key Goals and Measures

- ◆ Number of construction stormwater inspections completed by Joint Power Associations and estimated reduction in contaminants to surface water;
- ◆ Number of pounds of material recycled;
- ◆ Amount of waste reduction achieved by local programs; and,
- ◆ Emission database development timelines met and turnover of data from federal government seamless.

Alternatives Considered

The available fund balance in the environmental fund in FY 2010 and FY2011 acted as the primary constraint. Each of the items associated with this increased appropriation request could have been delayed, reduced or omitted. However, each item in the table carries a level of program urgency that made its inclusion the best decision.

Statutory Change: None needed.

POLLUTION CONTROL AGENCY

Change Item: General Fund Reduction

Fiscal Impact (\$000s)	FY 2010	FY 2011	FY 2012	FY 2013
General Fund				
Expenditures	\$(1,150)	\$(1,150)	\$(1,150)	\$(1,150)
Revenues	0	0	0	0
Other Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact	\$(1,150)	\$(1,150)	\$(1,150)	\$(1,150)

Recommendation

The Governor recommends an appropriation reduction of \$1.15 million in each of FY 2010 and FY 2011 from the general fund. The reduction is distributed as reductions of \$950,000 in the Water Program, \$100,000 in the Environmental Assistance and Cross-Media Program, and \$100,000 in the Administrative Support Program.

Background

Water Program: Of the \$950,000 reduction in each of FY 2010 and FY 2011, \$850,000 is a proposed decrease to the clean water partnership grant program. This program is undergoing a change in emphasis, with management planning to award clean water partnership grants for qualifying projects that demonstrate an emphasis on protection of water resources. The remaining \$100,000 reduction will come from Water Program operations. Operating efficiencies will come from a blend of efforts such as managing vacancies, reducing travel and training costs, using web-based tools to deliver communications, and analyzing all other routine program operating costs to identify where reductions can occur.

Environmental Assistance and Cross-Media and Administrative Support: The remaining \$200,000 reduction will be within these two budget programs. Operating efficiencies will come from a blend of efforts such as managing vacancies, reducing travel and training costs, using web-based tools to deliver communications, and analyzing all other routine program operating costs to identify where reductions can occur.

Relationship to Base Budget

The Minnesota Pollution Control Agency's (MPCA's) base budget from the general fund totals \$11.5 million in each year of the biennium. Decreasing the appropriations noted above in the Water Program, Environmental Assistance and Cross-Media Program, and Administrative Support by \$1.15 million is a general fund reduction of 10%.

Key Goals and Measures

The Agency intends to modify the underlying strategy relating to the Clean Water Partnership grant program, seeking emphasis on proposals from local governments that demonstrate an ability to protect water resources. Clearly a reduction of funding means the Agency will be able to award fewer individual grants. However, the reduction of available resources by \$850,000 does not undermine the renewed purpose of this specific grant program.

The additional reduction of \$300,000 will be distributed between the MPCA's Water Program, Environmental Assistance and Cross Media Program and Administrative Support. Implementing a funding reduction of this magnitude will require the Agency to impose significant operational changes. The Agency is developing the means to track changes in behaviors and performance related to in- and out-state travel and training expenses, continuing education and certification offerings to various audiences, the manner in which the Agency makes information available in electronic formats to replace printed materials are just a few examples of the operational changes the MPCA has committed to make in the coming biennium.

Alternatives Considered

Given appropriations to the MPCA from the general fund constitutes less than 10% of the agency's annual operating budget, the Agency has limited options to consider when a reduction of this magnitude is required. This reduction comes shortly after the Agency implemented a reduction of \$623,000 from the general fund in FY 2009 and continued as a base adjustment in FY 2010 and FY 2011. Since a combination of operational changes were

POLLUTION CONTROL AGENCY

Change Item: General Fund Reduction

prompted by the previous reduction from general fund, this current reduction of \$1.15 million will target programs previously held harmless.

Statutory Change

None required.

POLLUTION CONTROL AGENCY

Program: AIR

Change Item: Air Emissions Fees

Fiscal Impact (\$000s)	FY 2010	FY 2011	FY 2012	FY 2013
General Fund				
Expenditures	\$0	\$0	\$0	\$0
Revenues	0	0	0	0
Environmental Fund				
Expenditures	167	427	427	427
Revenues	0	0	0	0
Net Fiscal Impact	\$167	\$427	\$427	\$427

Recommendation

The Governor recommends an increase of \$167,000 in FY 2010 and \$427,000 in FY 2011 in the appropriation to the Air Program from the Environmental Fund. The appropriation increase will enable the Minnesota Pollution Control Agency (MPCA) to maintain the level of service provided by the Air Program to industrial and municipal emission sources given the increased costs of staffing and other related program support expenses.

Background

The federal Clean Air Act (CAA) includes a requirement for states to charge air emission fees to cover the cost of issuing permits to facilities that emit air pollutants. The CAA also requires air permit fee increases to cover inflation and assure that adequate resources are available to meet the requirements of the Act. Salaries, benefits and program support costs are all projected to increase in FY 2010-11.

State law provides for fee adjustments as program costs increase. Specifically, M.S. 116.07, subd. 4d (b) authorizes MPCA to increase air permit fees to cover the costs of the air quality program. Air permit fees are deposited to the Environmental Fund. MPCA must request an increase to its annual appropriation from the Environmental Fund to cover increased program costs. Without the authorized increase, funding for air permitting will remain at FY 2008-09 levels. With program costs increasing by an estimated 2.0% per fiscal year, appropriations capped at the FY 2008-09 level would force the MPCA to reduce program service levels in FY 2010-11 to fit existing funding.

Relationship to Base Budget

The current level spending budget plan for FY 2010-11 includes \$11.2 million each year for air permitting. Of this amount, \$10.1 million is appropriated to the Air Program and \$1.1 million is appropriated to the Environmental Assistance and Cross Media Program. This funding request will increase authorized appropriations for air permitting by 2.0% the first year and 4.0% the second year and will increase the annual appropriation to the Air Program.

Key Goals and Measures

This change request will enable MPCA to continue its level of effort for air quality regulatory, mobile source and monitoring programs. The current level of service includes support for existing program staff; contracts for assistance to reduce the permitting backlog; and state rule updates to meet federal requirements.

Alternatives Considered

Without the additional funding, MPCA considered reductions in air permitting, environmental assessment, compliance monitoring, and air rulemaking. Under this approach, MPCA would allocate enough resources to complete limited rulemaking, provide permitting for new facilities, and significantly reduce permitting on existing facilities. All options would curtail work on mobile sources of air emissions. If applied, these alternatives will diminish Minnesota's commitment to air quality. Reductions to the air program may also jeopardize program authorization, which has been delegated from the EPA. Lack of EPA authorization puts a larger burden on regulated parties and MPCA staff as permitting, program advances and new standards must be coordinated through EPA.

Statutory Change: Not applicable

POLLUTION CONTROL AGENCY

Program: EA AND CROSS-MEDIA

Change Item: Continue E-Waste as Statutory Appropriat

Fiscal Impact (\$000s)	FY 2010	FY 2011	FY 2012	FY 2013
General Fund				
Expenditures	\$0	\$0	\$0	\$0
Revenues	0	0	0	0
Environmental Fund				
Expenditures—statutory	265	265	165	165
Revenues	0	0	0	0
Net Fiscal Impact	\$265	\$265	\$165	\$165

Recommendation

The Governor recommends that from July 1, 2009 through June 30, 2011 money deposited to the electronic waste account in the Environmental Fund continues to be appropriated annually to the MPCA.

Background

The Laws 2007, Chapter 48 established a program intended to keep electronic devices from being disposed at open landfills in the state. The chapter defined who may participate as an electronic device recycler. The registration fee structure, however, was created to be applied to manufacturers whose electronic products may be sold at retailers in the state. Registration fees were to be collected from manufacturers in the first fiscal year by September 1, 2007, and each year thereafter.

Fees collected in FY 2008 were about \$280,000. In FY2009 the MPCA estimates about \$450,000 will be deposited to the account. In future fiscal years, however, the MPCA projects registration fees, assessed penalties and interest income to level off at about \$150,000 per year.

During the first year of the project MPCA's actual program expenses were \$79,000. The MPCA has budgeted about \$260,000 to operate the program in FY 2009.

M.S.115A.1314, subd. 2 (b) states that until June 30, 2009 money in the dedicated electronic waste account is annually appropriated to the Pollution Control Agency. After that time the MPCA was directed by Chapter 48 to report on the receipts deposited to the account in FY 2008 and FY 2009 and to request a direct appropriation to cover program expenses in FY 2010 and FY 2011.

However, with less than two years of history of receipts and the cost of operating a program to address electronic waste recycling, the MPCA is requesting the continuation of language that annually appropriates money in the dedicated account to the Agency. In the next biennial budget, the MPCA will be better able to prepare a direct appropriation request based on a longer history of receipts and program operating costs.

Relationship to Base Budget

In its base budget the MPCA shows the continuation of annual receipts deposited to the dedicated electronic waste account, but that program expenditures will end in FY 2010 and FY 2011. This is consistent with the direction in L2007, Chapter 48 for the MPCA to request a direct appropriation to fund the electronic device recycling program starting in FY 2010.

Key Goals and Measures

The e-waste program effort is a recent agency activity with less than two years of history. The MPCA is actively assessing whether it has achieved the goals and objectives related to this effort. The MPCA is also listening to county governments, the electronics manufacturers and waste collectors involved in this program. This budget request gives the MPCA the flexibility it needs to efficiently use the resources generated under the program, and to determine—and adjust as necessary—the size and scope of its program delivery.

POLLUTION CONTROL AGENCY

Program: EA AND CROSS-MEDIA

Change Item: Continue E-Waste as Statutory Appropriat

Alternatives Considered

The MPCA considered changing the registration receipts from dedicated to non-dedicated receipts to the Environmental Fund, and to request an annual direct appropriation to cover program costs from the Environmental Fund. However, the difficulty comes in projecting where annual revenues will stabilize or level off, and determining the long-term cost of the program. The MPCA asserts more time is needed to determine the needs of this relatively new program.

Statutory Change: Modifications will be needed to M.S. 115.1314, subd 2(b).

POLLUTION CONTROL AGENCY

Program: WATER

Change Item: Clean Water Funding

Fiscal Impact (\$000s)	FY 2010	FY 2011	FY 2012	FY 2013
General Fund				
Expenditures	\$0	\$0	\$0	\$0
Revenues	0	0	0	0
Clean Water Fund				
Expenditures	12,913	24,325	27,050	26,800
Revenues	0	0	0	0
Net Fiscal Impact	\$12,913	\$24,325	\$27,050	\$26,800

Recommendation

The Governor recommends appropriations to the MPCA of \$12.913 million in FY 2010 and \$24.325 million in FY 2011 from the newly-created Clean Water Fund to meet the requirements of the state Clean Water Legacy Act (CWLA) and the federal Clean Water Act (CWA). Funding from the appropriation will be used to assess the quality of lakes, rivers and streams, develop Total Maximum Daily Load (TMDL) reports to identify measures and extent for restoring water quality, complete research on alternatives and allow for regulatory work needed to implement the TMDL reports, assess ground water for the protection of drinking water, and leverage available federal money to make a significant start on St. Louis River restoration, which includes Lake Superior, a drinking water supply source for the City of Duluth.

Background

The CWLA and CWA require the state to make reasonable progress in assessing waters of the state for impairments and in developing plans for restoring waters to their intended uses. This initiative will address a number of issues crucial to studying and maintaining water quality in Minnesota and move ahead with restoration: Increases the ability of the state to address key requirements of Section 303(d) of the federal CWA;

Allows for the assessment of Minnesota watersheds on a ten-year cycle as expressed in M.S. Chapter 114D (Minnesota Clean Water Legacy Act);

Provides for the collection of critical water quality data for Minnesota's water resources that will inform policy and resource allocation decisions;

Continues to direct resources and accelerates the development of TMDL reports, which are plans for restoring waters to meet state water quality standards;

Allows, by increasing the number of TMDL reports initiated and restoration implementation including regulatory support, economic growth opportunities through the state;

Assesses condition of drinking water as it meets the projected standards for ground water to be developed with the data collected by MPCA and its contributing partners (other state and federal agencies); and

Initiate a large restoration project, the clean-up of contaminated sediments in the lower St. Louis River and Duluth harbor; thus, protecting this vital drinking water source and natural resource.

The November 2008 passage of the constitutional amendment will generate annually a significant amount of new revenue for the environment and the arts, with one third dedicated specifically to protect, enhance and restore water quality in lakes, rivers, and streams and to protect ground water from degradation. At least 5% of the funding dedicated to clean water must be spent to protect drinking water sources.

Since passage of the amendment representatives from seven state agencies have met to coordinate and integrate the requests for spending from the new Clean Water Fund. The multi-agency request is reflected in the Governor's budget plan, with budget initiatives presented under each of the seven state agencies.

The MPCA's request for \$12.913 million in FY 2010 and \$24.325 million in FY 2011 from the Clean Water Fund is made up of the following components:

- ◆ \$3.725 million in FY 2010 and \$7.45 million in FY 2011 for assessment and monitoring, which includes \$375,000 over the biennium for endocrine disruptor monitoring and analysis;
- ◆ \$7.688 million in FY2010 and \$15.375 million in FY 2011 for TMDL development, which includes \$1.688 million over the two years for the urgent development of an enhanced database to manage and track

POLLUTION CONTROL AGENCY

Program: **WATER**

Change Item: **Clean Water Funding**

progress, and the promulgation of key rules needed to implement restoration plans (e.g. trading rules, ground water standards for nitrate);

- ◆ \$750,000 in FY 2010 and \$1.5 million in FY 2011 for ground water assessment as an essential element of drinking water protection; and
- ◆ \$750,000 in FY 2010 to leverage available federal grant money (~\$3 million additional) for a large scale restoration project, the clean-up of contaminated sediments (e.g., PCBs, dioxin, mercury) in the lower St. Louis River and Duluth harbor.

Relationship to Base Budget

MPCA's base budget does not include funding for the continuation of water-quality assessments and monitoring, TMDL plan development, or ground-water assessment.

More than \$31.0 million was appropriated to the MPCA for this CWA effort in FY 2008-09. Of this amount \$12.634 million was designated for assessment, and \$18.0 million was directed toward TMDL report development. The biennial appropriation was specified as one-time.

Prior to the current biennium, \$5.03 million was appropriated to the MPCA in FY 2007 for this purpose; \$1.86 million for assessment and \$3.17 million for TMDL development. This funding was a one-time appropriation, and justification was needed anew to have received the FY 2008-09 funding.

This new funding recommendation ensures continuation of the effort started in FY 2007 and accelerated with the appropriations in FY 2008-09.

Key Goals and Measures

This change item will result in continued progress toward the statewide assessment of Minnesota's lakes, rivers, and streams, and development of TMDLs, which are key goals of M.S. 114D, the Clean Water Legacy Act.

Water quality assessment key measures and outcomes:

- ◆ Maintain biological monitoring sites;
- ◆ Provide pass-through grants to local units of government and volunteers for stream and lake monitoring;
- ◆ Assess additional lakes spanning 500 acres;
- ◆ Increase the number of endocrine disrupting chemical sites from 20 to 23 analyzed and additional chemicals analyzed;
- ◆ Manage data to ensure transparency and usefulness to track projected outcomes;
- ◆ Enhance ground water ambient monitoring network, including endocrine disrupting chemical analysis;
- ◆ Completion of 4-5 ground water models each year for TMDL and watershed plans; and
- ◆ Develop a nitrogen balance between surface water and ground water.

Key measures for TMDL report development:

- ◆ Support about 80 more TMDL reports during the biennium and allow completion of those started with one-time funding;
- ◆ Meet the 2009 EPA target of 60 more impairments addressed by TMDL reports;
- ◆ Research completed by university and college partners to understand effectiveness of restoration activities;
- ◆ Leverage resources and build local capacity by passing through over half of the funding designated for TMDL development and studies; and
- ◆ Leverage federal resources to restore a significant natural resource and drinking water source (i.e., St. Louis River and Lake Superior's Duluth harbor).

Alternatives Considered

The level of one-time funding provided in FY 2008-09 from the general fund enabled the MPCA to establish a ten-year plan for the assessment of lakes, rivers and streams, and TMDL plan development. Given the billion dollar

POLLUTION CONTROL AGENCY

Program: WATER

Change Item: Clean Water Funding

deficit in the fund, the MPCA did not expect funding from the general fund to continue in FY 2010-11, at least not at a level comparable to the current biennium. Similarly, the Environmental Fund did not have projected available fund balances in FY 2010-11 to continue funding at the level presently authorized.

Statutory Change: None required.

POLLUTION CONTROL AGENCY

Program: WATER

Change Item: SSTS License Fees

Fiscal Impact (\$000s)	FY 2010	FY 2011	FY 2012	FY 2013
General Fund				
Expenditures	\$0	\$0	\$0	\$0
Revenues	0	0	0	0
Environmental Fund				
Expenditures	270	270	270	270
Revenues	270	270	270	270
Net Fiscal Impact	\$0	\$0	\$0	\$0

Recommendation

The Governor recommends an increase in Subsurface Sewage Treatment Systems (SSTS) license fees and an increase of \$270,000 in FY 2010 and \$270,000 in FY 2011 in the appropriation to the Water Program from the Environmental Fund. The increase will enable the MPCA to implement requirements of state SSTS rules.

Background

The goal of the SSTS program is to protect the public health and the environment through adequate dispersal and treatment of domestic sewage from dwellings or other establishments generating volumes less than 10,000 gallons per day. The first state law specifically addressing septic systems was enacted in 1994 in Minn. Stat. §§ 115.55 and 115.56, and required all new construction and replacement septic systems to meet minimum statewide standards.

The 1994 Act was amended in 2008 to keep pace with industry and community development advances. The 2008 rule requires product registration for the first time and septic system tank verification processes to be established statewide as a MPCA program requirement. The rule maintains the MPCA's responsibility to proctor state-wide licensing exams and issue licenses annually, and provide limited technical and enforcement assistance to local units of government. And, due both to urban/suburban expansion and the aging of existing systems in Minnesota, the need to monitor these septic systems and identify their performance weaknesses is increasing.

The SSTS license fee was established in 1994 at \$100 per license. The fee has not increased for operators since the establishment of the SSTS law. This recommendation will increase the operator license fee from \$100 to \$200, and will increase business licenses from \$200 to \$400. However, the \$400 license functions as a cap for all operators working for that business. Therefore, if more than two operators work at one business, the business will not be required to pay the additional operator's license fees.

Relationship to Base Budget

In its base budget the MPCA receives \$885,000 in each year of the biennium for the Subsurface Sewage Treatment Systems program; of this amount \$480,000 is from the Environmental Fund and \$405,000 from the General Fund. This funding recommendation represents a 30% increase over base budget funding levels in program spending authority.

Key Goals and Measures

This change request will enable the MPCA to expand its level of effort in the SSTS program to meet the current regulatory demands in the areas of tank verification and reviews of program implementation at the county level. Additionally, this increase will provide resources to offset the cost of annual training for county technical staff.

Alternatives Considered

Without the additional revenues generated from fee increases, the MPCA has considered decreasing the frequency of monitoring, inspections and permitting. This delay could result in unidentified septic system failures or systems exceeding functional capacity, and a delay in issuing permits for construction. Additionally, the MPCA would not offset costs for required annual training and certification of county personnel.

Statutory Change: Subsurface Sewage Treatment Systems license fees can be found in Minn. Stat. § 115.56.

Program Description

The Water Program protects and improves Minnesota's rivers, lakes, wetlands, and ground water so they support healthy aquatic life and human health. MPCA receives its authority through state statute and delegation of the federal Clean Water Act (CWA) from the U.S. Environmental Protection Agency.

MPCA establishes designated uses for each water body, such as swimming, drinking, and fishing; sets standards for the pollutants that impact the designated use; and monitors these waters to determine if they meet standards.

MPCA's mission is to assess the condition of Minnesota's water resources; to prevent degradation of water quality in Minnesota waters; and to establish plans to restore those identified as impaired. This is accomplished by regulating municipal and industrial discharges and failing septic systems, controlling stormwater runoff, regulating feedlots and land application of manure, working with farmers to reduce pollution from farming operations, and monitoring and assessing water quality to provide information upon which to make social, financial, technical, and environmental management decisions.

MPCA has assessed 18% of Minnesota lakes larger than 10 acres and 14% of the state's 105,000 miles of streams for aquatic life, recreation or aquatic consumption. Statewide about 60% meet the designated uses. Those not meeting designated uses are classified as "impaired" waters, and restoration plans are developed and implemented to restore waters to their designated uses.

The strategic goals for the Water Program are:

- ◆ assess the chemical, physical and biological integrity of lakes, streams and wetlands to identify if designated uses are being met and provide information on the condition of waters;
- ◆ protect and improve the chemical, physical, and biological integrity of lakes, streams and wetlands;
- ◆ assess the condition of Minnesota's ground water systems; and
- ◆ prevent or reduce degradation of ground water and support ground water conservation.

Population Served

This program serves all citizens of the state by protecting Minnesota's lakes, streams, wetlands, and ground water from many kinds of pollution. The goal is to maintain the ability of Minnesotans and tourists to drink, fish, and recreate in Minnesota's abundant water resources. To accomplish this goal, PCA carries out a variety of functions for a broad audience including:

- ◆ regulating a large and diverse array of business and municipal activities in Minnesota.
- ◆ providing grants and loans to local units of government to address pollution problems such as stormwater runoff and failing septic systems.
- ◆ supporting watershed management groups who receive financial and technical assistance from MPCA.
- ◆ forming partnerships so information regarding economics, health, and recreation is considered in decision-making.

Program at a Glance

- ◆ develop and implement restoration plans for 2,575 impairments on lakes, rivers, and streams and preservation of high quality waters via a watershed approach
- ◆ develop and implement the stormwater program including permitting, compliance determination, and enforcement for ~240 municipalities, 1,650 industrial facilities (4,000 or more projected), and ~2,500 construction projects per year
- ◆ implement the wastewater treatment program including point source permitting, compliance determination, and enforcement
- ◆ monitor water quality on a watershed basis, including citizen monitoring
- ◆ develop water quality standards
- ◆ regulate animal feedlots through permitting, compliance determination, and enforcement
- ◆ provide grants to local units of government to improve water quality through the Clean Water Partnership, Clean Water Legacy, and federal Clean Water Act
- ◆ provide grant and loan funds to upgrade or install subsurface sewage treatment systems

Services Provided**Assessment:**

- ♦ monitor watersheds to characterize river, lake, and wetland water quality through a combination of state and local projects, monitoring through remote sensing, and volunteer monitoring.
- ♦ monitor long term specific sites and those waters that have been identified as potentially not meeting their designated uses more intensely through water chemistry, biological integrity and physical monitoring methods.
- ♦ assess monitoring data for water bodies to determine impairment status as required by the CWA.
- ♦ monitor ambient ground-water quality at a limited number of sites around the state, working closely with the Minnesota Departments of Agriculture and Health.

Prevent/Protect:

- ♦ use critical data to establish standards and protect Minnesota's waters
- ♦ set priorities for water treatment, and determine discharge limits.
- ♦ issue permits under the federal CWA, including inspections and enforcement follow-up as necessary for 731 industrial and 743 domestic wastewater facilities.
- ♦ develop and implement the Phase II stormwater program under the CWA including permitting, technical assistance, inspections, and enforcement for ~240 municipalities, ~1,650 industrial facilities (4,000 or more projected), and ~2,500 construction projects per year.
- ♦ issue permits under the federal CWA and state law for over 1,000 animal feedlots, including inspections and enforcement, and oversee, with assistance from local government, 30,000 feedlots registered under state law.

Restore/Improve:

- ♦ develop watershed plans to address water quality problems.
- ♦ provide grant and loan funds to clean up pollution from urban and agricultural runoff, individual sewage treatment upgrades, and feedlot upgrades at over 350 project sites in the past five years.
- ♦ develop strategies to address degradation of surface and ground waters by upgrading small community wastewater treatment facilities.
- ♦ complete Total Maximum Daily Load (TMDL) evaluations that address hundreds of impairments to determine sources of impairment.

Historical Perspective

In the past, MPCA focused its efforts on regulating industrial and municipal discharges, with a special emphasis on municipal wastewater treatment facilities. At the time, this focus was appropriate because these sources were the largest controllable source of water pollution. Current emphasis is on gaining new efficiencies, particularly in permitting and enforcement portions of the program and on improved integration with the Minnesota's interagency approach to impaired waters activities. Another focus is addressing the small un-sewered or under-sewered communities with the priority placed on community straight-pipe discharges.

MPCA continues to address dispersed sources of pollutants, with urban stormwater runoff, agricultural land and drainage systems, individual septic systems, feedlots, and forestry as examples. More emphasis and funding have been directed to these sources of pollutants reaching our waters. Although individual sources are often small, their cumulative impacts are significant. The emphasis placed on these sources does not replace the work that must continue to be directed at municipal and industrial sources.

The stormwater program experienced dramatic change with implementation of the federal Phase II program in 2003. The program scope increased significantly with provisions that required permitting and oversight at construction projects greater than one rather than five acres. The new Industrial Stormwater General Permit, which will be issued in 2009, addresses 30 industrial sectors and requires benchmark monitoring, nondegradation measures, and implementation of clean-up for impaired waters. Outreach by MPCA should result in a dramatic increase in the number of facilities that apply for permit coverage under these stepped-up industrial stormwater requirements, from ~1,650 facilities to a projected 4,000.

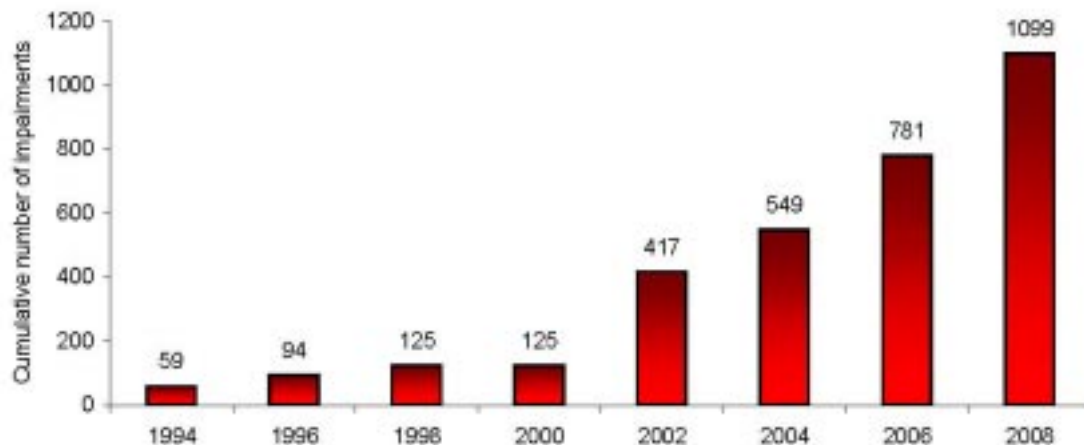
POLLUTION CONTROL AGENCY

Program: WATER

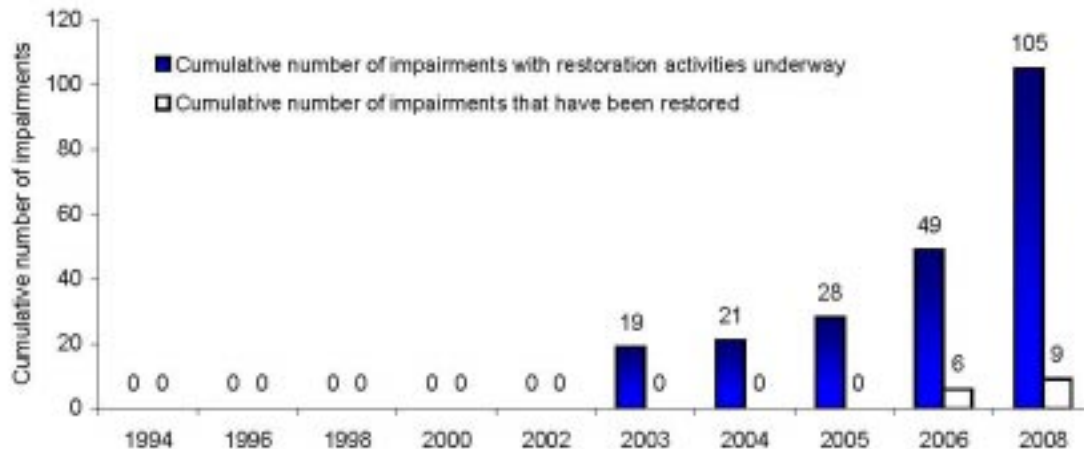
Narrative

The CWA requires states to list impaired waters, and to develop and implement clean-up plans. The 2006 Legislature passed the Clean Water Legacy Act and authorized funding for one year. The 2007 Legislature appropriated additional funds for the 2008-09 biennium. The state has 2,575 impairments affecting 1,377 lakes and streams. Just under 60% of the impairments are attributed to mercury.

**Impairments to Minnesota's waters
due to conventional pollutants**



**Restoring waters in Minnesota that are impaired
by conventional pollutants**



Key Measures

MPCA assesses waters and lists the impaired waters every two years in accordance with the CWA. Once listed MPCA must identify all sources of the pollutant causing the poor water quality and allocate responsibility for addressing the impairment in a TMDL. As the TMDL is completed, MPCA works with stakeholders to restore the water body so it meets its designated use. As of August 13, 2008, MPCA had completed 17 studies addressing 105 conventional impairments and is implementing clean-up efforts. In addition, MPCA has 109 TMDLs addressing 430 conventional impairments underway to determine the sources of impairment. MPCA also has an approved TMDL that addresses 998 mercury impairments.

During FY 2008, the MPCA issued 96% of its stormwater permits within its established goal of seven days. As required by the Court of Appeals, MPCA received detailed stormwater program descriptions from municipal stormwater permittees in September 2006 and is still working its way through the review, public notice and approval process. As of June 30, 2008, 182 of 233 municipal stormwater programs had been noticed and 146 approved. Nondegradation reports were received from 30 of the largest municipalities between September 1, 2007 and February 1, 2008; all of these are still undergoing review and awaiting approval as of August, 2008.

Over the past ten years, MPCA has significantly reduced the number of expired wastewater permits awaiting re-issuance. By streamlining permit reviews, setting individual and programmatic performance goals, and equalizing the number of permits issued each year to balance the workload throughout the five-year permitting cycle, MPCA issues about 93% of wastewater permits on time.

Program Funding

Authorized appropriations for the Water Program in FY2008-09 totaled \$110 million. The funding mix: 35% environmental fund, 42% general fund, 15% federal and 8% other sources.

The 2007 Legislature authorized \$30.6 million from the general fund for CWLA in FY 2008-09; the appropriation was specified as one-time funding. Funding enabled MPCA to begin assessment work according to a 10-year watershed cycle and to proceed on 48 TMDL projects. Currently, 126 total TMDL projects are underway statewide addressing almost 50% of total impairments on the 2008 impaired waters list.

Contact

For more information, contact Mark Schmitt at (651) 297-8574 or toll-free at (800) 657-3864.

The MPCA website at: <http://www.pca.state.mn.us> provides useful information about Minnesota's environment. The types of information available through the site include regulatory news and updates, rules, public notices, agency initiatives, and details about environmental quality and current "hot topics."

For information on how this agency measures some of its efforts to meet statewide goals, please visit: <http://www.departmentresults.state.mn.us>

Impaired waters reports to the legislature are located at: <http://www.pca.state.mn.us/publications/reports/lrwq-iw-1sy04.pdf> and <http://www.pca.state.mn.us/publications/reports/lrwq-s-lsy03.pdf>.

POLLUTION CONTROL AGENCY

Program: WATER

Program Summary

Dollars in Thousands					
	Current		Governor Recomm.		Biennium
	FY2008	FY2009	FY2010	FY2011	2010-11
<u>Direct Appropriations by Fund</u>					
Environment & Natural Resource					
Current Appropriation	0	100	100	100	200
Technical Adjustments					
One-time Appropriations			(100)	(100)	(200)
Subtotal - Forecast Base	0	100	0	0	0
Total	0	100	0	0	0
General					
Current Appropriation	38,656	7,383	7,383	7,383	14,766
Subtotal - Forecast Base	38,656	7,383	7,383	7,383	14,766
Governor's Recommendations					
General Fund Reduction		0	(950)	(950)	(1,900)
Total	38,656	7,383	6,433	6,433	12,866
State Government Spec Revenue					
Current Appropriation	48	48	48	48	96
Subtotal - Forecast Base	48	48	48	48	96
Total	48	48	48	48	96
Environmental					
Current Appropriation	19,349	19,279	19,279	19,279	38,558
Technical Adjustments					
One-time Appropriations			(1,035)	(1,035)	(2,070)
Subtotal - Forecast Base	19,349	19,279	18,244	18,244	36,488
Governor's Recommendations					
Environmental Fund Resource Redirection		0	67	67	134
SSTS License Fees		0	270	270	540
Total	19,349	19,279	18,581	18,581	37,162
Clean Water Fund					
Current Appropriation	0	0	0	0	0
Subtotal - Forecast Base	0	0	0	0	0
Governor's Recommendations					
Clean Water Funding		0	12,913	24,325	37,238
Total	0	0	12,913	24,325	37,238
<u>Expenditures by Fund</u>					
Direct Appropriations					
Environment & Natural Resource	0	100	0	0	0
General	21,513	24,526	6,433	6,433	12,866
State Government Spec Revenue	48	48	48	48	96
Environmental	18,400	20,235	18,581	18,581	37,162
Clean Water Fund	0	0	12,913	24,325	37,238
Statutory Appropriations					
Clean Water Revolving Fund	7,397	4,325	3,724	3,724	7,448
Miscellaneous Special Revenue	119	89	26	26	52
Federal	9,155	10,176	5,323	5,321	10,644
Total	56,632	59,499	47,048	58,458	105,506

POLLUTION CONTROL AGENCY

Program: WATER

Program Summary

<i>Dollars in Thousands</i>					
	Current		Governor Recomm.		Biennium
	FY2008	FY2009	FY2010	FY2011	2010-11
<u>Expenditures by Category</u>					
Total Compensation	23,216	21,865	22,312	22,624	44,936
Other Operating Expenses	15,883	18,047	13,286	22,748	36,034
Local Assistance	11,255	16,457	8,920	10,556	19,476
Other Financial Transactions	6,278	3,130	2,530	2,530	5,060
Total	56,632	59,499	47,048	58,458	105,506
<u>Expenditures by Activity</u>					
Water	0	7	0	0	0
Water	56,632	59,492	47,048	58,458	105,506
Total	56,632	59,499	47,048	58,458	105,506
Full-Time Equivalents (FTE)	324.5	325.6	316.1	316.1	

Program Description

The state's air quality is affected by pollution from transportation, energy production, manufacturing, and other activities. Clean and clear air, however, is essential for Minnesota's environmental, social, and economic well-being and is also required by state and federal law. The federal Clean Air Act (CAA) is the national environmental framework for these requirements, and it is the foundation of Minnesota's air quality program.

The CAA was amended in 1990, which dramatically expanded the air program in Minnesota and nationwide through the assessment of air emission fees, new permit and compliance requirements, and activities to control emissions of hazardous air pollutants. Minnesota Pollution Control Agency's (MPCA's) major activities in implementing the CAA include tracking emissions from point, area, and mobile sources of pollution, monitoring the ambient air around the state, and issuing and tracking compliance with air emission permits. In addition, the CAA amendments created programs to focus on small sources and vehicles that contribute significantly to air quality problems.

In the past decade, the U.S. Environmental Protection Agency (EPA) has delegated additional programs to MPCA. For example, MPCA has developed strategies for reducing regional haze and fine particulate matter and also is implementing new initiatives to reduce emissions of mercury, a pollutant of particular concern to environmental scientists. When released to the air, mercury falls onto surface waters and accumulates in fish tissue, resulting in fish consumption advisories for many Minnesota lakes and streams. Already a national leader in mercury reductions, the legislature in 2007 enacted legislation that further banned the use of mercury-containing products to restrict mercury from the environment.

Finally, policymakers, scientists and citizens are giving more attention to the impacts of climate change on the Minnesota environment and economy. MPCA is evaluating strategies to mitigate climate change gases and will be talking with citizens, stakeholders and other state agencies regarding various policy options. In 2008, as part of the permitting process, MPCA began asking companies to evaluate how greenhouse gas emissions can be mitigated in their operations.

The agency's strategic goals for the air program are to:

- ◆ ensure Minnesota's outdoor air quality meets all environmental and human health-related federal and state ambient air quality standards;
- ◆ ensure Minnesota's outdoor air quality meets environmental and human health benchmarks for toxic and other air pollutants; and
- ◆ reduce air pollution that originates in Minnesota.

Population Served

The Air Program serves all citizens and industrial operations of the state to facilitate protection of public health and welfare while allowing the continued operation of industries, utilities and transportation systems that contribute to the social and economic well being of the state.

As a result of their daily activities, citizens are responsible for large amounts of air pollution. In fact, about half of most air pollutants in Minnesota are emitted from mobile sources, which include automobiles, trucks, buses, recreational and lawn equipment. More information about air quality in Minnesota is available on the MPCA website at <http://www.pca.state.mn.us/air/index.html>.

The Air Program also regulates industrial sources of air pollution. MPCA issues annual operating air permits to more than 4,000 facilities in the state. Of those 4,000 facilities, 350 are large enough to need a federal air quality permit. MPCA issues joint federal and state permits to these larger facilities.

Program at a Glance

- ◆ implements air quality point source permitting, compliance determination, and enforcement
- ◆ develops and implements strategies to reduce air pollution from small sources of air pollution, including mobile sources
- ◆ monitors air quality, tracking the Air Quality Index (AQI)
- ◆ develops and implements ozone and particulate matter reduction efforts
- ◆ develops and implements strategies to reduce regional and global air pollutants such as mercury, regional haze and emissions that contribute to climate change
- ◆ issues permits to companies building new or expanding existing facilities

Proper implementation of air programs is important so public health and welfare is protected, especially for sensitive groups of citizens (e.g., the very young and very old, people who suffer from asthma and heart disease). Because of how pollutants are drawn deeply into the lungs during exercise, even healthy, active kids and adults are susceptible to the harmful effects of air pollution.

Services Provided

Assessment:

- ◆ monitor the air quality index and its compliance with ambient air quality standards (35 monitors in eight cities);
- ◆ monitor toxic air pollutants at 20 locations;
- ◆ develop annual emission inventories for 2,300 companies; and
- ◆ conduct air emission risk analysis for about 20 point sources each year.

Restore/Improve:

- ◆ develop state implementation plans for maintaining and improving air quality;
- ◆ reduce emissions of pollutants that contribute to regional haze, ozone, fine particulate matter, and toxic air pollutants; and
- ◆ reduce emissions that contribute to climate change.

Prevent/Protect:

- ◆ issue and maintain federal and state air quality operating permits;
- ◆ issue construction and operating permits for new and expanding facilities;
- ◆ monitor compliance with air quality rules, regulations, and permits;
- ◆ take enforcement action when warranted;
- ◆ maintain the daily air quality index for the Twin Cities, Duluth, Rochester, Marshall, Brainerd, Detroit Lakes, Ely and St. Cloud and issue alerts when air quality is expected to exceed health benchmarks;
- ◆ implement 2006 legislation to control utility mercury emissions;
- ◆ implement the Total Maximum Daily Load (TMDL) plan for mercury; and
- ◆ develop a process for capping or controlling new sources of mercury.

Air Quality Programs - Past, Present and Future

The Clean Air Act, passed in the 1990s, established a national operating permit program known as Title V for large facilities that emit air pollutants. Minnesota issues joint construction and operating permits for existing facility expansions and for new facilities. Permits must be renewed on a 5-year cycle. MPCA is under increased pressure to dedicate enough resources to the permitting activity. Detailed rules and regulations, and a more engaged public, have increased the complexity and time MPCA needs to issue air permits.

The mining industry is an expanding economic sector. MPCA is currently reviewing nine mining projects; three of these may require joint state and federal Environmental Impact Statements (EIS) in addition to water, air and land permit activities. High prices for metallic minerals are currently motivating companies to submit new projects, and MPCA expects to get additional mining proposals in the near future.

The alternative fuels industry is expanding as the cost of conventional fuels rise and companies look for cleaner ways to produce needed energy. MPCA has been involved in permitting on 23 ethanol facilities. Approximately 19 of these facilities are operating and 12 are currently undergoing major amendments to their air quality permits. MPCA expects that Minnesota's current ethanol facilities will continue to seek efficiency modifications and expansion opportunities. MPCA also expects to see an influx of cellulosic and other next generation biofuel projects in the next year. Ethanol projects require air modeling, air permitting, water permitting, environmental review and coordination with the Department of Natural Resources to ensure timely environmental decision-making. Wood, agricultural by-products and other materials previously thought of as wastes are now being used to generate power at utility and manufacturing plants.

Past efforts by MPCA and its partners have resulted in emission reductions for many key pollutants and, by most measures, ambient air quality is improving. On the other hand, improving information on how air pollutants impact human health has led to new tighter federal air quality standards for several pollutants. The result is that Minnesota air quality is occasionally unhealthy due to elevated ozone (smog) and fine particulate matter. MPCA issues air

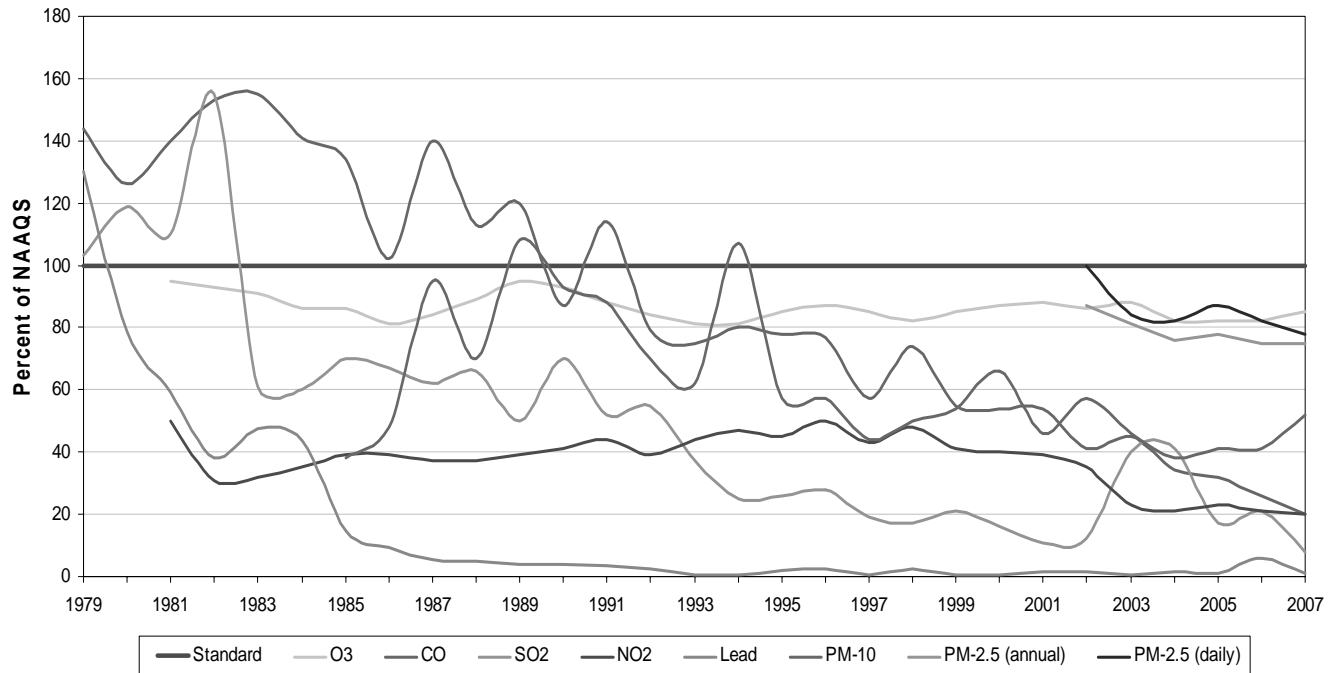
quality alerts when levels exceed health advisory thresholds (see figure on page 3). Daily air quality readings are available on the MPCA website at <http://aqi.pca.state.mn.us/hourly/>.

To keep the Twin Cities in compliance with standards, MPCA continues its work to reduce emissions of pollutants that contribute to ozone formation and fine particulate matter.

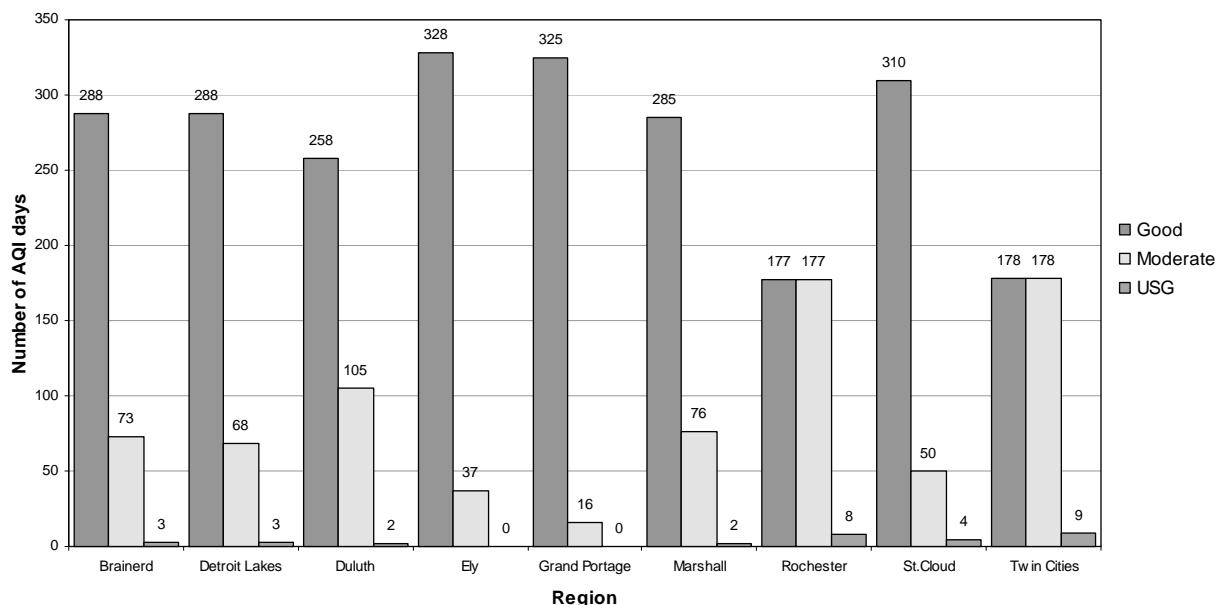
Key Measures

The following graphs show trends in key air pollutants in the Twin Cities area and the number of days that air quality in Minnesota cities was good, moderate and unhealthy for sensitive groups.

**Trends in Key Air Pollutants in the Twin Cities Metro Area
1979 - 2007**



Minnesota 2007
AQI Days by AQI Category
and Region
Figure 2



Program Funding

Authorized appropriations in FY 2008-09 for MPCA's Air program totaled \$23.8 million. Mix of funding: 95% environmental fund, 3% federal and 2% other sources.

Contact

For more information, contact Roger Karn at (651) 296-7287.

The MPCA website at <http://www.pca.state.mn.us> provides useful information about Minnesota's environment. The types of information available through the site include regulatory news and updates, rules, public notices, MPCA initiatives, details about environmental quality and current "hot topics."

For information on how MPCA measures some of its efforts to meet statewide goals, please visit <http://www.departmentresults.state.mn.us>.

POLLUTION CONTROL AGENCY

Program: AIR

Program Summary

Dollars in Thousands					
	Current		Governor Recomm.		Biennium
	FY2008	FY2009	FY2010	FY2011	2010-11
<u>Direct Appropriations by Fund</u>					
Environmental					
Current Appropriation	12,105	12,372	12,372	12,372	24,744
Technical Adjustments					
One-time Appropriations			(1,140)	(1,140)	(2,280)
Subtotal - Forecast Base	12,105	12,372	11,232	11,232	22,464
Governor's Recommendations					
Air Emissions Fees		0	167	427	594
Environmental Fund Resource Redirection		0	472	472	944
Total	12,105	12,372	11,871	12,131	24,002
<u>Expenditures by Fund</u>					
Direct Appropriations					
Environmental	11,753	12,724	11,871	12,131	24,002
Statutory Appropriations					
Miscellaneous Special Revenue	331	588	279	153	432
Federal	698	450	450	450	900
Environmental	337	355	217	217	434
Total	13,119	14,117	12,817	12,951	25,768
<u>Expenditures by Category</u>					
Total Compensation	8,744	9,297	8,533	8,832	17,365
Other Operating Expenses	3,895	4,467	4,069	3,904	7,973
Local Assistance	143	0	0	0	0
Other Financial Transactions	337	353	215	215	430
Total	13,119	14,117	12,817	12,951	25,768
<u>Expenditures by Activity</u>					
Air	6,751	6,493	5,664	5,556	11,220
Air	6,368	7,624	7,153	7,395	14,548
Total	13,119	14,117	12,817	12,951	25,768
Full-Time Equivalents (FTE)	113.4	120.2	111.2	111.2	

Program Description

MPCA's Land Program protects the environment, public health, and quality of life of all citizens through the proper management of hazardous materials; by encouraging waste utilization through reduction, recycling, and reuse; and by effectively and efficiently managing the risks at contaminated sites - primarily through site cleanup and the restoration of contaminated land to productive use.

Through a combination of federal mandates and state initiatives, the agency's Land Program has undergone significant changes over time to adequately address waste management issues. The program's integrated system of activities will continue to evolve to ensure that hazardous materials, petroleum products, and solid wastes are managed properly throughout the life-cycle of their use, transport, and disposal.

Because of the connection between the land, surface water and ground water, MPCA's Land Program also plays an important role in protecting the state's surface water and ground water resources.

Population Served

As the Land Program protects Minnesotans from the harmful effects of improperly managed waste, it essentially serves all the citizens of the state. However, these services are particularly valued by citizens who live in the vicinity of contaminated sites; spill locations; or facilities that store petroleum products, hazardous materials, or manage solid waste.

The program works directly with a large and diverse array of Minnesota businesses and industries. These consist substantially of any facility or entity that treats, stores, uses, manages, or disposes of solid or hazardous wastes or petroleum products.

Services Provided

Assessment:

- ◆ licenses hazardous waste handlers and monitors hazardous waste "cradle to grave" via a computerized system developed and utilized in cooperation with metropolitan counties.
- ◆ works with local government waste management partners to prepare a solid waste policy report every two years that summarizes the current status of solid waste management.

Prevention/Protection:

- ◆ distributes grant funds to counties to operate recycling and waste reduction programs and to manage programs for problem materials and household hazardous wastes.
- ◆ works in partnership with counties to reduce waste generation, improve the cost effectiveness of recycling, composting and recovery systems, and build stronger regional waste management systems.
- ◆ conducts regulatory and training programs to prevent the release of petroleum, solid waste, and hazardous waste into Minnesota's soil, ground water, and surface water; thus, protecting public health and the environment.
- ◆ issues permits and inspects solid waste, hazardous waste, and large above ground storage tank facilities, and completes follow-up to ensure compliance as necessary

Program at a Glance

- ◆ Permitting
 - ⇒ 21 Minnesota municipal solid waste (MMSW) landfills
 - ⇒ 23 industrial solid waste landfills
 - ⇒ 95 demolition debris landfills
 - ⇒ 7 MMSW combustor ash landfills
 - ⇒ 11 solid waste composting facilities
 - ⇒ 123 transfer stations
 - ⇒ 23 hazardous waste facilities
 - ⇒ 90 large petroleum storage tank facilities (> 1M gallons)
- ◆ Petroleum Tank Inspections = 2,000/year
- ◆ Investigations and Cleanups at contaminated sites
 - ⇒ 96 active superfund sites
 - ⇒ 1700 active petroleum release sites
 - ⇒ 400 voluntary cleanup actions/year
 - ⇒ 2500 emergency responses to pollutant spills/year
- ◆ Remediation and Maintenance at 112 closed landfills
- ◆ Waste as a Resource
 - ⇒ recycling 40% of the state's garbage
 - ⇒ burning 20% of solid waste for energy
 - ⇒ contributing \$2.98 billion to the state's economy

- ♦ oversees disposal of debris when natural disasters strike, including debris management resulting from potential terrorist activities.

Restoration/Improvement:

- ♦ oversees investigations and corrective actions conducted at contaminated sites by responsible parties. Alternatively, MPCA performs these activities using contractors when responsible parties do not exist or are unable or unwilling to do such work themselves. MPCA recovers costs from these parties when possible, reasonable, and appropriate.
- ♦ assists developers in returning contaminated sites to productive use through its Brownfield Programs.
- ♦ hires contractors to conduct cleanups at 112 closed landfills and, when possible, recovers the cost of these cleanups from insurance policies held by the previous landfill owners.
- ♦ supports local fire and police when spills threaten public safety, oversees the cleanups done by spillers, and does direct cleanups when spillers fail to clean up their spills.

Historical Perspective

In the past, thousands of locations across the state posed acute or potential risks to human health, land, ground water, and surface water due to spilling, dumping, or poor management of wastes and petroleum products. From the mid-1970s through the mid-1990s, Congress and the state legislature provided legal authorities to MPCA to ensure risks to the environment and citizens were eliminated or controlled. Now, due to the network of land program activities within MPCA, risks from contaminant releases to the land have been greatly reduced or controlled, and an infrastructure exists to ensure they remain so.

These past successes notwithstanding, MPCA's Land Program faces challenges in the future. Fundamental to the continuing success of several of the agency's site cleanup activities (Superfund, Petroleum Release Program, Resource Conservation and Recovery Act Cleanup, Emergency Response) is the ability and capacity of MPCA to take control of cleanups at contaminated sites when responsible parties are unable or unwilling to do so.

MPCA's Closed Landfill program activity continues to plan for project construction and ongoing maintenance at the 112 closed landfills, sites that are the state's responsibility. In addition, the program is directed by statute to prepare a land use plan for the closed landfill sites. The preparation of land use plans becomes more urgent as communities seek information to ensure responsible development occurs near these facilities.

Key Program Goals

A vision for MPCA's Land Program has been guided by agency's strategic plan. The vision sets three primary goals:

- ♦ To effectively and efficiently manage the risks to human health and the environment posed by contaminated sites, thus allowing the land to be restored to productive use;
- ♦ To minimize or reduce the release of contaminants to or from the land; and
- ♦ To ensure that solid waste is managed to conserve materials, resources, and energy.

The Land Program also assists other MPCA programs in meeting their strategic goals including:

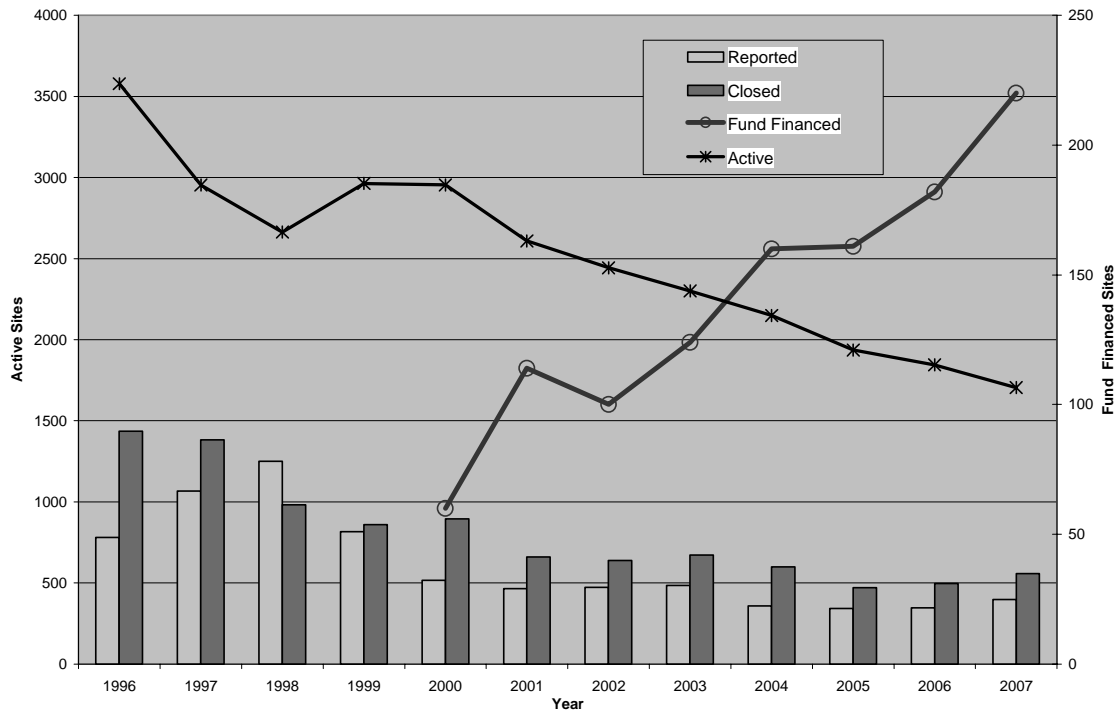
- ♦ assessing the condition of Minnesota's ground water systems;
- ♦ preventing or reducing the degradation and depletion of ground water; and
- ♦ reducing Minnesota's contribution to regional air pollution.

Key Program Measures

Petroleum Remediation Program (PRP)

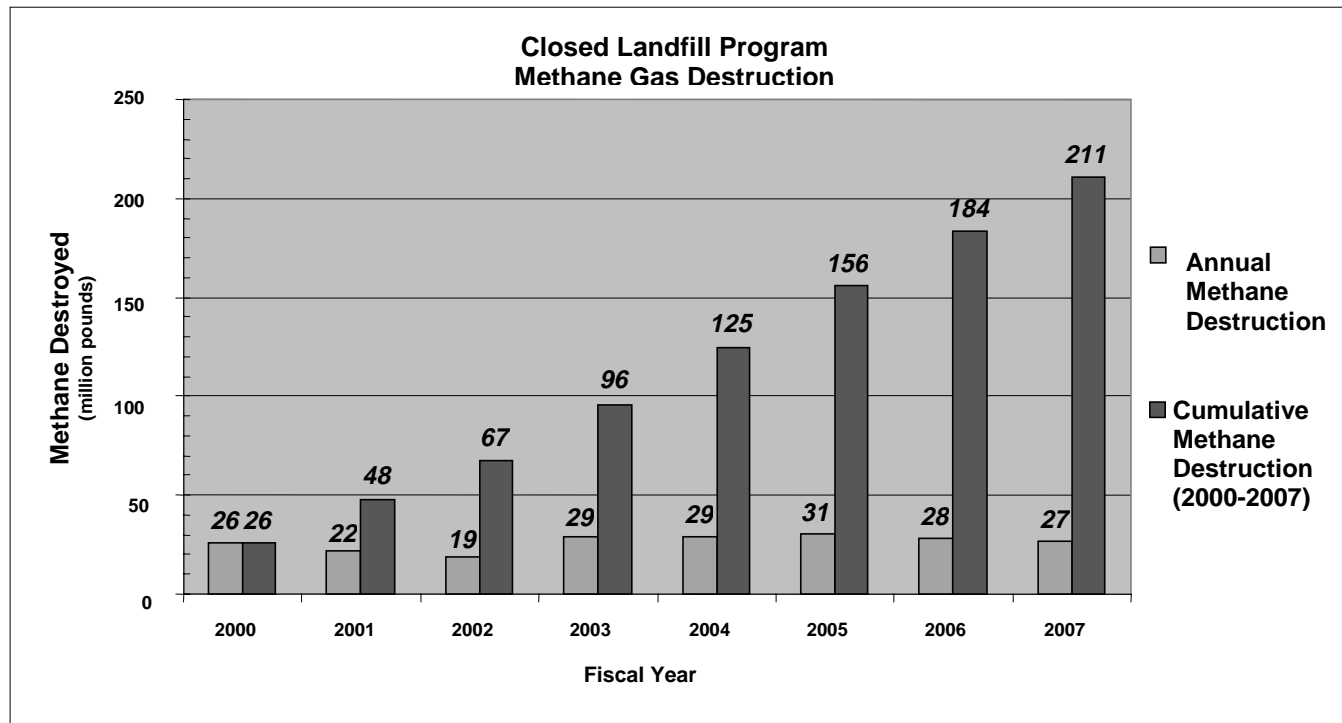
Over the past decade, the PRP activity has investigated, cleaned up, and closed approximately 1,800 sites, reducing the number of active sites from over 3,500 in 1996 to 1,700 in 2007. Much of this work has been done cooperatively with responsible parties who have chosen to follow MPCA's site cleanup guidance to secure reimbursement through the state petroleum fund. The program is now responsible for cleanup at an increasing number of sites because responsible parties are unwilling or unable to do the cleanup. The number of these "fund-financed" sites has increased from just over 50 in 2000 to over 200 in 2007. MPCA must devote increased staff time as it takes on the project management of these sites.

PRP Sites Reported and Closed - 1996 to 2007



Closed Landfill Program (CLP)

As part of risk management at larger landfills managed by the CLP, twenty gas extraction and flare systems have been upgraded or installed to collect and destroy methane, a greenhouse gas. Since 2000, these systems have prevented over 211 million pounds of methane (2 million metric tons of CO₂ equivalent) from entering the atmosphere.



Program Funding

Authorized appropriations in FY2008-09 for the Land Program totaled \$100.3 million. The mix of funding: 77% remediation fund, 14% environmental fund, 6% federal and 3% other sources.

Contact

For more information, contact Mark Schmitt at (651) 297-8574 or toll-free at (800) 657-3864.

The MPCA website at: <http://www.pca.state.mn.us> provides useful information about Minnesota's environment. The types of information available through the site include regulatory news and updates, rules, public notices, agency initiatives, and details about environmental quality and current "hot topics."

For information on how this agency measures some of its efforts to meet statewide goals, please visit: <http://www.departmentresults.state.mn.us>

Impaired waters reports to the legislature are located at: <http://www.pca.state.mn.us/publications/reports/lrwq-iw-1sy04.pdf> and <http://www.pca.state.mn.us/publications/reports/lrwq-s-lsy03.pdf>.

POLLUTION CONTROL AGENCY

Program: LAND

Program Summary

Dollars in Thousands					
	Current		Governor Recomm.		Biennium
	FY2008	FY2009	FY2010	FY2011	2010-11
<u>Direct Appropriations by Fund</u>					
General					
Current Appropriation	1,000	1,000	1,000	1,000	2,000
Technical Adjustments					
Current Law Base Change			(500)	(500)	(1,000)
Subtotal - Forecast Base	1,000	1,000	500	500	1,000
Total	1,000	1,000	500	500	1,000
Petroleum Tank Release Cleanup					
Current Appropriation	1,000	0	0	0	0
Subtotal - Forecast Base	1,000	0	0	0	0
Total	1,000	0	0	0	0
Environmental					
Current Appropriation	7,065	7,065	7,065	7,065	14,130
Subtotal - Forecast Base	7,065	7,065	7,065	7,065	14,130
Governor's Recommendations					
Environmental Fund Resource Redirection		0	(149)	(149)	(298)
Total	7,065	7,065	6,916	6,916	13,832
Remediation Fund					
Current Appropriation	11,016	11,086	11,086	11,086	22,172
Subtotal - Forecast Base	11,016	11,086	11,086	11,086	22,172
Total	11,016	11,086	11,086	11,086	22,172
<u>Expenditures by Fund</u>					
Direct Appropriations					
General	24	176	500	500	1,000
Environmental	7,025	7,105	6,916	6,916	13,832
Remediation Fund	10,192	11,406	11,086	11,086	22,172
Statutory Appropriations					
Miscellaneous Special Revenue	916	3,134	466	445	911
Federal	3,889	3,865	3,622	3,602	7,224
Remediation Fund	26,917	25,992	28,060	28,152	56,212
Gift	664	2,108	1,371	1,030	2,401
Total	49,627	53,786	52,021	51,731	103,752
<u>Expenditures by Category</u>					
Total Compensation	13,966	16,071	16,256	16,679	32,935
Other Operating Expenses	35,524	37,502	34,838	31,400	66,238
Capital Outlay & Real Property	2	0	150	3,000	3,150
Local Assistance	135	213	125	0	125
Transfers	0	0	652	652	1,304
Total	49,627	53,786	52,021	51,731	103,752
<u>Expenditures by Activity</u>					
Land	1,839	1,880	2,450	5,295	7,745
Land	47,788	51,906	49,571	46,436	96,007
Total	49,627	53,786	52,021	51,731	103,752
<u>Full-Time Equivalents (FTE)</u>					
	182.0	201.1	195.5	195.5	

Program Description

This program provides services that include the following: environmental monitoring and assessment, pollution prevention, waste and toxicity reduction, environmental literacy, grants and loans, business assistance and training, scientific and technical support to evaluate the environmental risk of proposed projects, pollution trends, emerging environmental issues, and innovation through use of technology.

Program staff assesses the impacts of pollutants on all media – water, air, and land – rather than one media in isolation. The program collects data on environmental conditions and presents the data in a form useful to Minnesota Pollution Control Agency (MPCA), policymakers, and the public. This data enables MPCA to protect natural resources, regulate pollution sources and effectively clean up contaminated sites. Additionally, program staff provides direct technical assistance to other MPCA programs to assist in achieving environmental outcomes.

Program efforts focus on trends and emerging environmental issues. Solutions involve the development of partnerships with businesses, communities, local units of government, citizens and other public and private interests.

These partnerships include in-depth technical assistance and financial incentives for implementing activities, system ideas, approaches and technologies to conserve resources, prevent pollution and protect the environment. The partnerships also leverage volunteer activities in assessing our air and water. With these approaches and resultant data, the program promotes environmentally sound business development, sustainable community development, waste as a resource, clean energy and provides educational and technical support to MPCA staff and its direct customers.

Program at a Glance

- ◆ provides policy development and implementation that addresses cross media issues such as waste management, e-waste, and PFCs
- ◆ reviews the environmental impact of proposed projects
- ◆ offers technical assistance, training and certification to the regulated community
- ◆ delivers services to improve environmental literacy, promoting actions by individuals that improve the environment, and assisting communities on sustainable development practices
- ◆ promotes the use of technologies and fuels that reduce air pollution and greenhouse gas emissions
- ◆ assesses environmental impacts to inform regulatory and cleanup project decisions
- ◆ provides grants and loans to promote environmentally innovative projects

Population Served

- ◆ Citizens benefit from information obtained via cross-media environmental assessments and review. Examples include: air quality modeling review, ecological risk assessment and fish kill investigations.
- ◆ Citizens and decision makers at all levels of government have access to environmental data.
- ◆ Stakeholder groups express their opinions through customer research on new programs, budget development, process improvement and specific projects.
- ◆ Citizens benefit from waste and pollution prevention and toxicity reduction activities.
- ◆ Businesses, institutions, local governments, schools, community organizations, and individuals benefit from technical assistance and financing.
- ◆ Regulated parties receive training in state and federal requirements, enabling them to comply with existing regulations and improve operations; actively participating in protecting and improving the environment.

Services Provided**Assessment:**

- ◆ Analyze data on the condition of the environment, describing trends and stressors. This activity makes valuable data available to MPCA, policymakers and citizens.
- ◆ Conduct environmental assessments to assist in understanding the potential impact of a proposed project. Currently 156 air quality monitors at 69 statewide locations monitor a variety of parameters including ozone, particulates, 57 volatile organics compounds, 16 metals, mercury deposition, regional haze, and others. The MPCA has aided in the assessment of 14% of the state's 105,000 miles of streams and 18% of the 12,200 lakes greater than 10 acres.

POLLUTION CONTROL AGENCY

Program: Environmental Assistance and Cross-Media

Narrative

- ◆ Complete environmental reviews that allow permittees, including local governments, to initiate requested projects.

Partnerships and Assistance:

- ◆ Allows visitors to experience environmentally-friendly products and technologies, including the latest in clean energy, transportation alternatives, stormwater best practices through rain gardens, green buildings and composting at the state Eco-Experience building.
- ◆ Provides real solutions for people who are interested in making a positive difference both in their lives and in their communities to live better, healthier lives with less impact on the environment through the Living Green Expo – and its monthly e-newsletter “Living Green 365.”
- ◆ Help small businesses prevent pollution and comply with environmental requirements by using processes and products least harmful to the environment. Provide waste reduction services, ensuring Minnesota businesses understand the economic benefits they can achieve through waste reduction.
- ◆ Works with industries to adopt pollution prevention and conservation practices that reduce costs while protecting the environment.
- ◆ Collects Toxic Release Inventory data from Minnesota businesses indicates progress in certain manufacturing sectors.
- ◆ Distributes GreenPrint for Minnesota: State Plan for Environmental Education that offers guidance to individuals, organizations, and agencies that deliver or support environmental education in Minnesota.
- ◆ Maintains current resources on the agency's website for learning more about pollution prevention, reuse, recycling, responsible waste management, and sustainable practices. The NextStep website (<http://www.nextstep.state.mn.us>) offers resources for finding and sharing information on sustainability.
- ◆ Implements state policies directed at managing and treating waste as a resource. Treating waste as a resource reduces pollution, reduces greenhouse gases, saves money, and creates jobs. Shifting waste management practices toward those that better manage waste, such as waste reduction, reuse, recycling, composting, or energy recovery reduces pollution.
- ◆ Promotes development of clean energy, energy efficiency and the reduction in greenhouse gas emissions in collaboration with the Department of Commerce and other partners. The MPCA's green power campaign encourages Minnesotans to buy wind power from their utilities.
- ◆ Provides incentives to support wind and solar power, and has installed gas-to-energy systems at several closed state-owned landfills to mitigate the impacts of gas generated at those sites. MPCA supports the use of E85 and other biofuels to reduce dependence on fossil fuels and benefit local businesses.

Restore/Improve:

- ◆ Develop intervention strategies to correct undesirable environmental conditions.
- ◆ Implement the Mercury Reduction Initiative and other mercury control programs.
- ◆ Provide leadership in forging new partnerships with local government and others to accelerate sustainable land use practices. Recently, MPCA initiated two stakeholder summits on brown-field redevelopment and has embarked on a high profile "learn by doing" demonstration regarding the city of St. Paul's Ford site redevelopment process.

Prevent/Protect:

- ◆ Use data to set standards in water, air and land to protect resources. An example is the agency's work on Total Maximum Daily Loads (TMDLs), a method that identifies sources of pollutants and how much each source must reduce its contribution to an impaired water body to meet federal water quality standards;
- ◆ Conduct risk evaluations and provide technical support to regulatory activities.
- ◆ Provide data analysis, and develop reduction and prevention strategies that focus on preventing pollution.
- ◆ Develop administrative and technical rules to meet minimum federal program standards.

Historical Perspective

The MPCA has made significant progress in environmental protection since the 1960s and continues to maintain ongoing regulatory activities. Minnesotans now need to address the next generation of environmental challenges – the cumulative effects of everyday human activities that present significant environmental problems. Addressing these issues requires new approaches to solving and preventing problems. Staff is able to provide data and information to support environmental permitting and cleanup decisions and develop intervention, reduction, and prevention strategies as issues arise. A cross-media approach, particularly in monitoring key indicators, is critical to a comprehensive approach to minimizing the impacts of human activities on the environment.

Key Measures

- ◆ Provided technical assistance to Minnesota companies that saved \$4.8 million in operating costs, 18.3 million gallons of water, and 17.1 million pounds of waste in FY 2008 and FY 2009.
- ◆ Results and Highlights from the 2008 Eco-Experience at State Fair.
 - ⇒ Approximately 350,000 people visited and interacted with exhibits in the 25,000 square foot building.
 - ⇒ 119 businesses and organizations contributed to the event and their on-site and in-kind contributions totaled nearly \$1 million.
 - ⇒ Approximately 45.6 million media impressions representing a total ad impact of over \$5 million dollars.
 - ⇒ Minnesota Energy Challenge signed up 3,000 new commitments.
 - ⇒ The reusable bag booth distributed 24,600 reusable grocery bags during the 12 days of the fair and documented personal re-use commitments through an excess of 20,000 photos.
 - ⇒ 45,000 samples of locally grown, organic food was distributed.

Program Funding

This new program is the combination of budget programs Multimedia and Environmental Assistance. Authorized funding for the two previous programs in FY 2008-09 totals \$83.3 million. The funding mix: environmental fund 67%, federal 24%, general fund 6%, and 3% other sources.

Contact

For more information, contact Todd Beiwen, Assistant Director, at (651) 296-8156 or toll-free at 1 (800) 657-3864.

The MPCA website at <http://www.pca.state.mn.us> provides useful information about Minnesota's environment. The types of information available through the site include regulatory news and updates, rules, public notices, agency initiatives, details about environmental quality, and current "hot topics."

For information on how this agency measures some of its efforts to meet statewide goals, please visit <http://www.departmentresults.state.mn.us>.

POLLUTION CONTROL AGENCY
Program: EA AND CROSS-MEDIA

Program Summary

<i>Dollars in Thousands</i>					
	Current		Governor Recomm.		Biennium
	FY2008	FY2009	FY2010	FY2011	2010-11
<u>Direct Appropriations by Fund</u>					
Environment & Natural Resource					
Current Appropriation	0	750	750	750	1,500
Technical Adjustments					
One-time Appropriations			(750)	(750)	(1,500)
Subtotal - Forecast Base	0	750	0	0	0
Total	0	750	0	0	0
General					
Current Appropriation	3,006	2,134	2,134	2,134	4,268
Technical Adjustments					
One-time Appropriations			(20)	(20)	(40)
Subtotal - Forecast Base	3,006	2,134	2,114	2,114	4,228
Governor's Recommendations					
General Fund Reduction		0	(100)	(100)	(200)
Total	3,006	2,134	2,014	2,014	4,028
Environmental					
Current Appropriation	23,906	23,906	23,906	23,906	47,812
Technical Adjustments					
One-time Appropriations			(2,025)	(2,025)	(4,050)
Subtotal - Forecast Base	23,906	23,906	21,881	21,881	43,762
Governor's Recommendations					
Environmental Fund Resource Redirection		0	4,110	4,110	8,220
Total	23,906	23,906	25,991	25,991	51,982

POLLUTION CONTROL AGENCY
Program: EA AND CROSS-MEDIA

Program Summary

<i>Dollars in Thousands</i>					
	Current		Governor Recomm.		Biennium
	FY2008	FY2009	FY2010	FY2011	2010-11
<u>Expenditures by Fund</u>					
Direct Appropriations					
Environment & Natural Resource	107	750	0	0	0
General	2,670	2,470	2,014	2,014	4,028
Environmental	23,603	24,209	25,991	25,991	51,982
Statutory Appropriations					
Miscellaneous Special Revenue	1,054	1,550	1,020	1,020	2,040
Federal	9,718	9,661	12,661	12,661	25,322
Environmental	2,299	2,617	2,507	2,507	5,014
Gift	0	1	0	0	0
Total	39,451	41,258	44,193	44,193	88,386
<u>Expenditures by Category</u>					
Total Compensation	14,594	15,212	20,025	19,888	39,913
Other Operating Expenses	5,451	6,976	5,997	6,088	12,085
Local Assistance	19,357	18,651	17,864	17,910	35,774
Other Financial Transactions	49	419	307	307	614
Total	39,451	41,258	44,193	44,193	88,386
<u>Expenditures by Activity</u>					
Ea And Cross-Media	14,159	14,000	14,500	14,500	29,000
Ea And Cross-Media	25,292	27,258	29,693	29,693	59,386
Total	39,451	41,258	44,193	44,193	88,386
Full-Time Equivalents (FTE)	188.5	199.9	241.3	241.3	

Program Description

The Administrative Support program provides business and support services for the Minnesota Pollution Control Agency's (MPCA's) environmental program delivery from the St. Paul and its regional offices. Administrative Support includes the Commissioner's Office, legislative relations, accounting and financial management, human resources, education and development, information systems management, communication, and business systems. The MPCA Citizens' Board expenses are also paid from this program.

Activities under this program directly support accomplishment of the Excellence in Operations goals from the MPCA's strategic plan. Those goals include:

- ◆ Provide a safe and healthy workplace for all employees, volunteers and visitors.
- ◆ Manage agency operations to support the agency's environmental work and core operations in an effective and efficient manner.
- ◆ Achieve excellence through application of world class tools and best practices.
- ◆ Provide a reliable information management system that supports the agency and its partners in effective and efficient environmental work.
- ◆ Maintain MPCA's capacity to recognize and address emerging issues that fall within the agency's authority.

Program at a Glance

- ◆ The MPCA Citizens' Board resolves certain controversial matters in MPCA's regulatory work.
- ◆ The Commissioner's Office sets the strategic direction for MPCA.
- ◆ The Financial management, Human Resources, Education, Information Management, Communications, and Business Systems support all MPCA environmental programs.

Population Served

Administrative Support directly serves MPCA environmental programs by providing the underlying information and management systems necessary for effective and efficient program operations. In addition to internal customers, Administrative Support directly serves Minnesota citizens and businesses by providing through the MPCA website relevant information and as way to transact business. The MPCA Citizens' Board makes important environmental decisions that ultimately affect individuals, citizen and environmental groups, local governments, business and industry. MPCA's information and communication services, including the web site, environmental publications, events and public involvement processes, provide environmental information directly to Minnesota citizens and, in many cases, enables them to conduct business electronically.

Services Provided

- ◆ The Citizens' Board makes decisions on complex pollution problems, and provides a venue for public participation in key environmental decisions.
- ◆ The Commissioner's Office provides leadership and strategic direction for MPCA.
- ◆ Administrative Support maintains a process-improvement emphasis through integration of continuous improvement tools and methodology in its operations.
- ◆ Communication is involved with strategic communications planning; award winning events; and media relations, crisis communications and community relations.
- ◆ The Learning Resource Center and Library responds to thousands of information requests each year.
- ◆ Information Systems maintains large volumes of data and ensures both data security and accessibility to agency staff and, through the website, to the public. It also enables direct communication with the public via video conferencing and web broadcasts of MPCA Citizen Board meetings.
- ◆ Administrative Support coordinates MPCA's cost-effective and environmentally sound business practices, which include purchasing alternative technology vehicles, using recycled office supplies, and implementing on-going agency-wide recycling efforts.
- ◆ Financial Assistance and Budgeting ensures that funds are spent for authorized purposes and managed according to accepted government accounting practices.
- ◆ Human Resource Office guides supervisors and staff on human resource management issues.
- ◆ Education and Development supports individual and group professional development needs.

Historical Perspective

Effective July 2005, the legislature approved combining the existing staff, authorities and expertise of the MPCA and the Office of Environmental Assistance (OEA). From an administrative perspective combining OEA and MPCA has given the public improved access to combined databases and web sites, and offered the administrative efficiencies inherent in combining separate computer, financial and business systems. More importantly, combining the OEA and MPCA has united and focused the priorities of the two organizations in utilizing prevention, assistance and regulatory tools.

Key Measures

MPCA manages its fiscal resources and business systems

- ◆ In FY 2008, MPCA met its federal financial deadlines 100% of the time.
- ◆ Financial Assistance and Budgeting Section establishes annual operating budgets and ensures MPCA's spending adheres to all authorizing state appropriation language and federal grant requirements.
- ◆ In FY 2008, 80% of new vehicles purchased by MPCA use alternative fuels, exceeding the federal standard.

MPCA provides environmental information to citizens

- ◆ In FY 2008, MPCA reached 25,000 citizens through its quarterly Minnesota Environment magazine, more than 500 citizens through a variety of subject-specific electronic newsletters, and potentially reached millions of Minnesotans with its proactive news releases on environmental topics.
- ◆ MPCA's State Fair Eco Experience building reached more than 350,000 visitors in calendar years 2007 and 2008 with key environmental messages.

MPCA provides secure information systems and a well received and widely used website

- ◆ In FY 2008, there were over eight and a half million pages viewed by users on the MPCA websites, which represents a more than 40% increase in usage over recorded levels two years ago.

MPCA manages its human resources

- ◆ In the first two quarters of CY 2008, MPCA lost only two days due to qualifying injuries.
- ◆ MPCA enjoys a new-hire turnover rate of less than 10% within the first two years of employment.

Program Funding

Authorized appropriations for Administrative Support in FY08-09 totaled \$27.685 million. Funding sources: 11% general fund, 88% special revenue fund, and 1% other sources.

Contact

For more information, contact Myrna Halbach, Operational Support Director at (651) 296-8399 or toll-free at 1 (800) 657-3864.

The MPCA website at <http://www.pca.state.mn.us> provides useful information about the Minnesota's environment. Information available through the site includes regulatory news and updates, rules, public notices, agency initiatives, details about environmental quality, and current "hot topics." Additionally, public facing web applications for conducting electronic business with the agency allow users to 1) apply and pay for a construction storm water permit; 2) submit petroleum remediation field work notifications; and 3) submit construction stormwater inspections.

For information on how this agency measures some of its efforts to meet statewide goals, please visit <http://www.departmentresults.state.mn.us>.

POLLUTION CONTROL AGENCY
Program: ADMINISTRATIVE SUPPORT

Program Summary

<i>Dollars in Thousands</i>					
	Current		Governor Recomm.		Biennium
	FY2008	FY2009	FY2010	FY2011	2010-11
<u>Direct Appropriations by Fund</u>					
General					
Current Appropriation	1,631	1,512	1,512	1,512	3,024
Technical Adjustments					
Pt Contract Base Reduction			(18)	(18)	(36)
Subtotal - Forecast Base	1,631	1,512	1,494	1,494	2,988
Governor's Recommendations					
General Fund Reduction		0	(100)	(100)	(200)
Total	1,631	1,512	1,394	1,394	2,788
<u>Expenditures by Fund</u>					
Direct Appropriations					
General	1,631	1,512	1,394	1,394	2,788
Statutory Appropriations					
State Government Spec Revenue	1	2	2	2	4
Miscellaneous Special Revenue	14,833	16,762	14,277	14,587	28,864
Environmental	183	289	289	289	578
Remediation Fund	151	142	142	142	284
Total	16,799	18,707	16,104	16,414	32,518
<u>Expenditures by Category</u>					
Total Compensation	9,239	9,245	7,912	8,222	16,134
Other Operating Expenses	7,560	9,452	8,184	8,184	16,368
Capital Outlay & Real Property	0	10	8	8	16
Total	16,799	18,707	16,104	16,414	32,518
<u>Expenditures by Activity</u>					
Administrative Support	16,136	13,112	10,872	11,182	22,054
Administrative Support	663	5,595	5,232	5,232	10,464
Total	16,799	18,707	16,104	16,414	32,518
Full-Time Equivalents (FTE)	109.8	111.9	99.2	99.2	

POLLUTION CONTROL AGENCY

Agency Revenue Summary

Dollars in Thousands

	Actual FY2008	Budgeted FY2009	Governor's Recomm. FY2010 FY2011		Biennium 2010-11
<u>Non Dedicated Revenue:</u>					
Departmental Earnings:					
General	9	8	8	8	16
Petroleum Tank Release Cleanup	6	6	6	6	12
State Government Spec Revenue	41	40	40	40	80
Environmental	19,894	18,147	18,061	18,321	36,382
Other Revenues:					
General	889	1,007	1,007	1,007	2,014
Petroleum Tank Release Cleanup	123	40	40	40	80
Environmental	1,566	1,397	1,172	1,122	2,294
Remediation Fund	5,037	3,725	3,491	2,941	6,432
Closed Landfill Investment	18	2	2	2	4
Total Non-Dedicated Receipts	27,583	24,372	23,827	23,487	47,314
<u>Dedicated Receipts:</u>					
Departmental Earnings:					
Miscellaneous Special Revenue	680	3,175	469	343	812
Grants:					
Miscellaneous Special Revenue	57	537	0	0	0
Federal	23,450	24,152	22,056	22,034	44,090
Other Revenues:					
Clean Water Revolving Fund	224	230	230	230	460
Miscellaneous Special Revenue	14,208	17,532	15,579	15,889	31,468
Environmental	123	85	85	85	170
Remediation Fund	420	5,293	166	3,166	3,332
Gift	2,083	1,030	1,030	1,030	2,060
Other Sources:					
Clean Water Revolving Fund	2,234	2,300	2,300	2,300	4,600
Environmental	300	255	255	255	510
Taxes:					
Environmental	2,021	2,126	2,126	2,126	4,252
Remediation Fund	674	712	712	712	1,424
Total Dedicated Receipts	46,474	57,427	45,008	48,170	93,178
Agency Total Revenue	74,057	81,799	68,835	71,657	140,492

In the FY2008-2009 biennium, the MPCA received \$47.6 M in the form of grants and cooperative agreements from the federal government. This amount is projected to drop by 8% in the FY2010-2011 biennium to \$44.0 M.

Federal funds are important because they enable the MPCA to carry out activities identified in our strategic plan as essential to protect, conserve and improve our environment and enhance our quality of life. Ninety-eight percent (98%) of federal funding received by the MPCA is from the U.S. Environmental Protection Agency (EPA). The remaining 2% arrives from the Great Lakes National Program Office and the Department of Defense.

The agency's largest single federal award is the Performance Partnership Grant (PPG). The grant is a unique funding mechanism that allows multiple federal environmental program grants to be arranged under one "umbrella" award. By having one overall award and program plan, administrative requirements of multiple federal grants are streamlined. Thus, the PPG provides administrative savings and the programmatic flexibility to direct grant resources where they are most needed to address environmental priorities.

The PPG accounts for \$18.7 M or 39% of our federal resources for the FY2008-2009 biennium. This percentage will increase under the PPG Maximization Initiative that began in 2009 to an estimated 56% (\$24.7 M) in FY2010-2011 as existing stand-alone programs are added. Present PPG-funded activities occur in Water, Land and Cross Media areas, and over the FY2010-2011 biennium will add the following federal programs: Clean Water Act Section 319 Non-Point Source Technical Assistance, Wetlands, Brownfields, Pollution Prevention and the National Environmental Information Exchange Network grants.

The remaining \$19.4 million in projected FY2010-2011 federal funding will be received through approximately 45 other agreements in program areas of Air, Water, Land and Cross Media.

The Water Program's federal funding is projected to decline by 45% from \$19.4 M in FY2008-2009 to \$10.6 M in FY2010-2011, in part due to programs transferred into the PPG. Other federal grants are projected to be eliminated during the FY2008-2009 biennium. These eliminations include program funding for wetlands and other water quality work, which our agency has historically designated as areas of priority environmental concern.

Air Program federal funding is expected to increase from \$1.44 M in FY2008-2009 to \$1.49 M in FY2010-2011. The MPCA continues to receive funding for the ambient monitoring of fine particulate matter, which is part of the Section 103/Air Research and Development Program grant. Although funding for this Air Pollution Control-Research is expected to undergo some reductions, new federal Clean Diesel funding of has been received and the overall Program funding level is projected to remain stable through FY2011.

Land Program federal funding is projected to decline 7% from FY2008-2009 to FY2010-2011. The Underground Storage Tank program funding has been removed from PPG eligibility and has been granted as a stand-alone program. Funding for Superfund site specific activities is projected to decrease 61% from FY2008-2009 levels. In addition to reduced funding for site-specific activities, the Superfund CORE grant, which provides flexibility to ongoing state administration of non-site-specific Superfund activities, will receive a federal reduction of 2%. This reduction is due primarily to the decrease in number of federally identified clean-up sites in Minnesota, but does not reflect the need for ongoing monitoring of these sites. Funding for the Leaking Underground Storage Tanks (LUST) will decrease in FY2010-2011 by 15%. As a standout from the other trends, the Brownfields program will receive an increase of 1% in funding.

In the Cross Media Program, funding will increase from FY2008-2009 levels due to the PPG Maximization Initiative; effectively relocating programs found in the Water Program to Cross Media. The MPCA anticipates continued receipt of National Environmental Information Exchange Network (NEIEN) grants to increase the quality and availability of environmental data generated by the MPCA for its stakeholders, whether federal or the public. NEIEN grant awards are competitive and future awards will be added into MPCA's PPG.

Federal Funds Summary

Federal Programs (\$ in Thousands)	Related SFY 2008 Spending	Primary Purpose	SFY 2008 Revenues	SFY 2009 Revenues	Estimated SFY 2010 Revenues	Estimated SFY 2011 Revenues
Reimbursement of Technical Services (CFDA 12.113)	0	SO	200	240	254	267
Air Pollution Control – Research (CFDA 66.034)	0	SO	698	450	450	450
Clean Diesel Program (CFDA 66.04)	0	0	295	295	295	295
Water Pollution Control Program Support (CFDA 66.419)	0	SO	335	119	251	170
Surveys and Studies - CWA Section 104(B)(3) (CFDA 66.436)	0	SO	56	0	0	0
Water Quality Management Planning (CFDA 66.454)	0	SO	196	108	126	126
Non-Point Source Technical Assistance (CFDA 66.460) ¹	1,879	SO	3485	898	0	0
Non-Point Source Program Implementation (CFDA 66.460)	201	GPS	3,974	8,203	4,700	4,800
Wetlands Program Grants (CFDA 66.461) ¹	0	SO	110	189	0	0
Wastewater Operator Training and Security (CFDA 66.467) ²	9	SO	41	19	0	0
Great Lakes Program (CFDA 66.469)	0	SO	304	266	226	225
Beach Act Monitoring and Implementation Program (CFDA 66.472)	0	SO	178	241	0	0
Wetland Demonstration Program (CFDA 66.479)	22	SO	324	215	0	0
Performance Partnership Grants (CFDA 66.605)	2,668	SO	9,309	9,366	12,366	12,366
Environmental Info. Exchange Network (CFDA 66.608) ^{See 1}	0	SO	311	0	0	0
Environmental Policy and ³ Innovation (CFDA 66.611)	26	SO	78	4	0	0
Pollution Prevention Program (CFDA 66.708) ^{See 1}	76	GPS	98	0	0	0
Multi-Media Capacity Building (CFDA 66.709)	0	SO	46	103	20	0
Superfund State Programs (CFDA 66.802)	312	SO	955	767	358	325
Underground Storage Tank Program (CFDA 66.804) ⁴	0	SO	0	533	690	690
Leaking Underground Storage Tank Trust Fund (CFDA 66.805)	252	SO	1,769	1,402	1,350	1,350

¹ Program will be incorporated into the Performance Partnership Grant during this reporting period.

² Program ending Federal FY 2009

³ Special project grant ended 9/30/08.

⁴ Program removed from PPG grant in Fed FY 2009 for special reporting purposes.

Federal Funds Summary

Federal Programs (\$ in Thousands) (Continued)	Related SFY 2008 Spending	Primary Purpose	SFY 2008 Revenues	SFY 2009 Revenues	Estimated SFY 2010 Revenues	Estimated SFY 2011 Revenues
Superfund Core Program Cooperative Agreements (CFDA 66.809)	19	SO	191	229	224	224
Brownfield Response Program (CFDA 66.817)	0	SO	774	694	746	746
Agency Total	5,464	-	23,450	24,152	22,056	22,034

<p style="text-align: center;">Key: Primary Purpose SO = State Operations GPS = Grants to Political Subdivision</p>

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↻ Designates that this item is a change item

Agency Purpose

The Private Detective and Protective Agent Services Board is the *regulatory* agency for investigative and protective (security) services in the state (M.S. 326.32-339). The board is responsible for the licensing of investigative and protective service providers. The licensing process directs the board to:

- ◆ ensure *competency* of service providers;
- ◆ manage regulatory *compliance*; and
- ◆ demonstrate *vision* concerning the trends of these professional services to enhance the regulatory program and procedures.

With the continuation of large scale events both natural and manmade, there is a call for a broader preparedness. The board continues to strive to protect the public through comprehensive licensing of these very visible, preventative, and responsive services that are of assistance to government public safety services.

At A Glance

Two-Year State Budget:

- ◆ \$251,000 general fund fee supported program.

Annual Business Processes:

- ◆ 300 licenses for investigative and security services managed and monitored.
- ◆ Over 40 new investigative and protective licenses issued.
- ◆ 250 investigative and protective licenses reissued, 20 changes to issued licenses.
- ◆ Training program review and approval nearly 80 training providers of mandatory training of nearly 600 initial and continuing training and over 130 armed courses.

Core Functions

The board maintains regulatory standards in the management of licensing and training program compliance through these core functions:

- ◆ regulate private investigative and protective services;
- ◆ monitor programs for standards compliance; and
- ◆ enforce regulatory statute compliance.

Functions supporting operational goals:

- ◆ critical review of license candidates;
- ◆ issue licenses to those deemed competent;
- ◆ monitor statutory compliance with licensing and training;
- ◆ evaluate mandatory training proposal and compliance by licensees;
- ◆ respond to complaints; and
- ◆ educate the public, business, and law enforcement concerning licensing.

Operations

The board has a broad customer base. Primary service obligations are to the public, license holders and applicants, training providers, businesses, law enforcement agencies, and employees of license holders.

The board executes decisions concerning licensing, training, and discipline. Staff personnel manage and administer the regulatory, training, compliance, complaint response, and educational element of the regulatory program.

Key Goals

- ◆ Examine technology opportunities and alternatives to increase efficiency in application processes, data collection, processing and storage.
- ◆ Develop teaching tools that encourage understanding of, and compliance with, the licensing process.
- ◆ Enhance outreach to encourage increased approved training providers and course opportunities for license holders.
- ◆ Undertake review of Board statute and administrative rules for any necessary amendment or change.

Key Measures

- ◆ Issue more than 40 new licenses, reissue more than 250 licenses and attend to more than 20 changes to qualifying positions on licenses.
- ◆ Through the reissuance process, review is conducted regarding compliance with various areas including mandatory training.
- ◆ Process, adopt and monitor training programs for the private detective and protective agent license holders for initial and general continuing training as well as armed and continuing armed training. More than 80 providers and more than 700 course offerings.
- ◆ Monitor and respond to violations and compliance matters.

Budget

The board's FY 2010-11 budget total is \$251,000. Agency staff includes 1.40 full-time equivalent positions.

Of the total budget for the biennium, board funding comes from an appropriation from the general fund. Fee and penalty revenues collected by the board are deposited into the general fund as a non-dedicated receipt.

Contact

Private Detective and Protective Agent Services Board
1430 Maryland Avenue East
Saint Paul, Minnesota 55106

World Wide Web Home Page: <http://www.pdpaboard.state.mn.us>

Marie Ohman, Executive Director
Phone: (651) 793-2666
Fax: (651) 793-7065

PRIVATE DETECTIVE BOARD

Agency Overview

<i>Dollars in Thousands</i>					
	Current		Governor Recomm.		Biennium
	FY2008	FY2009	FY2010	FY2011	2010-11
<u>Direct Appropriations by Fund</u>					
General					
Current Appropriation	129	132	132	132	264
Recommended	129	132	125	125	250
Change		0	(7)	(7)	(14)
% Biennial Change from 2008-09					-4.2%
<u>Expenditures by Fund</u>					
Direct Appropriations					
General	112	149	125	125	250
Statutory Appropriations					
Miscellaneous Special Revenue	3	7	0	0	0
Total	115	156	125	125	250
<u>Expenditures by Category</u>					
Total Compensation	90	113	106	106	212
Other Operating Expenses	25	43	19	19	38
Total	115	156	125	125	250
<u>Expenditures by Program</u>					
Priv Detect/Protect Agents Bd	115	156	125	125	250
Total	115	156	125	125	250
Full-Time Equivalents (FTE)	1.8	1.8	1.6	1.6	

PRIVATE DETECTIVE BOARD

Change Summary

<i>Dollars in Thousands</i>				
	FY2009	Governor's Recomm.		Biennium
		FY2010	FY2011	2010-11
Fund: GENERAL				
FY 2009 Appropriations	132	132	132	264
Subtotal - Forecast Base	132	132	132	264
Change Items				
Operating Budget Reduction	0	(7)	(7)	(14)
Total Governor's Recommendations	132	125	125	250
Fund: MISCELLANEOUS SPECIAL REVENUE				
Planned Statutory Spending	7	0	0	0
Total Governor's Recommendations	7	0	0	0

PRIVATE DETECTIVE BOARD

Change Item: Operating Budget Reduction

Fiscal Impact (\$000s)	FY 2010	FY 2011	FY 2012	FY 2013
General Fund				
Expenditures	\$(7)	\$(7)	\$(7)	\$(7)
Revenues	0	0	0	0
Net Fiscal Impact	\$(7)	\$(7)	\$(7)	\$(7)

Recommendation

The Governor recommends a reduction of \$7,000 in FY 2010 and \$7,000 in FY 2011 to the Private Detective and Protective Agent Services Board's general fund operating budget. The Governor intends that the agency should focus its operating funds on maintaining its highest priority services. In addition, the Governor intends to provide as much flexibility as possible to the agency for the implementation of these reductions.

Background

This agency has two staff positions. To implement this reduction, the support staff position will be reduced. This reduction will impact the processing of license applications and renewals, compliance monitoring, materials delivery, and other administrative processes. The board will work to maintain its highest priority services and minimize disruptions.

Relationship to Base Budget

The FY 2010-11 general fund base budget is \$132,000 per year. This change reduces that budget by 5%.

Key Goals and Measures

This proposal will make it more difficult for the board to achieve its performance goals.

Alternatives Considered

None.

Statutory Change: Not Applicable.

PRIVATE DETECTIVE BOARD

Agency Revenue Summary

Dollars in Thousands

	Actual FY2008	Budgeted FY2009	Governor's Recomm. FY2010 FY2011		Biennium 2010-11
<u>Non Dedicated Revenue:</u>					
Departmental Earnings:					
General	132	136	136	136	272
Other Revenues:					
General	0	1	1	1	2
Total Non-Dedicated Receipts	132	137	137	137	274
<u>Dedicated Receipts:</u>					
Total Dedicated Receipts	0	0	0	0	0
Agency Total Revenue	132	137	137	137	274

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Agency Purpose

The Board of Psychology is the agency of the state that licenses and regulates licensed psychologists (LP) and licensed psychological practitioners (LPP), under the authority of M.S. 148.88-148.98 and related rules.

The mission of the board is to protect the public from the practice of psychology by unqualified persons and from unethical and unprofessional conduct by persons licensed to practice psychology.

Core Functions

The board accomplishes its mission by:

- ◆ reviewing applicants' education and training for compliance with board requirements for licensure;
- ◆ requiring that applicants pass a state and a national standardized examination on the practice of psychology;
- ◆ educating the applicants, licensees and the public about the requirements for licensure and the rules of conduct for applicants and licensees;
- ◆ requiring, approving, and establishing continuing education for licensees; and
- ◆ investigating and resolving complaints from the public (including other licensees), which allege violations of the Psychology Practice Act.

Operations

The board serves a varied customer base. Primary customers include applicants for examination and licensure, licensees, the general public, continuing education sponsors, and other government agencies.

The agency gathers information from applicants about their qualifications for licensure and independently verifies the information from primary sources. If the information is substantiated and meets licensure requirements, the 11 member Board of Psychology admits an applicant to examination or to licensure. Licenses are renewed biennially after licensees meet all renewal requirements, including providing documentation of the required number of continuing education hours. Consumer complaints are investigated to establish whether a violation of the Psychology Practice Act has occurred and the board adopts any necessary disciplinary or other remedy against an applicant's ability to be admitted to practice or a licensee's license to practice psychology.

Key Goals

- ◆ Operational fees – the agency last increased licensure and other fees in 2001 with the goal of establishing sufficient revenue sources to carry out the board's mission into the next decade without further fee increases and without creating a deficit due to operational costs and unusually high investigative and hearing costs. The agency continues to operate within its budgetary goals while at the same time making operational improvements necessitated by the Key Measures listed below.
- ◆ Investigative costs – the agency will persist in keeping the cost of investigating complaints contained by continuing to investigate as many complaint cases in-house as possible, controlling the scope of investigations, and establishing more investigative routines for similar complaints, thus decreasing the age of complaint caseloads.
- ◆ Complaint resolution – the agency will continue to analyze violations of the practice act in order to tailor resolutions that remedy practice deficits that the agency is able to substantiate, to establish standards of appropriate care and to discourage repeat offenders.
- ◆ Electronic services – the agency will continue to make greater use of technology by working towards a more paperless work environment.
- ◆ Licensure and related functions – the agency will continue to create rules and agency procedures to streamline and shorten the road to psychology licensure, license renewal and reporting continuing education activities. The agency includes increased use of technology in this goal.

At A Glance

Minnesota Board of Psychology License Statistics

As of June 30, 2008:

Staff: 10.8 Full-time equivalent employees

Total Licensees: 3,646 LPs - 142 LPPs

New Licensees: 226 LPs - 110 LPPs

Total Open Complaints: 301 (22.82% decrease)

New Complaints: 273 (9.64% increase)

Closed Complaints: 206 (11.59% increase)

LP=Licensed Psychologist

LPP=Licensed Psychological Practitioner

Key Measures

- ◆ Public protection – the board's website offers several services to the public, including a list of disciplinary orders, access to information on the complaint process, information regarding how to file a complaint, and access to information, instructions, and forms to apply for admission to examination and to licensure.
- ◆ During fiscal year 2008 – the board admitted 109 applicants to the national standardized licensure examination; admitted 124 applicants to the state licensure examination; licensed 226 new licensed psychologists; licensed 110 new licensed psychological practitioners, who are working towards converting their licensure as explained further below; renewed 1,810 licensees; approved 233 continuing education activities; verified 4,749 licenses for the purpose of credentialing or licensure in other jurisdictions.
- ◆ Conversion of licensure of licensed psychological practitioners to licensed psychologists – During fiscal year 2005, the board sponsored a legislative change to allow qualified LPP's, with two years of post-licensure supervised psychological employment, to convert their licensure to licensed psychologist licensure. Since the law went into effect, the board has converted the licenses of 42 LPP's to LP licensure. The process will continue until on 12-31-2011, when the licensure of LPP's in Minnesota shall be eliminated.
- ◆ Online services – the board will offer on-line license verification, address and contact information changes, license renewals, other information for licensees by the end of FY 10.
- ◆ Public information – the board offers a public website, presentations, public outreach, informational materials, applications and real people to answer the phone during business hours.
- ◆ Services to licensees – the board has begun a series of continuing education (CE) presentations to licensees once a biennium that is free-of-charge to licensees of this board. The CE activities reflect topics that emphasize issues essential to the protection of the public. The 2007 CE activity was attended by 273 licensees at a St. Paul site and by 93 licensees at eight additional sites located throughout greater Minnesota. We measured the success of the presentation through attendee evaluations that produced an overall satisfaction rating of 3.83 out of a possible five points.

Budget

Total direct and indirect expenditures for FY 2008-9 are estimated to be \$2.177 million, which includes 10.8 FTE employees. Direct expenditures include salaries, rent and other operating costs. The board receives a direct appropriation for these costs. Indirect expenditures include costs of services received from the Attorney General's Office, Health Professional Services Program, Office of Mental Health Practice and the Administrative Services Unit. The board is responsible for collecting sufficient revenue to cover both direct and indirect expenditures.

The board is estimated to collect \$2.179 million in FY 2008-09, which is deposited as non-dedicated revenue into the state government special revenue fund. Revenue is collected from fees charged to applicants, licensees, and sponsors of continuing education programs.

Contact

Minnesota Board of Psychology
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Minneapolis, Minnesota 55414-3237

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TDD: 1-800-627-3529

<i>Dollars in Thousands</i>					
	Current		Governor Recomm.		Biennium
	FY2008	FY2009	FY2010	FY2011	2010-11
<u>Direct Appropriations by Fund</u>					
State Government Spec Revenue					
Current Appropriation	788	806	806	806	1,612
Recommended	788	806	806	806	1,612
Change		0	0	0	0
% Biennial Change from 2008-09					1.1%
<u>Expenditures by Fund</u>					
Carry Forward					
State Government Spec Revenue	7	61	0	0	0
Direct Appropriations					
State Government Spec Revenue	643	951	806	806	1,612
Open Appropriations					
State Government Spec Revenue	4	11	9	9	18
Total	654	1,023	815	815	1,630
<u>Expenditures by Category</u>					
Total Compensation	485	678	644	636	1,280
Other Operating Expenses	169	345	171	179	350
Total	654	1,023	815	815	1,630
<u>Expenditures by Program</u>					
Psychology, Board Of	654	1,023	815	815	1,630
Total	654	1,023	815	815	1,630
Full-Time Equivalents (FTE)	8.8	11.8	11.1	10.5	

PSYCHOLOGY BOARD

Agency Revenue Summary

Dollars in Thousands

	Actual FY2008	Budgeted FY2009	Governor's Recomm. FY2010 FY2011		Biennium 2010-11
<u>Non Dedicated Revenue:</u>					
Departmental Earnings:					
State Government Spec Revenue	1,133	1,028	1,132	1,132	2,264
Other Revenues:					
State Government Spec Revenue	15	3	3	3	6
Total Non-Dedicated Receipts	1,148	1,031	1,135	1,135	2,270
<u>Dedicated Receipts:</u>					
Total Dedicated Receipts	0	0	0	0	0
Agency Total Revenue	1,148	1,031	1,135	1,135	2,270

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↻ Designates that this item is a change item



January 27, 2009

To the 2009 Legislature:

I respectfully submit for your consideration the Governor's FY 2010-11 budget proposals for the judicial branch agencies, including the Supreme Court, the Court of Appeals, the Trial Courts, the Legal Professions Boards, and the Board of Public Defense. The Governor respects the separation of powers and the desire of constitutional officers and officials in the judicial and legislative branches to independently present their budget requests directly to the legislature without specific recommendations for the Governor. However, since the Governor is required by law to submit a balanced budget to the legislature, it is necessary to identify funding for those offices as part of preparing a complete budget.

The Governor's general recommendations for the judicial and legislative branches and other constitutional officers reflect his concern with the magnitude of the projected budget shortfall and the desire to protect core government functions. As with the executive branch, the Governor suggests that these offices and institutions individually redesign their operations to increase efficiencies while minimizing the disruption of public services as much as possible.

For the Supreme Court, Court of Appeals, Trial Courts, and the Board of Public Defense, the Governor recommends a general 5% reduction in appropriations for the FY 2010-11 biennium. For the Trial Courts, the Governor also recommends \$5.586 million for increased costs for mandated services. The Legal Profession Boards are fully funded by fees collected under court rules, so no further actions are required on their budgets. The Governor makes no other recommendation regarding specific initiatives put forward by these agencies.

Sincerely,

A handwritten signature in dark ink that reads "Tom J. Hanson". The signature is written in a cursive, slightly slanted style.

Tom J. Hanson
Commissioner

Agency Purpose

The Board of Public Defense is a judicial branch agency whose purpose is to provide quality criminal defense services to indigent defendants in the state of Minnesota through a cost-effective and efficient public defender system. Throughout its history the Board has established goals and principles to aid the agency to carry out its mission. Overall the Board is committed to five major goals: client centered representation, creative advocacy, continual training for all staff, recruitment and retention of excellent staff, and being a full partner in the justice system.

The public defense system is the largest customer of the courts, and public defenders provide service in every courthouse in Minnesota, handling over 179,000 cases per year.

Core Functions

The Judicial District Public Defender Offices provide quality trial court criminal defense services to indigent clients charged with crimes in felony, gross misdemeanor, misdemeanor, and juvenile cases. The Appellate Office provides services to indigent clients who appeal their convictions; post conviction proceedings; individuals subject to supervised release/parole revocations; and individuals subject to community notification hearings.

Operations

The ten Judicial District Public Defender Offices provide quality criminal defense services to indigent persons in felonies, gross misdemeanors, misdemeanors, juvenile delinquency, and children over ten years of age in Children In Need of Protective Services (CHIPS) cases. This is accomplished through a system that relies heavily on part-time attorneys (50%). During FY 2007 the districts provided service for 179,000 cases. This program also includes partial funding for four nonprofit public defense corporations. The corporations provide high quality, independent criminal, and juvenile defense services primarily to minority indigents, who otherwise would need public defense services. The four corporations are the Neighborhood Justice Corporation (St. Paul); Legal Rights Center (Minneapolis), Duluth Indian Legal, and the Regional Native Public Defense Corporation which serves the communities of Leech Lake and White Earth Reservations.

The Appellate Office provides services to indigent clients in state prisons who appeal their criminal cases to the Minnesota Court of Appeals and Supreme Court; or who pursue post conviction proceedings in the District Courts throughout the state; defendants in supervised release/parole revocation proceedings, and individuals subject to community notification.

Budget

During FY 2008-2009 the agency budget totals \$134 million. The entire agency is funded through the General Fund.

At A Glance**Two Year State Budget:**

- ◆ \$134 million - General Fund

Annual Caseloads

- ◆ 179,000 District Public Defense Cases
- ◆ 3,356 Parole Revocation Hearings
- ◆ 841 Appellate Files Opened
- ◆ 709 Community Notification Hearings

Contact

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<i>Dollars in Thousands</i>					
	Current		Governor Recomm.		Biennium
	FY2008	FY2009	FY2010	FY2011	2010-11
<u>Direct Appropriations by Fund</u>					
General					
Current Appropriation	66,348	68,028	68,028	68,028	136,056
Recommended	66,348	68,028	64,627	64,627	129,254
Change		0	(3,401)	(3,401)	(6,802)
% Biennial Change from 2008-09					-3.8%
<u>Expenditures by Fund</u>					
Carry Forward					
Miscellaneous Special Revenue	47	0	0	0	0
Direct Appropriations					
General	66,061	68,315	64,627	64,627	129,254
Statutory Appropriations					
General	600	565	450	450	900
Gift	167	221	180	180	360
Total	66,875	69,101	65,257	65,257	130,514
<u>Expenditures by Category</u>					
Total Compensation	47,884	45,305	42,540	42,515	85,055
Other Operating Expenses	5,890	10,353	9,893	9,918	19,811
Local Assistance	13,101	13,443	12,824	12,824	25,648
Total	66,875	69,101	65,257	65,257	130,514
<u>Expenditures by Program</u>					
Appellate Office	4,528	4,627	4,373	4,373	8,746
Administrative Services Office	1,639	2,071	1,950	1,950	3,900
District Public Defense	60,708	62,403	58,934	58,934	117,868
Total	66,875	69,101	65,257	65,257	130,514
Full-Time Equivalents (FTE)	640.1	527.5	501.5	487.3	

<i>Dollars in Thousands</i>				
	FY2009	Governor's Recomm.		Biennium
		FY2010	FY2011	2010-11
Fund: GENERAL				
FY 2009 Appropriations	68,028	68,028	68,028	136,056
Subtotal - Forecast Base	68,028	68,028	68,028	136,056
Change Items				
Operating and Grants Reduction	0	(3,401)	(3,401)	(6,802)
Total Governor's Recommendations	68,028	64,627	64,627	129,254
Fund: GENERAL				
Planned Statutory Spending	565	450	450	900
Total Governor's Recommendations	565	450	450	900
Fund: GIFT				
Planned Statutory Spending	221	180	180	360
Total Governor's Recommendations	221	180	180	360

PUBLIC DEFENSE BOARD

Change Item: Operating and Grants Reduction

Fiscal Impact (\$000s)	FY 2010	FY 2011	FY 2012	FY 2013
General Fund				
Expenditures	\$(3,401)	\$(3,401)	\$(3,401)	\$(3,401)
Revenues	0	0	0	0
Other Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact	\$(3,401)	\$(3,401)	\$(3,401)	\$(3,401)

Recommendation

The Governor recommends a 5% reduction in the agency's base budget, to be distributed proportionately between operating costs and grants. The Governor makes no specific recommendations on the agency's change request.

Background

The Governor respects the separation of powers and the desire of officials in the judicial and legislative branches and other constitutional officers to independently present their budget requests directly to the legislature without specific recommendations from the Governor. However, since the Governor is required by law to submit a balanced budget to the legislature, it is necessary to identify funding for those offices as part of preparing a complete and balanced budget.

The Governor's general recommendations for the judicial and legislative branches and other constitutional officers reflect his concern with the magnitude of the projected budget shortfall and the desire to protect core government functions. As with the executive branch, the Governor suggests that these offices and institutions individually redesign their operations to increase efficiencies while minimizing the disruption to public services as much as possible.

Relationship to Base Budget

This reduction represents 5% of the base funding for the FY 2010-11 biennium.

Statutory Change: Not Applicable

Program Description

The Appellate Office provides services to indigent clients in criminal appeals, post conviction proceedings in the District Courts, sex offender community notification and review hearings, and supervised release/parole revocation proceedings.

Program at a Glance

- ◆ 948 Appellate cases opened in FY 2007
- ◆ 3,356 Parole revocation hearings FY 2007
- ◆ 709 Sex offender notification hearings

Population Served

In recent years, there has been a major legislative effort to increase penalties for existing crimes. In addition, new statutory penalties have been enacted to deal with specific populations or issues. Increased penalties and stronger enforcement have resulted in a significant increase in the population of the state's prisons and jails. The Minnesota Department of Corrections (DOC) records indicate that as of 1-1-08 there were 9,270 inmates in the state's correctional facilities, a 22% increase in the last four years. This population is the client base for the Appellate Office.

Parole revocations have increased more than 10% in one year, and 22% in the last three years. After years of double digit growth, the number of appellate files opened has returned to 2004 levels.

In 1996, the legislature enacted the community notification law for sex offenders. The law requires a review process for classifying sex offenders. Indigent offenders have the right to representation by the Appellate Office. Caseloads in this area grew 80% between FY 2004 and FY 2008. During the same time, appeals of these decisions increased by 78%.

Services Provided

The Appellate Office provides services to indigent prisoners who appeal their criminal cases to the Minnesota Court of Appeals and Supreme Court; or who pursue post conviction proceedings in the District Courts throughout the state; to defendants in supervised release/parole revocation proceedings and to individuals subject to community notification.

Historical Perspective

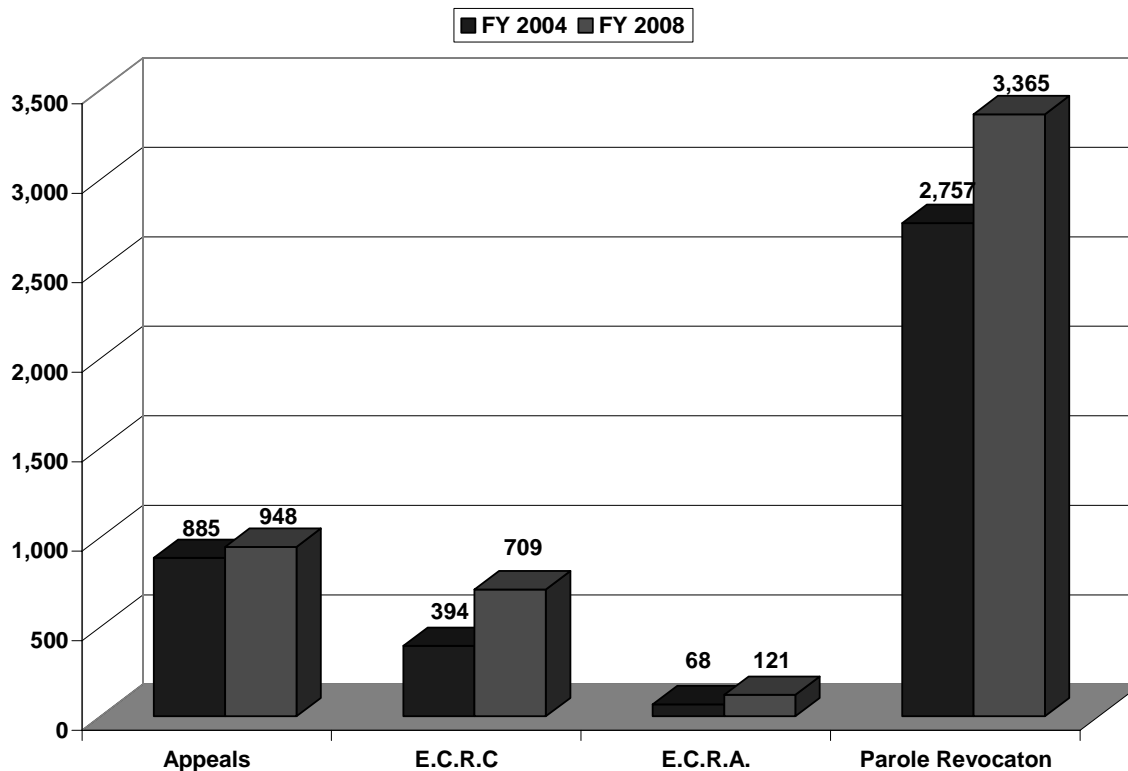
There is a constitutional right to counsel at public expense for indigent prisoners' appeals and parole revocation hearings. As sentence lengths increase, prisoners have more motivation to go through the appellate process, which takes about a year. They also have longer periods of supervised release, leading to more parole revocation hearings.

Faced with a \$3.8 million deficit for 2008/2009, the Board adopted a budget plan that included a reduction of three FTE attorneys from the Appellate Office.

This will mean that in fiscal year 2009, as many as 42 appeals in tried cases will not be assigned to a lawyer but will be placed on a waiting list. This is roughly 11% of these cases. The average time that appellate court(s) will have to wait until counsel is assigned will be approximately six months.

Delays will also occur in the post-conviction unit. This group handles all appeals in cases that were not tried (guilty plea withdrawal, sentencing, conditional release), all the parole/supervised release hearings in the state, and all the community notification cases for sex offenders.

Finally, in the past the office has staffed ECRC (End of Confinement Review Committee) hearings on behalf of sexual offenders facing placement on the community notification scale as a level 2 or 3. Due to reduced staffing, the office has shifted remaining resources from appearing at the ECRC level to providing statutorily-required representation of individuals who seek review of an ECRC decision if the individual wishes to challenge being ranked as a level 2 or 3 sex offender.

Board of Public Defense Appellate Office Cases FY 2004 & 2008

Key Program Goals

Overall the Board is committed to five major goals: client centered representation, creative advocacy, continual training for all staff, recruitment and retention of excellent staff, and partnership in the justice system. For the Appellate Office, this includes:

- ◆ Providing excellent representation to clients in criminal appeals, post conviction proceedings in the District Courts, sex offender community notification and review hearings, and supervised release/parole revocation proceedings, and;
- ◆ Meeting court imposed deadlines for filing of appeals and other case matters.

Key Program Measures

- ◆ Community notification hearings are estimated to increase 80% from FY 2004 to CY 2008.
- ◆ Parole revocation hearings increased 22% from FY 2005 to FY 2007.

Program Funding

The Appellate Office has attempted to keep up with the ever-increasing caseload within its limited resources. The office has a budget of approximately \$4.6 million, \$300,000 of which is used to pay for the cost of trial transcripts. The increasing caseloads continue to make it difficult for the office to provide constitutionally mandated services, and to meet court-imposed deadlines for appellate matters.

Contact

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PUBLIC DEFENSE BOARD

Program: APPELLATE OFFICE

Program Summary

<i>Dollars in Thousands</i>					
	Current		Governor Recomm.		Biennium
	FY2008	FY2009	FY2010	FY2011	2010-11
<u>Direct Appropriations by Fund</u>					
General					
Current Appropriation	4,352	4,603	4,603	4,603	9,206
Subtotal - Forecast Base	4,352	4,603	4,603	4,603	9,206
Governor's Recommendations					
Operating and Grants Reduction		0	(230)	(230)	(460)
Total	4,352	4,603	4,373	4,373	8,746
<u>Expenditures by Fund</u>					
Direct Appropriations					
General	4,528	4,627	4,373	4,373	8,746
Total	4,528	4,627	4,373	4,373	8,746
<u>Expenditures by Category</u>					
Total Compensation	3,581	3,420	3,044	2,976	6,020
Other Operating Expenses	947	1,207	1,329	1,397	2,726
Total	4,528	4,627	4,373	4,373	8,746
<u>Expenditures by Activity</u>					
State Public Defender	4,528	4,627	4,373	4,373	8,746
Total	4,528	4,627	4,373	4,373	8,746
Full-Time Equivalents (FTE)	44.0	38.0	36.8	36.8	

Program Description

The Board's Administrative Services Office under the direction of the State Public Defender and Chief Administrator provides policy implementation for the agency's programs, and overall management of its activities.

Population Served

The Administrative Services Office provides staff support to all public defender units.

Services Provided

The Administrative Services Office provides staff support to all public defender units, and implements the Board's policies. In addition, it is responsible for management of the agency systems related to caseloads, budget, personnel, and information systems. It accomplishes this with a small administrative staff. The Administrative Services Office operates on 3% of the agency's budget.

Program at a Glance

- ◆ Budget, information systems, policy and human resources work for 500+ state employees and 200 county employees.
- ◆ Sets standards and policies for provision of public defense services statewide.
- ◆ Information system support for 29 regional offices around the state.
- ◆ Budget support for 10 district offices, appellate office and four public defense corporations.

The Board has developed and implemented policies covering personnel, compensation, budgeting, training, conflict cases, and management information systems. Caseload standards have also been adopted. The Board has also completed work on a strategic plan, a training plan, an information systems plan, and revision of personnel and office policies and is going about the task of implementing these plans. The Board is also implementing a change in the status of personnel in the Second and Fourth Judicial District Public Defender Offices. All new hires in these Judicial Districts as of January 1, 1999, are state employees.

The Information Systems (IS) Office designs, implements, and maintains systems in 12 main offices and 16 satellite offices. They are currently accomplishing this with six staff people. Significant time and effort is dedicated to maintaining and enhancing existing systems. Currently, most of the IS team's time is spent replacing the Board's time and case management system which is 12 years old and runs on software no longer supported by the developer. This updated system will also integrate with the Minnesota Court Information System (MNCIS).

Key Program Goals

Throughout its history the Board has established goals and principles to aid the agency in carrying out its mission. Overall the Board is committed to five major goals: client centered representation, creative advocacy, continual training for all staff, recruitment and retention of excellent staff, and being a full partner in the justice system.

The Board's Administrative Services Office provides the district public defenders and appellate defenders with the resources they need to provide high quality legal assistance to indigent Minnesotans.

Key Measures

- ◆ 12 main offices and 16 regional offices supported by six Information Technology (IT) staff.
- ◆ A staff of 12 and 3% of the budget supports the public defender system.

Program Funding

The Board is accomplishing its mission and supporting district and appellate public defender programs with a minimal staff. Currently, 3% of the agency's budget is expended on central administration and information systems.

Contact

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PUBLIC DEFENSE BOARD

Program: ADMINISTRATIVE SERVICES OFFICE

Program Summary

Dollars in Thousands					
	Current		Governor Recomm.		Biennium
	FY2008	FY2009	FY2010	FY2011	2010-11
<u>Direct Appropriations by Fund</u>					
General					
Current Appropriation	2,142	2,052	2,052	2,052	4,104
Subtotal - Forecast Base	2,142	2,052	2,052	2,052	4,104
Governor's Recommendations					
Operating and Grants Reduction		0	(102)	(102)	(204)
Total	2,142	2,052	1,950	1,950	3,900
<u>Expenditures by Fund</u>					
Direct Appropriations					
General	1,639	2,071	1,950	1,950	3,900
Total	1,639	2,071	1,950	1,950	3,900
<u>Expenditures by Category</u>					
Total Compensation	1,248	1,325	1,216	1,219	2,435
Other Operating Expenses	391	746	734	731	1,465
Total	1,639	2,071	1,950	1,950	3,900
<u>Expenditures by Activity</u>					
Public Defense Board	1,639	2,071	1,950	1,950	3,900
Total	1,639	2,071	1,950	1,950	3,900
Full-Time Equivalents (FTE)	12.0	12.0	11.4	11.4	

Program Description

The ten Judicial District Public Defender Offices provide quality criminal defense services to indigent persons in felony, gross misdemeanor, misdemeanor, juvenile delinquency, and Children in Need of Protective Services (CHIPS) cases. Under Minnesota law, all individuals accused of a felony, gross misdemeanor, misdemeanor or juvenile crime are entitled to be represented by an attorney. If an individual who is accused in one of the above proceedings cannot afford the services of a private attorney, the court will appoint a public defender to represent that individual. This is accomplished through a system that relies on a mix of full-time and part-time attorneys (50 %), as well as support staff. During fiscal year 2007, the districts provided service in 179,000 cases.

Program at a Glance

- ◆ 179,000 cases opened in 2007
- ◆ Largest user of the court system
- ◆ Caseloads nearly double American Bar Association Standards.
- ◆ 40,000 uncompensated part-time public defender hours

Population Served

Trial level public defense serves the attorney needs of indigent Minnesotans.

Services Provided

The public defender system provides trial level representation in criminal defense cases. This includes investigation, expert witnesses, and support services. This program also includes part of the cost of four nonprofit public defense corporations. The corporations provide high quality, independent criminal and juvenile defense services primarily to minority indigent defendants, who otherwise would need public defense services.

Historical Perspective

Over the last several years increased enforcement of complicated felony cases, the implementation of the Children's Justice Initiative statutory changes, and changes in court proceedings have all combined to push the public defender system in an unsustainable direction. Without action by the Board to reduce non-mandatory services, caseloads would have exceeded 810 case units per FTE defender. (A case unit is approximately equal to a misdemeanor). This is more than double the A.B.A. and Board standards. Annually over the last several years part-time defenders have provided approximately 40,000 uncompensated hours in order to handle the increased number and complexity of cases and to keep the court system operating.

The 2007 Public Safety Finance Bill mandated that most of the new funding provided to the Board be allocated to the hiring of new staff. The Board in an attempt to comply with this language began hiring in the Judicial Districts with the highest caseloads. With this funding tied to new positions, in order to fund the projected deficit the Board was facing at the beginning of 2008/2009 and the increased personnel costs for 2008/2009, savings would need to be generated through attrition and salary savings. Higher than expected salary settlements and lower than expected savings from salary savings and attrition contributed to a \$3.8 million deficit for 2008/2009.

In order to address the deficit, the Board adopted a budget for fiscal year 2009 that included an estimated reduction of fifty (50) FTE attorney positions on the district level. This is approximately 100,000 hours of attorney time. The reduction in positions was achieved through attrition, a series of voluntary separation policies, and finally layoffs.

Faced with these challenges, the Board implemented a service plan based on a set of principles which it adopted in 2003 and service delivery priorities it adopted in 2005. On the trial level these service principles include:

- ◆ Prioritize service to clients in custody;
- ◆ Evaluate the staffing of specialty courts; and
- ◆ Eliminate representation in non- mandatory cases.

The Board's service delivery priorities include:

- ◆ Constitutionally mandated criminal defense services for in-custody clients;
- ◆ Statutorily mandated criminal defense services for in-custody clients;
- ◆ Constitutionally mandated criminal defense services for out-of-custody clients;

PUBLIC DEFENSE BOARD

Program: DISTRICT PUBLIC DEFENSE

Narrative

- ◆ Statutorily mandated criminal defense services for out-of-custody clients;
- ◆ Other statutorily mandated services; and
- ◆ Other services as approved by the Board of Public Defense.

Following these principles and priorities, the Board voted to eliminate non-mandated services, namely representation of parents in child protection cases (CHIPS), and appearances at post-adjudication drug courts.

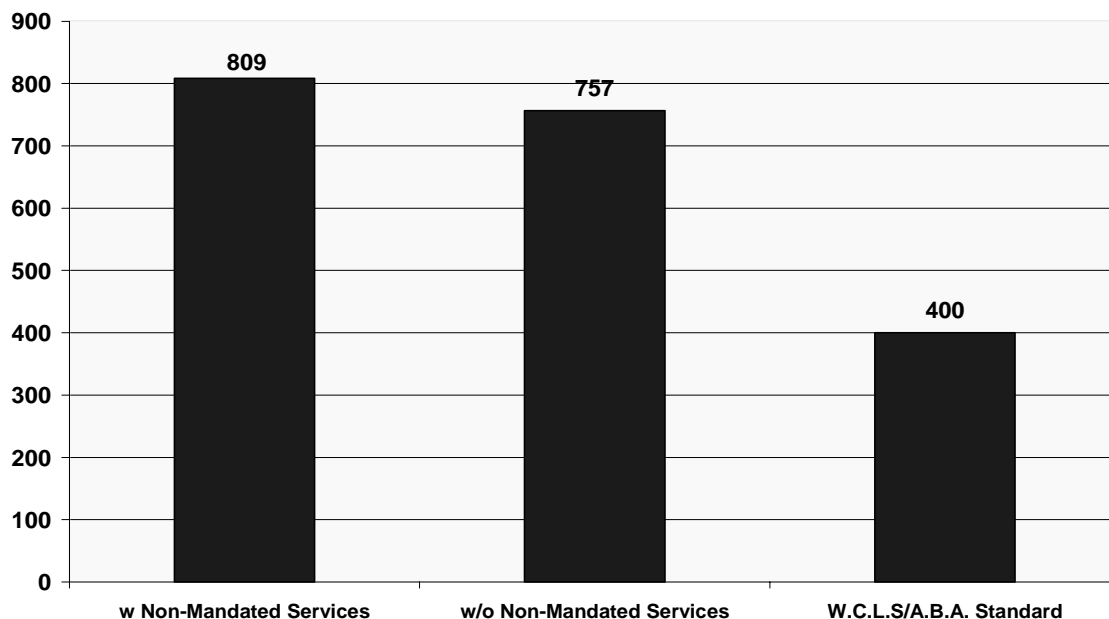
The representation of parents in child protection cases is not a mandated service for public defenders, although this service has been provided in the past. Representation of parents is statutorily a county function (M.S. 260C.331 Subdivision 3(d)). Public defenders continue to represent children over ten years of age in these proceedings. (M.S. 611.14).

There are 33 drug courts operating around the state. Drug courts include initial intensive treatment services with ongoing monitoring and continuing care for a year or more. This results in extensive time commitments for all those involved in drug court including public defenders. Participant contacts with the public defenders are frequent and on-going and occur at each status hearing. The establishment of drug court and the requirements of the court dictate that staff be assigned specifically to that court. This places a burden on the public defender system since a defender is taken out of the regular court, thereby reducing the "economy of scale" in the regular court and putting an extra burden on the remaining defenders.

Except for probation revocation, appeal, and release (parole) revocation cases, the constitutional right to counsel ends when the sentencing hearing ends. Thus "post-adjudication" services in the trial courts, with the exceptions noted are not mandated services. Clients in these "post-adjudication" courts are in the same status as clients who have been convicted and sentenced to probation: they have a right to counsel if they are accused of a violation, but not the constant attention of counsel while probation is going smoothly.

Even with the elimination of non-mandated cases the average caseload is expected to increase to approximately 760 case units per FTE attorney. This again assumes no increase in the overall caseload.

STATE OF MINNESOTA BOARD OF PUBLIC DEFENSE
CASE UNITS PER F.T.E. ATTORNEY w CY 2007 CASELOADS



PUBLIC DEFENSE BOARD

Program: DISTRICT PUBLIC DEFENSE

Narrative

Over the past ten years, 26 new judgeships have been created. With each of these judgeships comes another calendar (court room) where public defenders must appear. These new judgeships were created without a corresponding increase in public defender staff.

The board is the largest user of the state court system. Caseload increases, changes in court procedures, calendaring of cases, statutory changes, and changes in prosecution directly impact the board's ability to provide quality legal services to its clients. The efficiency and integrity of the judicial system are dependent on the public defender system's ability to provide quality legal services. If it cannot provide these services, court cases are continued, jails sit filled, and appeals and complaints rise. In short, the criminal justice system stops.

The public defender system does not and cannot control its client intake or workload. These important variables are controlled by external circumstances, such as: local government decisions that increase police and prosecution, new constitutional mandates, Supreme Court Rules, sentencing guideline changes, statutory changes, and judicial calendaring changes. Among the new challenges are the increased emphasis on prosecution of sex offenders, methamphetamine, and child protection cases.

Key Program Goals

Throughout its history the Board has established goals and principles to aid the agency to carry out its mission. Overall the Board is committed to five major goals:

- ◆ Client centered representation
- ◆ Creative advocacy
- ◆ Continual training for all staff
- ◆ Recruitment and retention of excellent staff
- ◆ Full partner in the justice system

Key Measures

- ◆ 179,000 cases were opened in FY 2007.
- ◆ Countless resources are lost as judges, court staff, prosecutors, victims and witnesses wait due to a lack of public defenders.
- ◆ 33 drug courts are operating statewide.
- ◆ District public defenders carry caseloads that average nearly twice the recommended standards.
- ◆ Prosecutors outnumber defenders by more than 2 to 1 statewide.
- ◆ Part time public defenders provided in excess of 40,000 uncompensated hours in FY 2007.

Program Funding

The current appropriation for this program is approximately \$55 million annually. Increased personnel costs as well as costs related to insurance and retirement have strained district budgets. A lack of public defenders and increased caseloads and time demands mean that the court system often has to sit idle and wait for public defenders to become available. The result is a weakened court and a criminal justice system which experiences major delays and often must stop the processing of defendants.

Contact

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PUBLIC DEFENSE BOARD

Program: DISTRICT PUBLIC DEFENSE

Program Summary

Dollars in Thousands					
	Current		Governor Recomm.		Biennium
	FY2008	FY2009	FY2010	FY2011	2010-11
<u>Direct Appropriations by Fund</u>					
General					
Current Appropriation	59,854	61,373	61,373	61,373	122,746
Subtotal - Forecast Base	59,854	61,373	61,373	61,373	122,746
Governor's Recommendations					
Operating and Grants Reduction		0	(3,069)	(3,069)	(6,138)
Total	59,854	61,373	58,304	58,304	116,608
<u>Expenditures by Fund</u>					
Carry Forward					
Miscellaneous Special Revenue	47	0	0	0	0
Direct Appropriations					
General	59,894	61,617	58,304	58,304	116,608
Statutory Appropriations					
General	600	565	450	450	900
Gift	167	221	180	180	360
Total	60,708	62,403	58,934	58,934	117,868
<u>Expenditures by Category</u>					
Total Compensation	43,055	40,560	38,280	38,320	76,600
Other Operating Expenses	4,552	8,400	7,830	7,790	15,620
Local Assistance	13,101	13,443	12,824	12,824	25,648
Total	60,708	62,403	58,934	58,934	117,868
<u>Expenditures by Activity</u>					
District Public Defense	60,708	62,403	58,934	58,934	117,868
Total	60,708	62,403	58,934	58,934	117,868
Full-Time Equivalents (FTE)	584.1	477.5	453.3	439.1	

PUBLIC DEFENSE BOARD

Agency Revenue Summary

Dollars in Thousands

	Actual FY2008	Budgeted FY2009	Governor's Recomm. FY2010 FY2011		Biennium 2010-11
<u>Non Dedicated Revenue:</u>					
Total Non-Dedicated Receipts	0	0	0	0	0
<u>Dedicated Receipts:</u>					
Grants:					
Gift	178	178	178	178	356
Other Revenues:					
Gift	2	2	2	2	4
Total Dedicated Receipts	180	180	180	180	360
Agency Total Revenue	180	180	180	180	360

Memo

To: Governor Pawlenty, Commissioner Tom Hanson

Cc: Jim King, Executive Budget Officer

From: Kevin Kajer, Chief Administrator

Date: 10/6/2008

Re: 2010-2011 Assessment

Background and Mission

In 1961 Clarence Earl Gideon (an innocent man) was charged in a Florida state court with a felony for breaking and entering. He lacked funds and was unable to hire a lawyer to prepare his defense. When he requested the court to appoint an attorney for him, the court refused, stating that it was only obligated to appoint counsel to indigent defendants in capital cases. Gideon defended himself in the trial; he was convicted by a jury and the court sentenced him to five years in a state prison.

In a unanimous opinion, the United States Supreme Court held that Gideon had a right to be represented by a court-appointed attorney. In this case the Court found that the Sixth Amendment's guarantee of counsel was a fundamental right, essential to a fair trial. Justice Black called it an "obvious truth" that a fair trial for a poor defendant could not be guaranteed without the assistance of counsel. Those familiar with the American system of justice, commented Black, recognized that **"lawyers in criminal courts are necessities, not luxuries."**

The mission of the Board of Public Defense is to provide quality criminal defense services to indigent defendants in the state of Minnesota through a cost-effective and efficient public defender system. Throughout its history the Board has established goals and principles to aid the agency to carry out its mission. Overall the Board is committed to five major goals, client centered representation, creative advocacy, continual training for all staff, recruitment and retention of excellent staff, and full partnership in the justice system.

The public defense system is the largest customer of the courts. Public defenders provide service in every courthouse in Minnesota, handling over 179,000 cases per year. It is estimated that public defenders provide service in 85-90% of the serious criminal cases in the state, and over 90% of the juvenile delinquency cases.

The Board does not and cannot control its caseload. The Board must provide the services specified in statute. In addition, the Minnesota State Supreme Court (Dzubiak v Mott) has recognized that a public defender “may not reject a client, but is obligated to represent whoever is assigned to her or him...” At the same time public defenders are held to the same ethical standards as private attorneys in regard to the handling of cases, as they should be.

Strategies

The Board has been committed to a cost effective model of representation, namely a combination of full time and part-time defenders. As opposed to paying by the hour or case, the Board's model is not only cost effective but costs tend to be more stable. The use of part-time defenders provides more flexibility especially where there are conflicts in representation. This has also allowed the Board to limit the number of full-time offices because the part-time defenders cover much of their own overhead.

Over the last several years the Board has implemented an extensive training program for attorneys and support staff. Attorneys are provided with a full range of Continuing Legal Education Credits. A trial school has been developed at one-half the cost of sending employees to a school outside of the agency. Support staff training has included certification of investigators as well as a paralegal institute and sentencing advocacy programs. All of these have been done within the budget and with mostly internal resources.

The Board is committed to keeping administrative costs in check. Approximately 97% of the Board's budget is direct service to clients.

Where funding has allowed the Board has added support staff to provide services in lieu of attorney time. The Board has adopted technology to improve efficiency. It has completed an on line brief bank system where attorneys can share legal research. It is currently retooling its time and case management system to capture data that is already being entered in MNCIS (Minnesota Court Information System). This will eliminate redundant entry of data and save attorney time.

Programs and Priorities

A “perfect storm” of an ongoing deficit, higher than expected personnel cost increases, lower than expected attrition and salary savings rates, and a legislatively imposed budget reduction presented the Board with a significant budget deficit for fiscal year 2009 and threatens to undermine the mission and goals of the Board.

Managing attorney positions have been established but these attorneys have excessive caseloads which take away from supervision, training, and mentoring of younger lawyers. Specialized juvenile divisions have emerged but lack the resources to provide adequate service. Finally, there has been a chronic shortage of support staff positions. As of June of this year there were ten (10) lawyers for every investigator, and eighteen (18) attorneys for every paralegal and sentencing advocate. This is more than double the standards recommended by the American Bar Association.

Faced with a reduction in its attorney staff, caseloads in excess of double ABA standards, and 44,000 uncompensated part-time public defender hours, the Board implemented a service plan based on the principles which it adopted in 2003 and service delivery priorities it adopted in 2005. Following these principles and priorities, the Board voted to eliminate non-mandated services. However, even with the elimination of non-mandated cases the average public defender caseload is expected to increase to more than 750 case units per F.T.E attorney, or approximately 180% of the caseload standards. **This assumes no increase in the overall caseload and no return to providing non-mandated services.**

On the appellate level staff reductions have meant that as many as 11% of the appeals in tried cases will not be assigned to a lawyer. The average time that appellate court(s) will have to wait until counsel is assigned

will be approximately six months. By fiscal year 2010 the wait could reach one year. All of this assumes that case growth remains flat.

In the post conviction unit (appeals in cases that were not tried (guilty plea withdrawal, sentencing, conditional release, parole revocation) delays will also occur. At some point, the delay in appellate services could eventually lead to the courts ordering the release of prisoners who have been on the waiting list too long. In addition, it would also seriously affect the ability of the unit to meet its statewide obligations in parole revocation cases where there is a constitutional right to counsel because it would not be possible to cover all hearings scheduled by the Department of Corrections.

Finally, staff reductions will also reduce the unit's ability to provide statutorily required representation in community notification cases.

In order to meet the priorities or goals of the Board within the base budget further service changes may be necessary. The top priority would be to provide service to persons in custody, accused of felonies. Cases involving misdemeanors, less serious felonies and out of custody cases would be greatly delayed. The speedy trial rights and the courts' timelines for timely case processing would not be met. All of this would adversely impact victims, other justice agencies and the general public.

Trends and Outside Influences

The public defender system does not and cannot control its client intake or workload. These important variables are controlled by external circumstances, such as: local government decisions that increase police and prosecution, new constitutional mandates, Supreme Court Rules, sentencing guideline changes, statutory changes, and judicial calendaring changes.

No one is arguing the merits of these decisions, but they do come with a cost.

Over the past ten years, twenty-six (26) new judgeships have been created. With each of these judgeships comes another calendar (court room) where public defenders must appear.

Counties and cities have increased staffing of prosecutors and police. A recent survey by District Chief Public Defenders indicates that there are twice as many prosecutors across the state as there are public defenders.

There are thirty-three (33) drug courts operating around the state. In addition there are mental health courts, DWI courts, and domestic abuse courts. Drug courts include initial intensive treatment services with ongoing monitoring and continuing care for a year or more. This results in extensive time commitments for all those involved in drug court including public defenders. These courts are beneficial to society, but also very labor intensive.

Since 2000 the Supreme Court has implemented the Children's' Justice Initiative (CJI). The "CJI," emphasizes the urgency of responding to child welfare cases much more quickly, and with much better standards of practice. It includes a best practices guide for child protection (CHIPS) cases. The challenge for the Board has been to find the resources to provide the services that the CJI requires.

Over the last several years several changes have been made in the criminal justice system. While many of these changes have resulted in efficiencies and savings to parts of the judicial system, some have increased the costs for other judicial system partners. The elimination of mandatory transcripts by the Supreme Court saved the court over \$1 million. However, this change added costs to the public defender system. What was a matter of pulling a transcript out of the court file is now a request for a transcript that must be produced by a court reporter and paid for.

The establishment of regional jails has decreased costs and travel times for local units of government. However, it has increased the time commitments and travel costs of the public defender system when attorneys and staff must travel greater distances to meet with clients.

In the area of technology the use of interactive television (ITV) and electronic discovery are two areas which while providing some efficiencies have the potential to shift costs to the public defender system.

With respect to the use of ITV, Supreme Court Rules mandate that the prosecutor can not be alone in the courtroom with the judge and the defense lawyer must be with the client. In these instances it may be necessary to have a public defender in the courtroom with the prosecutor and the judge, at the same time that there is a public defender in the jail (regional jail?). This also may create logistical problems, for example, if the same lawyer has 3 clients "in person" in the courtroom and 3 more "ITV" clients being broadcast from the jail.

In the area of e-discovery there are hundreds of jurisdictions which all make their own decisions on software. In some instances the discovery includes material from proprietary systems that are outside of government control the codes to which the Board does not have access to. The transmittal of photos and videotapes via e-mail has the potential to shut down the e-mail system. Finally, approximately one-half of public defenders are part-time. The Board does not provide support to or regulate the equipment or internet connections of these defenders. In some parts of the state there is a lack of high speed internet connection. In many instances the volume of the discovery material would overwhelm a part-time defender's ability to receive the data as well as manage it. While the Board is trying to adapt to electronic discovery. To date this has proved difficult due to a shortage of technology resources as well as the issues mentioned above.

Conclusion

Even with the changes mentioned above, it must be noted that they cannot replace the 6th Amendment guarantee of the right to counsel.

Without an adequate number of public defenders the court system must slow down the processing of cases, which creates larger and larger court calendars; this means more time in court for lawyers, judges, court personnel and others, much of which can be idle time waiting for the case to be called. The result of this is an increase in the cost of processing cases, for the state and the counties. In addition, due to the fact that court calendars are overcrowded and time consuming, the court time available for the resolution, by trial or hearing of civil cases may be delayed at a substantial cost to everyone involved.

Often public defenders are scheduled in two different court rooms (many times in two different counties) at the same time. This brings the court system to a halt. In these instances victims, witnesses, law enforcement and court personnel sit idle waiting for public defenders. In some instances public defenders have been threatened with contempt for not appearing in a court room even when they are scheduled and appearing in another court room or county.

In most parts of the state there are not enough public defenders to represent clients at first appearance. This includes making bail arguments. The lack of public defenders increases the costs of incarceration of individuals in the already overcrowded county jails. As of May 2008, county jails were at 105% of capacity. These costs include but are not limited to jail staff and facility expense but also medical and dental expense as well.

Without additional funding the agency will not be able to meet its mission and goals during in the 2010-2011 biennium. In 2003, faced with a significant budget reduction the Board of Public Defense approved a set of budget and service principles to guide any future budget decisions. On the trial level these **budget principles** included:

1. Minimize negative impacts on clients
2. Maintain a statewide public defender system
3. Minimize impact on staff and infrastructure
4. Place a priority on services mandated by statute or constitution

The **service principles** include:

1. Prioritize service to clients in custody,
2. Evaluate the staffing of specialty courts
3. Eliminate representation in non- mandatory cases

Again facing a major budget deficit in FY 2005, the Board developed a service delivery plan based on the 2003 case priorities. The Board's **service delivery priorities** include:

- Constitutionally mandated criminal defense services for in-custody clients
- Statutorily mandated criminal defense services for in-custody clients
- Constitutionally mandated criminal defense services for out-of-custody clients
- Statutorily mandated criminal defense services for out-of-custody clients
- Other statutorily mandated services
- Other services as approved by the Board of Public Defense

The Board's service priorities also include a provision that attorneys will be provided with a reasonable balance of "in-court" and "out-of-court" hours. The Board is cognizant of the needs of the defenders, both full and part time. Out-of-court time is critical to prepare their clients' cases, time to meet and consult with their clients, and in the case of part-time defenders, time to be diligent in the representation of not only their public defender clients but equally so, their private clients. This will result in further limiting public defender availability for in-court hours, and may result in additional prioritization of cases. (In custody) If this occurs the court system will be further impacted and may come to a complete stop in some areas of the state. This will have ramifications not only for the courts, but county jails, law enforcement, prosecutors and the general public.

In short, the Board continues to be committed to its mission; however its reduced staff has already slowed down the entire justice system and required both other justice agencies and the public to wait for our lawyers to provide their mandated services.

PUBLIC DEFENSE BOARD

Change Item: Public Defender Viability

Fiscal Impact (\$000s)	FY 2010	FY 2011	FY 2012	FY 2013
General Fund				
Expenditures	\$7,818	\$11,887	\$11,887	\$11,887
Revenues	0	0	0	0
Other Fund				
Expenditures				
Revenues	0	0	0	0
Net Fiscal Impact	\$7,818	\$11,887	\$11,887	\$11,887

Request

The Board of Public Defense requests \$7.818 million in FY 2010 and \$11.887 million in FY 2011 in an attempt to put the public defender system on financially solid ground for the biennium. The request would fund: 53 positions lost during FY 2009 and associated support staff, projected cost increases for 2010/2011 that if not funded would serve to reduce staffing, and an adjustment in funding for the public defense corporations which serve thousands of clients that otherwise would be public defender clients. This assumes the Board will not be providing services in non-mandated cases.

Background

The Board does not and cannot control its caseload. The Board must provide the services specified in statute. The Minnesota State Supreme Court in the case (Dzubiak v Mott) has recognized that a public defender “may not reject a client...”

Faced with a “perfect storm” of an ongoing deficit, higher than expected personnel cost increases, lower than expected attrition and salary savings rates, and a budget reduction, the Board was forced to a budget for FY 2009 that included a reduction of fifty-three (53) FTE attorney positions. This was approximately 12% of the attorney staff, and equates to 100,000 hours of attorney time.

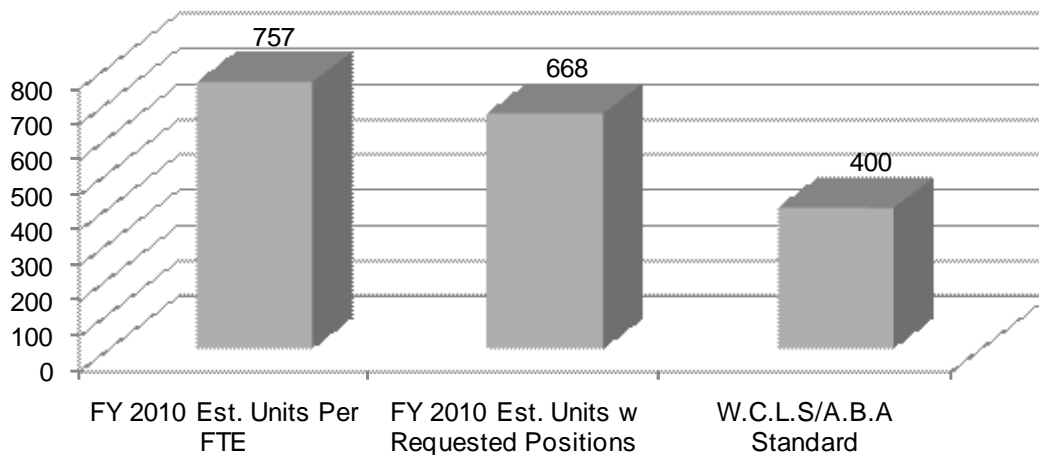
With the staff losses, caseloads in excess of double American Bar Association (ABA) standards, and 44,000 uncompensated part-time public defender hours, the Board implemented a service plan based on principles it adopted in 2003. This plan included the elimination of non-mandated services and district service plans that prioritize services to in-custody clients, and with a reasonable balance of in-court and out of court hours.

Even with the elimination of non-mandated cases the average caseload is expected to increase to 757 case units (a case unit is approximately equal to a misdemeanor) or 180% of the caseload standards. **This assumes no increase in the overall caseload or service in non-mandated cases.** The unpaid hours of part-time public defenders are the equivalent of 24 FTE attorneys. The lack of public defenders has had and will continue to have a major impact on the criminal justice system, delaying the ability of the justice agencies to function in a timely manner, and eroding the public’s confidence in the judicial system.

If funding is provided to rehire the positions the average caseload will still be 160% of the caseload standard. This will not address the issue of unpaid part-time public defender hours.

The request would also fund estimated personnel cost increases for the 2010-2011 biennium. This includes mandated costs of a COLA, steps, insurance and retirement contributions. Mandated non-personnel cost increases include the costs of trial transcripts, mileage and rent. Over the last five years expenditures on transcripts have averaged \$676,000 per year (budget is \$300,000). The request would fund the difference between the budgeted amount and the five year average expenditure. The Internal Revenue Service (IRS) rate for mileage has increased to 58.5 cents per mile. During a typical year public defenders and staff will travel approximately 1.4 million miles. The request would fund the difference between current costs and the estimated cost based on the new IRS rate. Office rents have typically increased 3% per year. If these costs are not funded, it will directly impact the number of attorneys that the Board will have available for the biennium.

Board of Public Defense FY 2010 Estimated Caseloads w Requested Positions
(Assumes no growth in caseloads)



In addition to not being able to control intake, the volume of cases is controlled by external circumstances, such as: local government decisions that increase police and prosecution, sentencing guideline changes, statutory changes, and judicial calendaring changes. No one is arguing the merits of these decisions, but they do come with a cost.

For example, according to the DOC from 1987-2005 the legislature created 86 sentencing enhancements which have imposed mandatory sentences or lengthened penalties. Local units of government have increased prosecution resources. A recent survey by Chief District Public Defenders indicated that there are twice as many prosecutors across the state as public defenders. Over the past ten years, twenty-six (26) new judgeships have been created. With each of these judgeships comes another calendar (court room) where public defenders must appear.

There are thirty-three (33) drug courts operating around the state. These courts are beneficial to society, but also very labor intensive. Drug courts include monitoring and continuing care for a year or more.

Without an adequate number of public defenders the court system must slow down the processing of cases. This creates larger court calendars; this means more time in court for lawyers, judges, court personnel and others, much of which can be idle time waiting for the case to be called. The result of this is an increase in the cost of processing cases, for the state and the counties. In addition, due to the fact that court calendars are overcrowded, civil cases are delayed at a substantial cost to everyone involved.

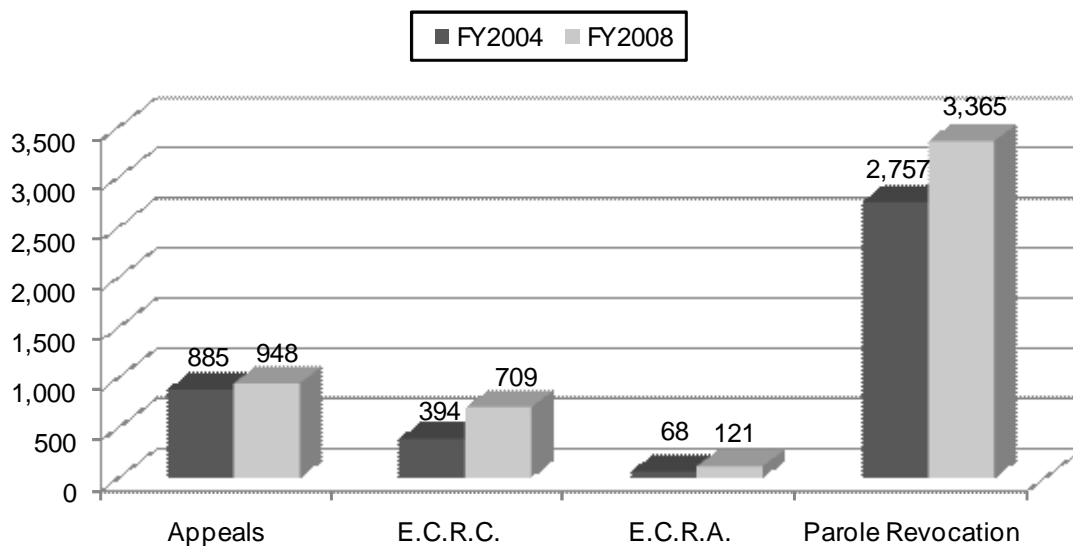
Often public defenders are scheduled in two different court rooms (many times in two different counties) at the same time. This brings the court system to a halt. In these instances victims, witnesses, law enforcement and court personnel sit idle waiting for public defenders. Not only is this not efficient, it is patently unfair to the other people who use the courts. In some instances public defenders have been threatened with contempt for not appearing in a court room even when they are scheduled and appearing in another court room or county.

In most parts of the state there are not enough public defenders to represent clients at first appearance. This includes making bail arguments. This impacts county jail space which as of May 2008 was at 105% of capacity.

On the appellate level staff reductions have meant significant delays in the state's appellate courts. In FY 2009 11% of appeals in tried cases will be placed on a waiting list. For each case the Court of Appeals or Supreme Court will have to stay the appeal timelines until counsel can be assigned. The average time that appellate court(s) will have to wait until counsel is assigned will be approximately six months. By fiscal year 2010 the wait could reach one year. All of this assumes that case growth remains flat.

Delays have also occurred in the post-conviction unit (guilty plea withdrawal, sentencing, conditional release, parole/supervised release hearings and community notification cases). At some point, the delay in appellate services could eventually lead to the courts ordering the release of prisoners who have been on the waiting list too long. The office's ability to staff parole revocation hearings has also been impacted, because it is not possible to cover all hearings scheduled by the Department of Corrections. Cases of this type have increased 22% over the last three years. Staff reductions will also reduce the unit's ability to provide statutorily required representation in community notification cases (ECRC). Cases of this type have increased 80% in the last four years. The office anticipates a significant increase in administrative court cases because they are unable to address issues in the ECRC process. Caseloads in this area have increased 78% in the last four years.

Board of Public Defense Appellate Office Cases FY 2004 & 2008



The four public defense corporations provide cost-effective quality legal defense services primarily to the state's minority communities. These cases (4,700) would otherwise be public defender cases. The request would provide funding to maintain current staff, by providing an adjustment on the corporations' grant amounts.

Relationship to Base Budget

The base budget for District and Appellate Defense is approximately \$66 million. This represents 97% of the Board's budget.

Key Goals and Measures

Throughout its history the Board has established goals and principles to aid the agency to carry out its mission. Overall the Board is committed to five major goals: client centered representation, creative advocacy, continual training for all staff, recruitment and retention of excellent staff, and full partnership in the justice system.

The lack of public defenders has had a negative impact on all of these goals. High caseloads and time commitments often do not allow for client centered representation or creative advocacy. As mentioned there are too few defenders in many parts of the state to be at first appearances. Often time public defenders are meeting clients for the first time in the court room. Overwhelming time commitments means there is often little time for motion practice. A lack of support staff often keeps cases from being investigated, or sentencing alternatives from being presented.

PUBLIC DEFENSE BOARD

Change Item: Public Defender Viability

- ◆ Criminal justice system delayed or stopped- lack of confidence in the system
- ◆ No early entry into cases and in many parts of the state there are no public defenders at first appearance.
- ◆ Caseloads almost double Board and ABA standards.
- ◆ Loss of 53 FTE attorney positions and more than 100,000 annual attorney hours.
- ◆ Part time public defenders providing 44,000 hours of uncompensated time.

Alternatives Considered

Where funding has allowed, the Board has added support staff to provide services in lieu of attorney time. The Board has adopted technology to improve efficiency. It is currently retooling its time and case management system to capture data that is already being entered in the Minnesota Court Information System (MNCIS). This will eliminate redundant entry of data and save attorney time. The Board is also trying to adapt to electronic discovery. To date this has proved difficult due to a shortage of technology resources. Even with these changes, it must be noted that they cannot replace the 6th Amendment guarantee of the right to counsel.

Statutory Change: Not Applicable.

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Agency Purpose

Established by legislative act in 1931, the Public Employees Retirement Association (PERA) of Minnesota administers four public employee retirement plans in accordance with M.S. sections 353, 353A, 353D, 353E and 356. PERA's membership includes employees of cities, counties, schools, other local governments, and retired annuitants. In addition, PERA works with 2,100 separate governmental employers within the state, as defined in M.S. 353.01 subd. 6.

PERA's purpose is to create opportunities for members to achieve a successful and secure retirement by providing the highest quality benefits and services. PERA's vision is to provide on-demand access to reliable pension information and superior customer service.

Core Functions

PERA functions under the direction of an Executive Director responsible to a policy-setting 11-member Board of Trustees. Core functions include:

- ◆ collecting and managing retirement contributions;
- ◆ collecting and managing member information;
- ◆ issuing benefit and refund payments; and
- ◆ delivering education and training.

Operations

PERA administers four separate funds. Each has specific membership, contribution, benefit, and pension provisions.

- ◆ The Public Employees Retirement Fund (PERF) encompasses two plans. The Basic plan includes employees who are not covered by Social Security and was closed to new members in 1968. The Coordinated plan, created in 1968, provides retirement and other benefits in addition to those supplied by Social Security.
- ◆ The Public Employees Police and Fire Fund (PEPFF) originally established in 1959 for police officers and firefighters not covered by a local relief association, now encompasses all police officers and firefighters hired since 1980.
- ◆ The Local Government Correctional Service Retirement Fund (PECF), created in 1999, covers correctional officers serving in county and regional adult and juvenile correctional facilities.
- ◆ The Public Employees Defined Contribution Plan was established in 1987 to provide a retirement plan for ambulance service personnel but has been expanded to encompass physicians, elected officials (except county sheriffs), city managers, and volunteer fire fighters.
- ◆ The Account for Local Government Post Employment Benefits, created in 2007 and 2008 allows local governments to establish a trust fund to be used only to fund and pay for the post employment benefits owed to retired employees.

Contributions

Member contributions, employer contributions, and investment earnings cover the liability for present and future benefits. Each membership category within the association has a specific contribution rate set by statute. The rates for the Coordinated Plan and Police & Fire Fund are scheduled to increase incrementally beginning 01-01-2006 until 01-01-2010. Contribution rates as of 06-30-2008 were:

At A Glance

(As reported in the Fiscal Year 2007 CAFR)

PERA is the administrator of three cost-sharing, multiple-employer retirement plans, and one multiple-employer defined contribution plan.

PERA does not receive direct state appropriations. Income is derived solely from member and employer contributions plus investment earnings. Income exceeding benefits paid is reinvested in the plan to cover future benefits.

Annual Business Processes

Benefits Paid (in thousands)

Benefits	\$1,066,116
Refunds	29,107

Membership Counts

Active members	160,512
Deferred members	42,259
Annuitants	68,743

Funding Ratio

PERA Coordinated	73.3%
Police & Fire Fund	91.7%
Correctional Fund	98.4%

Fund	Employee Contribution	Employer Contribution
PERA Basic Plan	9.10%	11.78%
PERA Coordinated Plan	6.00%	6.50%
Police & Fire Fund	8.60%	12.90%
Correctional Fund	5.83%	8.75%

Pension Benefits

Each membership category has similar benefits. Retirement, survivor, and disability pensions are available to members who meet certain eligibility requirements defined by their plan. In addition, refunds of contributions are available at any time to members who leave public service and are not receiving a pension.

Key Goals

PERA's purpose is to create opportunities for members to achieve a successful and secure retirement by providing the highest quality benefits and services. PERA's vision is to provide on-demand access to reliable pension information and superior customer service.

- ◆ Extend our ability to deliver core retirement planning services on-demand to members;
- ◆ Expand reporting options for employers to allow their agencies and PERA to more effectively fulfill our shared administration duties and meet members service needs; and
- ◆ Further develop staff's knowledge and skills to support changing job responsibilities to meet the mission and vision.

Key Measures

Two important measures of the health of a retirement system are the level of funding and the contribution sufficiency or deficiency. The better the level of funding, the larger the ratio of assets to accrued liabilities and a higher degree of assurance that promised pension benefits are secure. A contribution sufficiency means that member and employer contribution rates are high enough to fully fund the promised pension benefits by the date set in statute while a contribution deficiency indicates that the rates do not cover the cost of the promised pension benefits. The figures shown are as of 6-30-2007 and do not reflect future contribution rate increases.

Fund	Funding Ratio	Sufficiency / (Deficiency)
PERA Basic & Coordinated Plan	73.3%	(1.06)%
Police & Fire Fund	91.7%	(7.98)%
Correctional Fund	98.4%	2.22%

Budget

PERA operates within a dedicated pension trust fund designed for the exclusive use of its members and beneficiaries. The Commissioner of Finance maintains an open appropriation account to fund expenditures. PERA FY 2009 expenditures are budgeted at \$950 million for the PERF, \$375 million for the PEPFF, \$2.5 million for the PECF and \$1.6 million for the PEDCP. Over 98% of the expenditure budget is for the payment of benefits and refunds. The PERA Board of Trustees annually approves an operating budget for administrative expenses. For FY 2009 administrative expenses are budgeted at \$11,936,178. PERA revenues for FY 2009 are expected to be about \$600 million, exclusive of investment income that may be earned.

Contact

Public Employees Retirement Association
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Saint Paul, Minnesota 55103

1 (800) 652-9026
Phone: (651) 296-7460

Or visit our web site at www.mnpera.org

Dollars in Thousands

	Current		Governor Recomm.		Biennium
	FY2008	FY2009	FY2010	FY2011	2010-11
<u>Direct Appropriations by Fund</u>					
Other Post Employment Benefit					
Current Appropriation	1,600	150	150	150	300
Recommended	1,600	150	150	150	300
Change		0	0	0	0
% Biennial Change from 2008-09					-82.9%
Retirement System Building					
Current Appropriation	1,352	1,352	1,352	1,352	2,704
Recommended	1,352	1,352	1,352	1,352	2,704
Change		0	0	0	0
% Biennial Change from 2008-09					0%
<u>Expenditures by Fund</u>					
Open Appropriations					
Public Employees Retirement	864,969	980,000	980,000	980,000	1,960,000
Pera Correctional Plan	3,013	2,500	2,500	2,500	5,000
Police And Fire	297,534	375,000	375,000	375,000	750,000
Statutory Appropriations					
Pera Defined Contribution Plan	1,571	1,600	1,600	1,600	3,200
Other Post Employment Benefit	15,800	7,550	6,150	6,150	12,300
Retirement System Building	965	6,836	2,777	2,777	5,554
Total	1,183,852	1,373,486	1,368,027	1,368,027	2,736,054
<u>Expenditures by Category</u>					
Total Compensation	6,450	7,264	7,264	7,264	14,528
Other Operating Expenses	4,315	910,936	906,877	906,877	1,813,754
Other Financial Transactions	1,173,087	455,286	453,886	453,886	907,772
Total	1,183,852	1,373,486	1,368,027	1,368,027	2,736,054
<u>Expenditures by Program</u>					
Public Empl Retr Asn	1,183,852	1,373,486	1,368,027	1,368,027	2,736,054
Total	1,183,852	1,373,486	1,368,027	1,368,027	2,736,054
Full-Time Equivalents (FTE)	87.0	86.7	86.7	86.7	

PUBLIC EMPLOYEES RETIRE ASSOC

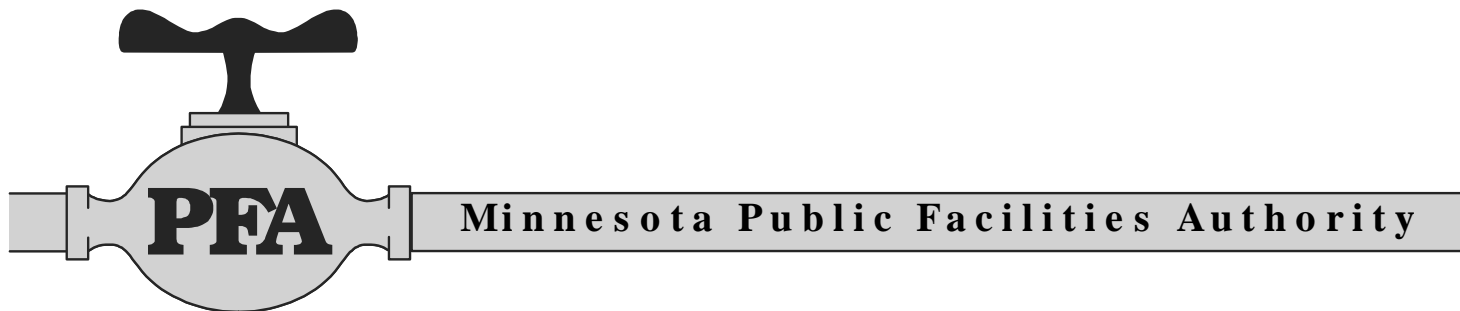
Agency Revenue Summary

Dollars in Thousands

	Actual FY2008	Budgeted FY2009	Governor's Recomm. FY2010 FY2011		Biennium 2010-11
<u>Non Dedicated Revenue:</u>					
Other Revenues:					
Pera Defined Contribution Plan	2,897	4,000	4,000	4,000	8,000
Public Employees Retirement	594,092	500,000	500,000	500,000	1,000,000
Pera Correctional Plan	22,674	20,000	20,000	20,000	40,000
Other Post Employment Benefit	200	0	0	0	0
Police And Fire	153,643	100,000	100,000	100,000	200,000
Total Non-Dedicated Receipts	773,506	624,000	624,000	624,000	1,248,000
<u>Dedicated Receipts:</u>					
Other Revenues:					
Other Post Employment Benefit	15,600	6,000	6,000	6,000	12,000
Retirement System Building	807	1,425	1,425	1,425	2,850
Total Dedicated Receipts	16,407	7,425	7,425	7,425	14,850
Agency Total Revenue	789,913	631,425	631,425	631,425	1,262,850

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☞ Designates that this item is a change item



January 27, 2009

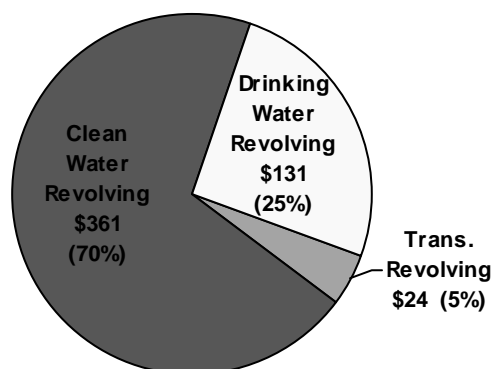
The 2009 Minnesota Legislature:

On behalf of Governor Pawlenty, I am pleased to submit the Minnesota Public Facilities Authority (PFA) budget recommendation for FY 2010-11. The PFA is a multi-agency Authority which provides municipal financing expertise and infrastructure financing programs to enhance the environmental and economic vitality of the State.

The Authority consists of Commissioners from the departments of Employment and Economic Development, Transportation, Health, Agriculture, Minnesota Management and Budget, and the Pollution Control Agency.

Funds available to the PFA are statutorily appropriated to the PFA and available until expended. PFA administrative expenses are paid from application fees and service fees on loan repayments. The PFA receives no general funds for administration. In addition to its staff cost, PFA annually provides administrative support funding to the Pollution Control Agency and the Department of Health for their work with the Clean Water and Drinking Water Revolving Funds.

**Public Facilities Authority
FY2010-11
ALL FUNDS = \$516 (in millions)**



The PFA manages capital assets for the making of loans through receipt of federal capitalization grants, state matching funds, loan repayments, investment interest, and proceeds of revenue bond issuances. Communities issue their general obligation bonds to the PFA to secure the loans. The combination of equity assets, general obligation bonds from a large and diverse pool of borrowers, and the experienced staff and management practices of the PFA have achieved AAA bond ratings from all three bond rating agencies.

We believe the proposed budget provides a sound investment return to the state and substantial savings in the cost of financing infrastructure projects statewide.

Sincerely,

A handwritten signature in cursive script that reads "Dan McElroy".

Dan McElroy
Chair, Minnesota Public Facilities Authority

Minnesota Public Facilities Authority

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Agency Purpose

The mission of the Minnesota Public Facilities Authority (PFA) is to utilize its interagency authority to provide municipal financing expertise and infrastructure financing programs to enhance the environmental and economic vitality of the state. The PFA is governed by a board consisting of six state commissioners representing the departments of Employment and Economic Development (DEED), Finance, Health, Agriculture, Transportation (MnDOT), and the Pollution Control Agency (PCA).

The PFA is established in M.S. Chapter 446A. The commissioner of DEED serves as the chair and is responsible for hiring an executive director with the consent of the board. The executive director is responsible for staffing, program administration, debt issuance as authorized by the board, and compliance with laws, regulations and disclosure requirements related to the PFA programs. The PFA has statutory authority to issue up to \$1.5 billion in outstanding revenue bonds to raise capital to make loans.

At A Glance

- ◆ PFA finances local government infrastructure, primarily clean water and drinking water systems, through low interest loans and grants.
- ◆ PFA leverages federal and state seed funds through use of statutory authority to issue its revenue bonds to raise capital for revolving loan funds.
- ◆ During FY 2008, PFA financed high priority local government infrastructure needs by making 43 grants totaling \$21.2 million and 35 loans totaling \$185 million.
- ◆ Since 1989, PFA has leveraged \$881 million in federal and state contributions to finance over \$2.3 billion for clean water and drinking water infrastructure projects.

To achieve its goals the PFA implements the following strategies:

- ◆ Target limited resources to high priority projects identified by regulatory agencies through their project priority lists.
- ◆ Coordinate project funding with all other state and federal funding programs to leverage resources necessary to keep projects affordable.
- ◆ Coordinate activities of various funding partners to minimize duplication, administrative costs, and confusion.
- ◆ Maintain the credit quality (AAA rated) and viability of the PFA's revolving loan funds.
- ◆ Balance the current demand for project funding (including nonpoint source and point source needs) with the long term lending capacity of the PFA's revolving funds to maintain their critical role as important financing tools for high priority projects in perpetuity.

Core Functions

The core functions of the PFA are: administration of infrastructure financing programs (offering both loans and grants to political subdivisions of the state); investment of funds; issuance of revenue bonds to make loans; and loan servicing. The PFA manages three revolving loan funds and several other grant and loan programs in conjunction with member agencies of the PFA board, which establish priorities and provide technical reviews of projects before the PFA approves funding. The PFA also administers a credit enhancement program and a bond pool program to reduce borrowing costs for local governments for certain types of projects.

PFA programs include the following:

Clean Water Revolving Fund (CWRF)

- ◆ Low interest loans to municipalities for wastewater and stormwater projects
 - ⇒ Total loans made FY 1989-2008: 328 for \$1.8 billion
 - Interest savings to communities/taxpayers: \$444 million
 - ⇒ Funding priorities set by PCA project priority list
 - ⇒ Future needs: 261 projects for \$1.8 billion on 2009 priority list
- ◆ PFA has also allocated \$81.6 million for programs to control nonpoint source pollution (Agriculture Best Management Practices Loan Program, PCA Clean Water Partnership Loan Program, DEED Tourism Septic System Loan Program)
- ◆ PFA also provides program administration funds to PCA

Drinking Water Revolving Fund

- ◆ Low interest loans to municipalities and other public water suppliers for drinking water infrastructure improvements
 - ⇒ Loans made FY 1999-2008: 207 for \$414 million
 - Interest savings to communities/taxpayers: \$83.7 million
 - ⇒ Funding priorities set by Minnesota Department of Health (MDH) project priority list
 - ⇒ Future needs: 121 projects for \$191 million on 2009 priority list
 - ⇒ PFA also provides funds to MDH for program administration, wellhead protection, public water supply supervision, technical assistance

Transportation Revolving Loan Fund

- ◆ Low interest loans to governmental entities for eligible transportation projects, including road and bridge projects and transit projects
 - ⇒ Loans made FY 1999-2008: 22 for \$134 million
 - Interest savings to communities/taxpayers: \$19.2 million
 - ⇒ MnDOT periodically solicits project proposals and ranks them on a competitive basis as loan repayments become available for new loans

Wastewater Infrastructure Funding (WIF) Program

- ◆ Supplemental assistance for high cost, high priority wastewater projects
 - ⇒ Grants to match U.S. Department of Agriculture (USDA) Rural Development for small rural communities
- ◆ Non-Rural Development projects receive 0% deferred loans to package with CWRP loans
- ◆ Funding priorities set by PCA project priority list

Total Maximum Daily Load (TMDL) Grant Program

- ◆ 50% grants to assist municipalities with wastewater or stormwater projects needed to meet TMDL implementation plan requirements
- ◆ As directed by statute, \$7 million appropriated in 2005-2006 was directed to projects in the first two TMDL implementation areas
- ◆ Funding priorities for new appropriations are based on PCA's project priority list

Clean Water Legacy Phosphorus Reduction Grant Program

- ◆ 75% grants up to \$500,000 to assist municipalities with wastewater treatment projects that will reduce discharge of total phosphorus to 1 mg/l or less
- ◆ Funding order based on PCA project priority list

Small Community Wastewater Treatment Program

- ◆ Loans and grants to assist small communities with costs to replace non-complying Individual Sewage Treatment Systems (ISTS) with new ISTS and small cluster systems that are publicly owned and operated
- ◆ Technical assistance grants to help small communities contract for services to conduct preliminary site evaluations and contract with University of Minnesota Extension Service for advice and technical assistance to develop their capacity to own and operate the systems
- ◆ 1% construction loans for up to 100% of project costs, communities that have below average median household income can receive 50% of funding as a grant
- ◆ Funding order based on PCA project priority list

Credit Enhancement Program

- ◆ Provides limited state guarantee of local government general obligation bonds issued for certain purposes.
- ◆ Eligible county projects include construction of jails, correctional facilities, law enforcement facilities, and social services and human services facilities
- ◆ 2008 statutory change expands eligibilities to include city and county general obligation bonds for wastewater drinking water, and storm water facilities, and for publicly owned buildings or infrastructure that has received partial funding from grants awarded by certain DEED Programs
- ◆ Reduces borrowing costs on general obligation bonds issued for certain purposes by providing a limited state guarantee of the bond payments

Credit Enhanced Bond Program

- ◆ Created in 2008 to reduce borrowing costs for local government projects by pooling local government general obligation debt into a single revenue bond issue of the PFA, with the Credit Enhancement Program used to provide additional security for the underlying bonds.
 - ⇒ Limited to projects partially funded by other DEED infrastructure grant programs

In partnership with DEED, the executive director oversees the Community Assistance and Redevelopment and Brownfield Units located in the Business and Community Development Division. PFA will implement the new Credit Enhanced Bond Program and Credit Enhancement Program and coordinate with DEED to maximize the use of limited grant funds to deliver comprehensive and coordinated financial packages critical to build the capacity for economic development opportunities across the state.

Operations

Communities that have drinking water or clean water needs are directed to the appropriate agency (MDH and PCA) to list the project on the appropriate project priority list and to begin the environmental and technical review processes required to permit and certify projects to the PFA for funding. Each year the PFA solicits requests for placement on the Intended Use Plan (a federal requirement used to report to the U.S. Environmental Protection Agency and the public on how the state will use the Clean Water and Drinking Water Revolving Funds each fiscal year). To be placed on the Intended Use Plan, the project must have approval of its preliminary engineering report or facility plan and be scheduled to start work during the fiscal year. Each year the PFA determines how far down the priority list it can fund based on current demand, projected future needs, and the short-term and long-term lending capacity of the revolving funds.

The PFA manages capital assets for the making of loans through receipt of federal capitalization grants, state matching funds, loan repayments, investment interest, and proceeds of revenue bond issuances. Communities issue their general obligation bonds to the PFA to secure the loans. The combination of equity assets, general obligation bonds from a large and diverse pool of borrowers and the experienced staff and management practices of the PFA have achieved AAA bond ratings from all three bond rating agencies.

The WIF program follows the PCA's project priority list and provides supplemental funding for high cost projects that qualify for grant funding by the USDA Rural Development or when project costs exceed 5% of the market value of property in the service area for projects financed under the Clean Water Revolving Fund. For USDA Rural Development projects, the WIF program provides up to 65% of the grant eligible amount determined by Rural Development. For Clean Water Revolving Fund projects, the WIF program provides a zero interest loan, with payments deferred until the revolving fund loan is paid in full.

All other programs have specific application cycles. The application material for each program is available on the PFA website and, for clean water and drinking water infrastructure projects, notices are sent out to all eligible recipients on the Project Priority List notifying them of the deadlines and contacts for assistance.

Key Goals

By providing for affordable basic infrastructure needs, PFA programs support the following specific *Minnesota Milestones* statewide goals:

- ◆ **Economy: Minnesota will have sustainable, strong economic growth.**
 - ⇒ Goal 38: Growth in gross state product
 - ⇒ Goal 39: Employment of working-age population.
- ◆ **Environment: Minnesotans will improve the quality of the air, water, and earth.**
 - ⇒ Goal 64: Water quality in lakes and rivers
 - ⇒ Goal 65: Nitrate in ground water
 - ⇒ Goal 66: Erosion of cropland

Key Measures

Program output is measured primarily by the volume of grants and low-interest loans made. The amount of interest savings to local government borrowers and their taxpayers is one measure of program outcome.

key measures		FY 2005	FY 2006	FY 2007	FY 2008
Grant awards:	count	6	14	23	43
	amount (\$ 000's)	6,196	16,146	15,142	21,210
Loans made:	count	30	25	55	35
	amount (\$ 000's)	132,353	74,594	261,355	184,836
	interest savings to borrowers (\$ 000's)	29,881	12,696	66,020	40,632

Budget

Under M.S. 446A.11, Subd. 13, funds available to the PFA, unless otherwise indicated, are statutorily appropriated to the PFA and available until expended. The PFA's expense budget for FY 2009 is approximately \$404 million. This includes \$300.1 million available for low interest loans, \$100.6 million for debt service on outstanding revenue bonds, \$1.57 million for grants, \$916,000 for general administrative costs (8.9 FTEs), \$420,000 for arbitrage rebate liabilities, and \$400,000 for bond issuance and related costs including bond counsel, financial advisor, auditor, and arbitrage rebate contractors. PFA administrative expenses are paid from application fees and service fees on loan repayments. The PFA receives no general funds for administration.

In addition to these amounts, PFA annually provides administrative support funding to the PCA and MDH for their work with the Clean Water and Drinking Water Revolving Funds. These amounts for FY 2009 are \$1,194,361 and \$521,593, respectively.

PFA also allocates funds in the Clean Water Revolving Fund to the PCA and the Department of Agriculture for non-point source revolving loan programs. The anticipated funding level for FY 2009 is \$2.0 million.

Funding for the PFA activities come from US Environmental Protection Agency capitalization grants for the Clean Water and Drinking Water Revolving Funds, appropriations from state general obligation bonds for state matching funds and a variety of funding programs, revenue bonds issued by the PFA payable solely from revenues derived from loan repayments and investment earnings, a small general fund appropriation for technical assistance grants to small communities, and fees charged to clients to cover the administrative costs.

Contact

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<i>Dollars in Thousands</i>					
	Current		Governor Recomm.		Biennium
	FY2008	FY2009	FY2010	FY2011	2010-11
<u>Direct Appropriations by Fund</u>					
General					
Current Appropriation	6,232	100	100	100	200
Recommended	6,232	100	100	100	200
Change		0	0	0	0
% Biennial Change from 2008-09					-96.8%
Clean Water Fund					
Current Appropriation	0	0	0	0	0
Recommended	0	0	8,125	17,250	25,375
Change		0	8,125	17,250	25,375
% Biennial Change from 2008-09					n.m.
<u>Expenditures by Fund</u>					
Direct Appropriations					
General	100	100	100	100	200
Clean Water Fund	100	100	8,225	17,350	25,575
Statutory Appropriations					
Clean Water Revolving Fund	276,476	265,349	190,704	170,186	360,890
Drinking Water Revolving Fund	43,813	107,465	70,665	59,603	130,268
General	2	3	6	6	12
Miscellaneous Special Revenue	0	150	17	16	33
Transportation Revolving Fund	14,736	31,017	14,684	9,574	24,258
Total	335,227	404,184	284,401	256,835	541,236
<u>Expenditures by Category</u>					
Total Compensation	784	836	862	886	1,748
Other Operating Expenses	1,375	1,000	1,335	2,513	3,848
Local Assistance	1,354	1,569	9,644	18,768	28,412
Other Financial Transactions	331,714	400,779	272,560	234,668	507,228
Total	335,227	404,184	284,401	256,835	541,236
<u>Expenditures by Program</u>					
Public Facilities Authority	335,227	404,184	284,401	256,835	541,236
Total	335,227	404,184	284,401	256,835	541,236
Full-Time Equivalents (FTE)	8.8	8.9	8.9	8.9	

PUBLIC FACILITIES AUTHORITY

Change Summary

<i>Dollars in Thousands</i>				
	FY2009	Governor's Recomm.		Biennium
		FY2010	FY2011	2010-11
Fund: GENERAL				
FY 2009 Appropriations	100	100	100	200
Subtotal - Forecast Base	100	100	100	200
Total Governor's Recommendations	100	100	100	200
Fund: CLEAN WATER FUND				
FY 2009 Appropriations	0	0	0	0
Subtotal - Forecast Base	0	0	0	0
Change Items				
Phosphorus Reduction Grants	0	2,500	5,000	7,500
Small Community Wastewater Treatment	0	625	2,250	2,875
TMDL Grants Program	0	5,000	10,000	15,000
Total Governor's Recommendations	0	8,125	17,250	25,375
Fund: CLEAN WATER REVOLVING FUND				
Planned Statutory Spending	265,349	190,704	170,186	360,890
Total Governor's Recommendations	265,349	190,704	170,186	360,890
Fund: DRINKING WATER REVOLVING FUND				
Planned Statutory Spending	107,465	70,665	59,603	130,268
Total Governor's Recommendations	107,465	70,665	59,603	130,268
Fund: GENERAL				
Planned Statutory Spending	3	6	6	12
Total Governor's Recommendations	3	6	6	12
Fund: MISCELLANEOUS SPECIAL REVENUE				
Planned Statutory Spending	150	17	16	33
Total Governor's Recommendations	150	17	16	33
Fund: TRANSPORTATION REVOLVING FUND				
Planned Statutory Spending	31,017	14,684	9,574	24,258
Total Governor's Recommendations	31,017	14,684	9,574	24,258

PUBLIC FACILITIES AUTHORITY

Change Item: Small Community Wastewater Treatment

Fiscal Impact (\$000s)	FY 2010	FY 2011	FY 2012	FY 2013
General Fund				
Expenditures	\$0	\$0	\$0	\$0
Revenues	0	0	0	0
Other Fund				
Expenditures	625	2,250	2,250	2,250
Revenues	0	0	0	0
Net Fiscal Impact	\$625	\$2,250	\$2,250	\$2,250

Recommendation

The Governor recommends an appropriation of \$2.875 million for FY 2010-2011 from clean water dedicated sales tax revenues to the small community wastewater treatment account established under M.S. 446A.075. The recommended amount is based on estimated need of \$250,000 per year for technical assistance grants and \$3 million for construction loans and grants.

Background

The Minnesota Pollution Control Agency (PCA) has identified 1,025 small communities with inadequate wastewater treatment, estimated to generate over 2.3 million gallons of wastewater annually. Of these, 106 are straight-pipe communities where homes and businesses drain their sewage to a pipe that discharges directly to surface waters without proper treatment. The Public Facilities Authority (PFA) defines a small community as a cluster of five or more homes and businesses, on lots typically less than one acre in size, which is suspected or known to be in need of effective wastewater treatment.

Small lots and poor soils in many of these small communities make it difficult or impossible to construct private individual sewage treatment systems that comply with state regulations. By providing financing to replace non-complying septic systems with new individual and small cluster subsurface sewage treatment systems (SSTS), the Small Community Wastewater Treatment Program provides a wastewater alternative that is often more cost-effective than construction of a traditional municipal collection and treatment. Through the Small Community Wastewater Treatment Program, the PFA provides loans and grants to small communities to replace non-complying septic systems with new individual and cluster SSTS that are publicly owned and operated.

Governmental units seeking loans or grants must be listed on the PCA's Project Priority List and prioritized based environmental and public health criteria. Governmental units may apply for technical assistance grants up to \$40,000 for feasibility studies and to contract with the University of Minnesota Extension Service for technical assistance and advice. Construction financing is provided in the form of loans at 1% for ten years, or up to 20 years if the loan amount exceeds \$10,000 per household. Communities with below average median household income may receive half of the construction financing as a grant. A governmental unit receiving construction financing must own the wastewater systems built under the program and is responsible for all inspection, maintenance and repairs to ensure proper operation of the systems. Participation by property owners is voluntary. Each property owner that participates must provide a utility easement to the governmental unit to allow access for system construction, management and repairs.

Relationship to Base Budget

The program was established in 2006 as part of the Clean Water Legacy Act to address wastewater needs in very small communities that aren't a good fit with the PFA's base wastewater financing programs, the Clean Water Revolving Fund and the Wastewater Infrastructure Funding (WIF) program. The Small Community program was appropriated \$1 million from state general obligation bonds and \$100,000 from the general fund as part of the Clean Water Legacy funding package. In 2007, the PFA was appropriated \$100,000 per year base budget from the general fund for technical assistance grants. In 2008, an additional \$1.5 million was appropriated from state general obligation bonds for construction loans and grants.

Key Goals and Measures

The PCA has set a goal of eliminating the direct discharge of raw or partially treated sewage in all 106 straight-pipe communities by December 2014. These communities are ranked as high priority projects when they apply to the Project Priority List, with additional priority points assigned if the community is also identified in a TMDL implementation plan to restore impaired waters. Other unsewered communities are prioritized based on percentage of developed lots with inadequate wastewater treatment and the seriousness of the environmental conditions.

PFA financing follows the PCA priorities and project readiness to proceed. The PFA measures program performance by the number of technical assistance and construction projects funded the loan and grant amounts, and the number of projects that contributed to the restoration of impaired waters through a TMDL implementation plan. Water quality improvements are monitored by PCA through the TMDL process.

Alternatives Considered

The PFA administers a number of other wastewater financing programs in cooperation with the PCA, including the Clean Water Revolving Fund and the Wastewater Infrastructure Funding program. These programs are available to finance wastewater treatment projects for municipalities of all sizes throughout the state. The Small Community Wastewater Treatment program, however, was specifically designed for very small unsewered communities that want to address their wastewater needs by using small scale, decentralized wastewater treatment alternatives. By simplifying the application and review process, providing grants for technical assistance, and providing construction financing on favorable terms, the program gives very small communities more viable options provide adequate wastewater treatment for their residents.

Statutory Change: All program appropriations should be for transfer to the small community wastewater treatment account established in M.S. 446A.075, Subdivision 1.

PUBLIC FACILITIES AUTHORITY

Change Item: TMDL Grants Program

Fiscal Impact (\$000s)	FY 2010	FY 2011	FY 2012	FY 2013
General Fund				
Expenditures	\$0	\$0	\$0	\$0
Revenues	0	0	0	0
Other Fund				
Expenditures	5,000	10,000	10,000	10,000
Revenues	0	0	0	0
Net Fiscal Impact	\$5,000	\$10,000	\$10,000	\$10,000

Recommendation

The Governor recommends an appropriation of \$15 million for FY 2010-2011 from clean water dedicated sales tax revenues for the Total Maximum Daily Load (TMDL) Grants program established under M.S. 446A.073.

Background

As of December 2008, the Minnesota Pollution Control Agency (PCA) has completed 20 TMDL plans under the requirements of Section 303(d) of the federal Clean Water Act. These TMDL plans have identified 325 municipal wastewater and stormwater projects necessary to achieve specific wasteload reductions as part of comprehensive plans to restore impaired waters. By the end of 2009 the PCA expects to have a total of 126 TMDL studies completed or underway.

The PCA's FY 2009 Project Priority List includes 30 TMDL projects with an estimated TMDL grant need of \$16 million. With the expected ramp-up in TMDL studies, the number of wastewater and stormwater projects eligible for TMDL grants is expected to increase significantly in coming years.

Through the TMDL grants program, the Public Facilities Authority (PFA) provides grants up to a maximum of \$3 million to governmental units to cover up to one-half the cost of wastewater or stormwater projects necessary to achieve wasteload reductions required by TMDL implementation plans.

Relationship to Base Budget

There is no base budget for this program. The program was established in 2005 to assist municipalities in meeting additional wastewater treatment standards beyond those that they are currently required to meet. The program has been appropriated a total of \$9 million from state general obligation bonds in 2005, 2006 and 2008.

Key Goals and Measures

The PFA measures program performance by the number and dollar amount of TMDL projects funded. Water quality improvements to impaired waters are monitored by the PCA through the TMDL process.

Alternatives Considered

The PFA administers a number of other wastewater financing programs in cooperation with the PCA, including the Clean Water Revolving Fund and Wastewater Infrastructure Funding program. Wastewater and stormwater TMDL projects are also potentially eligible for these programs based on their priority on the PCA's Project Priority List. The availability of TMDL grants provides needed financial assistance and an incentive to municipalities to accelerate these projects in order to meet the required wasteload reductions necessary to help restore impaired waters.

Statutory Change: Not Applicable.

PUBLIC FACILITIES AUTHORITY

Change Item: Phosphorus Reduction Grants

Fiscal Impact (\$000s)	FY 2010	FY 2011	FY 2012	FY 2013
General Fund				
Expenditures	\$0	\$0	\$0	\$0
Revenues	0	0	0	0
Other Fund				
Expenditures	2,500	5,000	5,000	5,000
Revenues	0	0	0	0
Net Fiscal Impact	\$2,500	\$5,000	\$5,000	\$5,000

Recommendation

The Governor recommends an appropriation of \$7.5 million for FY 2010-2011 from clean water dedicated sales tax revenues for the Clean Water Legacy Phosphorus Reduction Grants program established under M.S. 446A.074.

Background

In March 2000 the Minnesota Pollution Control Agency (PCA) approved a phosphorus strategy due to growing concerns about the water quality impacts of phosphorus and large number of waterbody impairments caused by phosphorus. The PCA phosphorus strategy included a requirement for all municipal wastewater treatment facilities above a de-minimus level to provide phosphorus treatment to reduce the discharge of total phosphorus to one milligram per liter or less. The PCA has determined that 130 treatment facilities will have to implement capital improvement projects to meet this new discharge limit, and the Phosphorus Reduction Grant program was created in 2006 as part of the Clean Water Legacy Act to assist these municipalities. Through the Phosphorus Reduction grants program, the Public Facilities Authority (PFA) provides grants up to a maximum of \$500,000 to cover up to 75% of the capital costs of wastewater treatment facility projects that will reduce the discharge of total phosphorus to one milligram per liter or less.

Under the requirements of M.S. 446A.074, in each fiscal year that funds are available, money is first reserved until May 1 for new projects in priority order listed on the PCA's Project Priority List. Any money reserved for new projects that are not approved and certified by the PCA by May 1 is available to reimburse cities for previously completed projects. Priority for award of reimbursement grants is based on the date of PCA approval of the project plans and specifications.

Relationship to Base Budget

There is no base budget for this program. The program was established in 2006 as part of the Clean Water Legacy Act to assist municipalities in providing a greater level of phosphorus treatment than had previously been required. The program was appropriated \$2.31 million from state general obligation bonds as part of the Clean Water Legacy funding package.

Key Goals and Measures

The PFA measures program performance by the number and dollar amount of phosphorus reduction projects funded. Water quality improvements are monitored by the PCA through its systematic watershed monitoring process.

Alternatives Considered

The PFA administers a number of other wastewater financing programs in cooperation with the PCA, including the Clean Water Revolving Fund and Wastewater Infrastructure Funding program. Phosphorus reduction projects are also potentially eligible for these programs based on their priority on the PCA's Project Priority List. The availability of phosphorus reduction grants provides an incentive to municipalities to accelerate these projects in order to help restore impaired waters and protect threatened waters.

Statutory Change: Not Applicable.

PUBLIC FACILITIES AUTHORITY

Agency Revenue Summary

Dollars in Thousands

	Actual FY2008	Budgeted FY2009	Governor's Recomm. FY2010 FY2011		Biennium 2010-11
<u>Non Dedicated Revenue:</u>					
Other Revenues:					
General	0	0	1	1	2
Other Sources:					
General	0	5	7	4	11
Total Non-Dedicated Receipts	0	5	8	5	13
<u>Dedicated Receipts:</u>					
Departmental Earnings:					
Clean Water Revolving Fund	1,785	1,817	1,743	1,984	3,727
Drinking Water Revolving Fund	407	483	524	528	1,052
General	4	3	4	4	8
Miscellaneous Special Revenue	5	5	5	5	10
Grants:					
Clean Water Revolving Fund	19,672	12,507	12,507	12,507	25,014
Drinking Water Revolving Fund	19,504	12,121	12,121	12,121	24,242
Other Revenues:					
Clean Water Revolving Fund	47,626	42,957	38,894	38,048	76,942
Drinking Water Revolving Fund	9,928	8,247	8,314	7,783	16,097
Miscellaneous Special Revenue	1	3	3	3	6
Transportation Revolving Fund	3,082	2,570	2,055	1,713	3,768
Other Sources:					
Clean Water Revolving Fund	252,291	224,988	105,763	118,359	224,122
Drinking Water Revolving Fund	12,595	71,408	38,109	38,837	76,946
Transportation Revolving Fund	16,012	11,989	11,655	7,728	19,383
Total Dedicated Receipts	382,912	389,098	231,697	239,620	471,317
Agency Total Revenue	382,912	389,103	231,705	239,625	471,330

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➡ Designates that this item is a change item

MINNESOTA DEPARTMENT OF PUBLIC SAFETY



Office of the Commissioner

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January 27, 2009

To the 2009 Legislature:

On behalf of Governor Pawlenty, I am pleased to submit the Department of Public Safety's budget recommendation for the FY 2010-11 biennial budget. This budget is a carefully and thoughtfully-crafted reflection of the department's vital role in safeguarding Minnesotans through prevention, preparedness, response, recovery, and education and enforcement efforts. This budget proposal represents innovation and efficiency, without compromising the DPS mission.

The Governor's budget recommendation for the Department of Public Safety (DPS) for the 2010-11 biennium is \$615.244 million in direct appropriations. This budget consists of \$182.542 million from the state's general fund and \$432.702 million from all other funds and is a 1.0% increase from fiscal biennium 2008-09 spending. The funding for DPS is comprised of 28% Trunk Highway Funds, 30% State general funds, 39% Special Revenue Funds, and 3% Highway User Tax Distribution Fund money. The 1% increase in FY 10-11 biennial funding represents forecast increases.

I am proud of the committed and outstanding efforts put forth by our dedicated employees day in and day out in the service of our state. I believe that this budget allows us to continue our important work and addresses the significant public safety concerns facing Minnesota. I welcome the opportunity to discuss these proposals with you in the coming months.

Sincerely,

A handwritten signature in black ink, reading "Michael Campion".

Michael Campion
Commissioner

Agency Purpose

The mission of the Department of Public Safety (DPS) is simple – to protect Minnesota with a commitment to excellence by promoting safer communities through:

- ◆ prevention
- ◆ preparedness
- ◆ response
- ◆ recovery
- ◆ education
- ◆ enforcement

We do this by focusing on:

- ◆ saving lives
- ◆ providing efficient and effective services
- ◆ maintaining public trust
- ◆ developing strong partnerships

Core Functions

The DPS provides a variety of core services statewide to support the goal of keeping Minnesotans safe. These core services include:

- ◆ enforcing liquor and gambling laws;
- ◆ conducting criminal investigations and forensic science analysis;
- ◆ administering driver and vehicle services;
- ◆ coordinating emergency planning and response for disasters and acts of terrorism;
- ◆ promoting fire safety;
- ◆ ensuring safety of natural gas and hazardous liquid pipeline systems;
- ◆ enforcing traffic laws on Minnesota highways;
- ◆ promoting safety on roadways and reducing traffic injuries and fatalities;
- ◆ providing advocacy, services, and financial assistance to crime victims;
- ◆ administering justice assistance and crime prevention grant programs; and
- ◆ administering the statewide 9-1-1 program, and distributing funds for the statewide trunked radio system.

DPS works to ensure that these core functions incorporate innovation, stewardship, collaboration, and communication.

The DPS took on a new role after 9-11-2001, as Minnesota's Office of Homeland Security. The department oversees the coordination of preparedness and response plans and resources, and serves as a link from the federal government to local public safety agencies. Under Governor Tim Pawlenty, Commissioner Michael Campion serves as the Director of Homeland Security.

Operations

Service to the citizens of Minnesota is the DPS's number one priority. However, the department's efforts also impact federal, state, and local criminal justice agencies, fire service agencies, emergency management, licensing and inspection agencies, other government agencies, and private and nonprofit organizations. Nine separate divisions within the department provide direct services to the public.

Alcohol and Gambling Enforcement enforces liquor licensing and gambling laws through compliance checks, assistance to local agencies with criminal investigations, and efforts to combat underage drinking.

At A Glance

The Driver and Vehicle Services Division processes over 5.5 Million vehicle registration-related transactions each year.

The State Patrol made 7,854 Driving While Impaired (DWI) arrests in 2006; and 6,495 in 2007.

The Bureau of Criminal Apprehension examined 19,962 cases in FY 2008; this was an increase of 40% since FY 2004.

More than 350 locally-based crime victim programs received funding, and provided services to approximately 107,000 individuals in FY 2007.

From 1977 to 2007, the number of traffic-related deaths fell 40% and severe injuries fell over 80%.

Four hundred fourteen fire investigations were conducted by the State Fire Marshal's Office in 2007; 96 of these were determined to be arson.

Bureau of Criminal Apprehension provides complete investigative assistance to local agencies, forensic laboratory services, criminal history information, and training to peace officers.

Driver and Vehicle Services provides vehicle registration, driver's license, and driver evaluation services. Driving records and accident reports are also maintained.

Homeland Security and Emergency Management coordinates disaster preparedness, response, recovery, and mitigation for homeland security, natural, and other types of major emergencies and disasters.

State Fire Marshal and Pipeline Safety protects human lives and property by promoting fire prevention and pipeline safety through inspections, investigations, and public education.

State Patrol enforces traffic laws on Minnesota's highways, responds to crashes, inspects commercial vehicles, and assists local law enforcement.

Traffic Safety administers programs and grants that reduce the number and severity of traffic crashes in Minnesota including programs such as alcohol awareness, safety belt promotion, and motorcycle training.

Office of Justice Programs was created by executive order of the governor in May 2003, and brings together programs formerly operated through Minnesota Planning and the Office of Crime Victim Ombudsman, and the departments of Public Safety, Education and Economic Security. The office provides leadership and resources to reduce crime, improve the functioning of the criminal justice system, and assist crime victims. This office also provides grant administration, criminal justice information and research, and assistance and advocacy to crime victims.

Emergency Communication Networks oversees the 9-1-1 System standards; provides technical assistance to cities and counties to implement and improve 9-1-1; manages and distributes funds to provide for 9-1-1 service, and distributes funds for the statewide public safety trunked radio system (ARMER).

DPS also has five internal support divisions that provide services relating to communication, fiscal administration, human resource management, internal affairs, and technical support.

Contact

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Bremer Tower - Suite 1000
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<http://www.dps.state.mn.us>

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Phone: (651) 201-7160
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For information on how this agency measures whether it is meeting its statewide goals, please refer to <http://www.Accountability.state.mn.us>

Dollars in Thousands

	Current		Governor Recomm.		Biennium
	FY2008	FY2009	FY2010	FY2011	2010-11
<u>Direct Appropriations by Fund</u>					
General					
Current Appropriation	106,421	98,463	98,463	98,463	196,926
Recommended	106,421	98,463	91,271	91,271	182,542
Change		0	(7,192)	(7,192)	(14,384)
% Biennial Change from 2008-09					-10.9%
State Government Spec Revenue					
Current Appropriation	55,784	50,488	50,488	50,488	100,976
Recommended	55,784	50,488	58,142	63,846	121,988
Change		0	7,654	13,358	21,012
% Biennial Change from 2008-09					14.8%
Miscellaneous Special Revenue					
Current Appropriation	54,738	58,884	58,884	58,884	117,768
Recommended	54,738	58,884	57,941	57,941	115,882
Change		0	(943)	(943)	(1,886)
% Biennial Change from 2008-09					2%
Trunk Highway					
Current Appropriation	79,274	86,216	86,216	86,216	172,432
Recommended	79,274	86,216	87,784	87,784	175,568
Change		0	1,568	1,568	3,136
% Biennial Change from 2008-09					6.1%
Highway Users Tax Distribution					
Current Appropriation	8,813	9,113	9,113	9,113	18,226
Recommended	8,813	9,113	9,413	9,713	19,126
Change		0	300	600	900
% Biennial Change from 2008-09					6.7%
Environmental					
Current Appropriation	67	69	69	69	138
Recommended	67	69	69	69	138
Change		0	0	0	0
% Biennial Change from 2008-09					1.5%

Dollars in Thousands

	Current		Governor Recomm.		Biennium
	FY2008	FY2009	FY2010	FY2011	2010-11
<u>Expenditures by Fund</u>					
Carry Forward					
General	26	1	0	0	0
Miscellaneous Special Revenue	1,798	3,332	0	0	0
Direct Appropriations					
General	98,052	104,824	91,271	91,271	182,542
State Government Spec Revenue	34,992	39,224	58,142	63,846	121,988
Miscellaneous Special Revenue	45,128	55,288	57,941	57,941	115,882
Trunk Highway	76,604	88,886	87,784	87,784	175,568
Highway Users Tax Distribution	6,888	8,386	9,413	9,713	19,126
Environmental	67	69	69	69	138
Statutory Appropriations					
General	4,058	3,314	3,322	3,112	6,434
State Government Spec Revenue	1,462	1,756	1,531	1,557	3,088
Miscellaneous Special Revenue	25,250	33,868	36,441	41,328	77,769
Trunk Highway	30	25	21	21	42
Federal	88,787	164,463	101,597	86,974	188,571
Reinvest In Minnesota	16	16	16	16	32
Miscellaneous Agency	4,502	5,014	4,968	4,968	9,936
Gift	152	111	83	83	166
Total	387,812	508,577	452,599	448,683	901,282
<u>Expenditures by Category</u>					
Total Compensation	149,288	172,459	172,396	174,908	347,304
Other Operating Expenses	101,361	137,025	119,006	117,476	236,482
Capital Outlay & Real Property	24	0	0	0	0
Payments To Individuals	1,737	1,919	1,919	1,919	3,838
Local Assistance	130,918	192,201	124,518	113,916	238,434
Other Financial Transactions	4,484	4,973	4,914	4,914	9,828
Transfers	0	0	29,846	35,550	65,396
Total	387,812	508,577	452,599	448,683	901,282
<u>Expenditures by Program</u>					
Admin & Related Services	12,407	16,144	16,628	16,661	33,289
Emergency Management	55,986	91,759	44,428	36,727	81,155
Criminal Apprehension	52,919	60,490	52,490	51,371	103,861
Fire Marshal	4,463	6,115	9,785	9,841	19,626
State Patrol	93,388	106,318	101,342	101,474	202,816
Driver & Vehicle Services	55,060	71,967	75,516	79,627	155,143
Alcohol & Gambling Enforcement	2,481	3,226	3,432	3,437	6,869
Traffic Safety	12,572	35,311	28,905	27,489	56,394
Pipeline Safety	1,935	2,400	2,251	2,252	4,503
Office Of Justice Programs	61,211	71,034	56,906	54,621	111,527
Emerg. Communication Network	35,390	42,724	60,916	65,183	126,099
Mn Firefighters Trng. & Educ.	0	1,089	0	0	0
Total	387,812	508,577	452,599	448,683	901,282
Full-Time Equivalents (FTE)	2,020.6	2,171.9	2,164.8	2,128.0	

PUBLIC SAFETY DEPT

Change Summary

<i>Dollars in Thousands</i>				
	FY2009	Governor's Recomm.		Biennium
		FY2010	FY2011	2010-11
Fund: GENERAL				
FY 2009 Appropriations	98,463	98,463	98,463	196,926
Technical Adjustments				
One-time Appropriations		(5,589)	(5,589)	(11,178)
Pt Contract Base Reduction		(35)	(35)	(70)
Subtotal - Forecast Base	98,463	92,839	92,839	185,678
Change Items				
BCA DWI Laboratory Testing Program	0	(1,568)	(1,568)	(3,136)
Total Governor's Recommendations	98,463	91,271	91,271	182,542
Fund: STATE GOVERNMENT SPEC REVENUE				
FY 2009 Appropriations	50,488	50,488	50,488	100,976
Technical Adjustments				
Current Law Base Change		7,654	13,358	21,012
Subtotal - Forecast Base	50,488	58,142	63,846	121,988
Total Governor's Recommendations	50,488	58,142	63,846	121,988
Fund: MISCELLANEOUS SPECIAL REVENUE				
FY 2009 Appropriations	58,884	58,884	58,884	117,768
Technical Adjustments				
November Forecast Adjustment		(1,234)	(1,234)	(2,468)
Subtotal - Forecast Base	58,884	57,650	57,650	115,300
Change Items				
Transfer from Alcohol Enforcement Acct	0	750	750	1,500
DWI Reinstatement Fee credited to BCA	0	(459)	(459)	(918)
Total Governor's Recommendations	58,884	57,941	57,941	115,882
Fund: TRUNK HIGHWAY				
FY 2009 Appropriations	86,216	86,216	86,216	172,432
Subtotal - Forecast Base	86,216	86,216	86,216	172,432
Change Items				
BCA DWI Laboratory Testing Program	0	1,568	1,568	3,136
Total Governor's Recommendations	86,216	87,784	87,784	175,568
Fund: HIGHWAY USERS TAX DISTRIBUTION				
FY 2009 Appropriations	9,113	9,113	9,113	18,226
Technical Adjustments				
Current Law Base Change		300	600	900
Subtotal - Forecast Base	9,113	9,413	9,713	19,126
Total Governor's Recommendations	9,113	9,413	9,713	19,126
Fund: ENVIRONMENTAL				
FY 2009 Appropriations	69	69	69	138
Subtotal - Forecast Base	69	69	69	138
Total Governor's Recommendations	69	69	69	138

<i>Dollars in Thousands</i>				
	FY2009	Governor's Recomm.		Biennium
		FY2010	FY2011	2010-11
Fund: GENERAL				
Planned Statutory Spending	3,315	3,322	3,112	6,434
Total Governor's Recommendations	3,315	3,322	3,112	6,434
Fund: STATE GOVERNMENT SPEC REVENUE				
Planned Statutory Spending	1,756	1,531	1,557	3,088
Total Governor's Recommendations	1,756	1,531	1,557	3,088
Fund: MISCELLANEOUS SPECIAL REVENUE				
Planned Statutory Spending	37,200	35,982	40,869	76,851
Change Items				
DWI Reinstatement Fee credited to BCA	0	459	459	918
Total Governor's Recommendations	37,200	36,441	41,328	77,769
Fund: TRUNK HIGHWAY				
Planned Statutory Spending	25	21	21	42
Total Governor's Recommendations	25	21	21	42
Fund: FEDERAL				
Planned Statutory Spending	164,463	101,597	86,974	188,571
Total Governor's Recommendations	164,463	101,597	86,974	188,571
Fund: REINVEST IN MINNESOTA				
Planned Statutory Spending	16	16	16	32
Total Governor's Recommendations	16	16	16	32
Fund: MISCELLANEOUS AGENCY				
Planned Statutory Spending	5,014	4,968	4,968	9,936
Total Governor's Recommendations	5,014	4,968	4,968	9,936
Fund: GIFT				
Planned Statutory Spending	111	83	83	166
Total Governor's Recommendations	111	83	83	166

PUBLIC SAFETY DEPT**Program: ALCOHOL & GAMBLING ENFORCEMENT****Change Item: Transfer from Alcohol Enforcement Acct**

Fiscal Impact (\$000s)	FY 2010	FY 2011	FY 2012	FY 2013
General Fund				
Transfers in	\$750	\$750	\$500	\$500
Special Revenue Fund				
Transfer out	750	750	500	500
Net Fiscal Impact	\$0	\$0	\$0	\$0

Recommendation

The Governor recommends the transfer of \$750,000 in FY 2010 and 2011, and \$500,000 each year thereafter from the alcohol enforcement account in the special revenue fund to the general fund. DPS is unable to access these dollars because there is no legislative authority to do so, therefore, this money is just accumulating in an account.

Background

The alcohol enforcement account in the special revenue fund was created in Minnesota Laws of 2003. The newly created liquor permit fees for liquor sales between 1:00-2:00 a.m. were to be deposited in this account. From this account an appropriation of \$150,000 per year was made to cover the costs of issuing the permits. The session law directed that the balance in the account be transferred to the trunk highway fund to offset the additional enforcement costs. That language is no longer in effect, and without legislative authority to access these funds, the money just accumulates in the account. A \$3.5 million and \$3.7 million appropriation to the State Patrol from the trunk highway fund was made in FY 2004-05 to cover the additional enforcement costs.

Revenue collections for FY 2010-11 are estimated to be \$685,000 per year with \$153,000 per year in collection costs. An estimated \$500,000 will carry forward to this account from FY 2009.

Relationship to Base Budget

The base budget for the alcohol enforcement account in the special revenue fund is \$153,000 per year.

Key Goals and Measures

Maintain the integrity of the alcohol beverage industry by providing consistent regulation and enforcement as it relates to alcohol licensing, sales, importation, distribution and education.

Alternatives Considered

None

Statutory Change: Not Applicable

PUBLIC SAFETY DEPT**Program: CRIMINAL APPREHENSION****Change Item: BCA DWI Laboratory Testing Program**

Fiscal Impact (\$000s)	FY 2010	FY 2011	FY 2012	FY 2013
General Fund				
Expenditures	\$(1,568)	\$(1,568)	\$(1,568)	\$(1,568)
Revenues	0	0	0	0
Other Fund- Trunk Highway Fund				
Expenditures	1,568	1,568	1,568	1,568
Revenues	0	0	0	0
Net Fiscal Impact	\$0	\$0	\$0	\$0

Recommendation

The Governor recommends moving the funding for the Forensic Science Laboratory Driving While Impaired (DWI) enforcement program from the general fund to the trunk highway fund.

Background

The Bureau of Criminal Apprehension (BCA) lab operates a statewide DWI testing program. The BCA lab maintains 258 Intoxilyzers (breath alcohol testing instruments) at 200 law enforcement agency locations throughout the state. In FY 2008 the lab certified 235 officers to operate the instruments and re-certified 1,749 officers. Trained operators performed 26,954 tests in FY 2008. In addition, the lab analyzes blood and urine samples for alcohol and drug levels for DWI cases in the state (7,583 cases).

Until the 2006-07 biennium this activity was funded from the trunk highway account at which time it was moved to general fund. This change item would move it back to the trunk highway fund.

Relationship to Base Budget

This is not a change in the base budget dollar amount; it is a change in funding source.

Key Goals and Measures

- ◆ Minnesota Milestones statewide goals – Our communities will be safe
<http://server.admin.state.mn.us/mm/goal.html>.
- ◆ Department of Public Safety strategic goals – Maximize new technology to augment criminal investigations, laboratory procedures and collection of criminal justice data (BCA). Reduce the casework backlog and then maintain a 30 day turn-around time on cases processed.
http://www.dps.state.mn.us/Commissioner/2006_2007_Strategic_Plan.pdf.
- ◆ The completion of the forensic analysis, including the reporting of scientific conclusions to the requesting agency should occur within thirty days after the agency provides the testing entity with the evidence to be tested. <http://www.bca.state.mn.us/ForensicLabAdvisoryBoard/Documents/AnalysisGuidelines6-29-07.pdf>.

Alternatives Considered

Leave the funding for this activity in the general fund.

Statutory Change: Not Applicable.

PUBLIC SAFETY DEPT**Program: CRIMINAL APPREHENSION****Change Item: DWI Reinstatement Fee credited to BCA**

Fiscal Impact (\$000s)	FY 2010	FY 2011	FY 2012	FY 2013
General Fund				
Expenditures	\$0	\$0	\$0	\$0
Revenues	0	0	0	0
Other Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact	\$0	\$0	\$0	\$0

Recommendation

The Governor recommends that M.S. 2006 171.29, subd. 2 be amended to annually appropriate to the commissioner of Public Safety, the 8% of the driver license Driving While Impaired (DWI) reinstatement fee that under current law, is credited to the Bureau of Criminal Apprehension (BCA) account in the special revenue fund.

Background

Under M.S. 171.29, subd. 2, 8% of the \$250 driver license DWI reinstatement fee is credited to the BCA account in the special revenue fund. Money in this account may be appropriated to the Commissioner of Public Safety and the appropriated amount must be apportioned 80% for laboratory costs and 20% for carrying out the provisions of section 299C.065. The money in the account is being appropriated to the commissioner of Public Safety as a direct appropriation under current session law. The recommendation is to statutorily appropriate the money in the account to the Commissioner of Public Safety. Under current law the agency can only spend from the account up to the amount that has been appropriated in session laws.

Current spending limits from the account are \$366,000 for laboratory costs and \$93,000 for grants to local units of government for cooperative investigation of cross jurisdictional criminal activity and witness protection. This limits the BCA from spending any additional money credited to this account for the intended purposes.

Under the same statute the State Patrol's vehicle forfeiture account in the special revenue fund is credited with 5% of all driver license DWI reinstatement fees. The money credited to this account is statutorily appropriated to the commissioner of Public Safety.

Relationship to Base Budget

The current appropriations of \$366,000 and \$93,000 from the special revenue fund are 1% of the overall base appropriations to the Criminal Apprehension program.

Key Goals and Measures

This activity impacts the Minnesota Milestone Goal – Our Communities will be Safe. The result of this proposal is that turn around time for laboratory specimens submitted to BCA will decrease and funding to local units of government for cross jurisdictional criminal investigative activity and witness protection would increase.

Alternatives Considered

The alternative is to leave funding as it is currently appropriated.

Statutory Change: M.S. 171.29, subd. 2.

PUBLIC SAFETY DEPT

Program: ADMIN & RELATED SERVICES

Narrative

Budget Activities

- ◆ Office of Communications
- ◆ Public Safety Support
- ◆ Technical Support Services

PUBLIC SAFETY DEPT

Program: ADMIN & RELATED SERVICES

Program Summary

Dollars in Thousands					
	Current		Governor Recomm.		Biennium
	FY2008	FY2009	FY2010	FY2011	2010-11
<u>Direct Appropriations by Fund</u>					
General					
Current Appropriation	4,794	4,844	4,844	4,844	9,688
Technical Adjustments					
Pt Contract Base Reduction			(35)	(35)	(70)
Subtotal - Forecast Base	4,794	4,844	4,809	4,809	9,618
Total	4,794	4,844	4,809	4,809	9,618
Trunk Highway					
Current Appropriation	6,089	6,243	6,243	6,243	12,486
Subtotal - Forecast Base	6,089	6,243	6,243	6,243	12,486
Total	6,089	6,243	6,243	6,243	12,486
Highway Users Tax Distribution					
Current Appropriation	1,385	1,385	1,385	1,385	2,770
Subtotal - Forecast Base	1,385	1,385	1,385	1,385	2,770
Total	1,385	1,385	1,385	1,385	2,770
<u>Expenditures by Fund</u>					
Direct Appropriations					
General	2,913	5,028	4,809	4,809	9,618
Trunk Highway	5,705	6,627	6,243	6,243	12,486
Highway Users Tax Distribution	53	65	1,385	1,385	2,770
Statutory Appropriations					
Miscellaneous Special Revenue	1,898	2,003	1,799	1,829	3,628
Trunk Highway	0	4	0	0	0
Federal	1,838	2,417	2,392	2,395	4,787
Total	12,407	16,144	16,628	16,661	33,289
<u>Expenditures by Category</u>					
Total Compensation	6,107	7,505	7,386	7,540	14,926
Other Operating Expenses	4,593	6,764	5,249	5,128	10,377
Payments To Individuals	1,707	1,875	1,875	1,875	3,750
Transfers	0	0	2,118	2,118	4,236
Total	12,407	16,144	16,628	16,661	33,289
<u>Expenditures by Activity</u>					
Office Of Communications	2,409	3,119	3,057	3,059	6,116
Public Safety - Support	7,000	7,986	9,736	9,767	19,503
Technology & Support Services	2,998	5,039	3,835	3,835	7,670
Total	12,407	16,144	16,628	16,661	33,289
<u>Full-Time Equivalents (FTE)</u>					
	77.2	87.6	87.0	86.1	

Activity Description

The Office of Communications delivers the department's message and responds to media requests on behalf of all divisions within the Department of Public Safety (DPS).

Population Served

The Office of Communications serves DPS employees, the public, the legislature, other state agencies, and external partners including: law enforcement, emergency managers, fire fighters and traffic safety advocates.

Services Provided

Communications coordinates activities that establish the department as a leader and effective public policy maker on issues that affect public safety by:

- ◆ assisting the Commissioner's Office in developing a unified departmental message; and
- ◆ promoting DPS' primary functions: prevention, preparedness, response, recovery, education and enforcement.

Communications also provides strategic direction, leadership, and professional communications services and support including:

- ◆ development of communication plans and processes;
- ◆ development and implementation of public education campaigns to improve safety and prevent injury and death;
- ◆ ongoing execution of media relations;
- ◆ development, coordination, and production of a range of communications strategies and tactics, including editorial and graphic content; and
- ◆ planning, coordination, and execution of special events and programming; and development and dissemination of public information and educational materials.

Key Goals

- ◆ significantly enhance the DPS website;
- ◆ increase seat belt use, reduce incidence of driving while impaired and speeding;
- ◆ increase awareness of financial scams;
- ◆ increase local partners skills in communicating to the public during crisis;
- ◆ promote services and assistance for victims of crime;
- ◆ assist the State Patrol in recruiting and retaining a diverse workforce to reflect Minnesota's changing communities; and
- ◆ increase stakeholder understanding of critical public safety programs or policies.

Key Measures

- ◆ **Website design and presentation.** Communications supports and promotes an enhanced DPS website so that the public and our partners have easy access to information and resources needed to keep the public safe.
- ◆ **Relationships with the media and the amount of media coverage.** Communications responds to media requests and proactively provides information to the media. The goal is to continue positive working relationships with media outlets and maintain the amount of coverage DPS receives in FY 2010 and FY 2011.
- ◆ **Support and assistance to local law enforcement.** Communications provides media relations and crisis communications support to any law enforcement agency in Minnesota.

Activity at a Glance

In FY 2008:

- ◆ Sent 300 news advisories and releases
- ◆ Responded to 2,250 media calls
- ◆ Initiated 600 media calls
- ◆ Coordinated 40 news conferences
- ◆ Designed and wrote 35 publications
- ◆ Wrote/edited 50 articles and reports
- ◆ Prepared 15 public education campaigns to change behavior
- ◆ Provided crisis communication response to ten state disasters or other emergencies

PUBLIC SAFETY DEPT

Program: ADMIN & RELATED SERVICES

Activity: OFFICE OF COMMUNICATIONS

Narrative

- ◆ **State's spokesperson for major incidents.** Communications fulfills the duties of the lead information officer during major crisis situations, which include coordinating information, writing and approving news releases and holding media briefings.
- ◆ **Increasing public awareness and education.** Communications provides marketing and public relations support to the divisions promoting their specific messages.

Activity Funding

This activity is a mix of general fund appropriations, special revenue fund accounts, trunk highway fund appropriations and federal funds. The source of the special revenue funds is the driver license motorcycle endorsement fees (Motorcycle Safety Account).

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PUBLIC SAFETY DEPT

Program: ADMIN & RELATED SERVICES

Activity: OFFICE OF COMMUNICATIONS

Budget Activity Summary

<i>Dollars in Thousands</i>					
	Current FY2008	FY2009	Governor's Recomm. FY2010	FY2011	Biennium 2010-11
<u>Direct Appropriations by Fund</u>					
General					
Current Appropriation	40	41	41	41	82
Subtotal - Forecast Base	40	41	41	41	82
Total	40	41	41	41	82
Trunk Highway					
Current Appropriation	372	393	393	393	786
Subtotal - Forecast Base	372	393	393	393	786
Total	372	393	393	393	786
<u>Expenditures by Fund</u>					
Direct Appropriations					
General	40	41	41	41	82
Trunk Highway	330	435	393	393	786
Statutory Appropriations					
Miscellaneous Special Revenue	220	250	250	250	500
Federal	1,819	2,393	2,373	2,375	4,748
Total	2,409	3,119	3,057	3,059	6,116
<u>Expenditures by Category</u>					
Total Compensation	576	753	732	750	1,482
Other Operating Expenses	1,833	2,366	2,325	2,309	4,634
Total	2,409	3,119	3,057	3,059	6,116
Full-Time Equivalents (FTE)	7.9	9.9	9.9	9.9	

PUBLIC SAFETY DEPT

Program: ADMIN & RELATED SERVICES

Activity: PUBLIC SAFETY - SUPPORT

Narrative

Activity Description

Public Safety Support includes three separate offices: the Commissioner's Office, Fiscal and Administrative Services, and Human Resource Management and Development. The Commissioner's Office provides overall leadership for the entire Department of Public Safety (DPS) as it relates to the three main goals of DPS: service, prevention, and enforcement. Fiscal and Administrative Services provides financial and administrative support to the divisions and staff offices within DPS. Human Resource Management and Development provides professional human resource services, workforce planning initiatives and developmental training to all employees within DPS.

Activity at a Glance

- ◆ The Commissioner's Office oversees 14 separate divisions within DPS with 1,978 employees.
- ◆ Human Resources held 164 classes with 2,435 students in FY 2008. 286 hires were filled out of 318 postings.
- ◆ Fiscal and Administrative Services processed 35,462 payments to vendors, with 98.96% paid within 30 days in FY 2008.

Population Served

Public Safety Support primarily serves all the employees and divisions within DPS but also serves other state agencies, the legislature, public safety constituent groups such as law enforcement, federal public safety agencies, and the citizens of Minnesota.

Services Provided

The Commissioner's Office provides strategic and operational planning, management of divisions, legislative services, constituent response, and overall leadership of the goals of the agency. This office also serves as the Minnesota Office of Homeland Security providing a link between the federal Office of Homeland Security and local first responders throughout the state.

Fiscal and Administrative Services provides budgeting, general accounting, financial reporting, payroll coordination, accounts payable, purchasing, grant and contract management, and administrative support services.

Human Resource Management and Development provides recruitment and staffing services, classification and compensation consultation, benefits and insurance information/administration, workforce and organizational planning, labor relations and negotiations, workers compensation and safety, and training and development classes.

Key Program Goals

- ◆ To work in partnership with DPS divisions to provide proactive solutions for department workforce needs and issues, which include recruiting and retaining great employees.
- ◆ To promote financial responsibility, efficient resource management and adherence to regulations through training, guidance, coordination, innovation, and quality centralized support services.

Key Measures

- ◆ **Implementation of DPS strategic plan.** Each division sets goals with targets and results; Public Safety Support works with division directors to assure that strategic plan goals are met annually.
- ◆ **Maintain the partnership with each division.** Human Resources will assist all divisions as needed to allow for each workforce plan to be maintained as a living document.
- ◆ **Efficiency of the fiscal process.** Fiscal and Administrative Services has improved efficiency through guidelines, checklists, training sessions, training materials, online tools, and by updating administrative policies.

PUBLIC SAFETY DEPT

Program: ADMIN & RELATED SERVICES

Activity: PUBLIC SAFETY - SUPPORT

Narrative

Activity Funding

This activity is funded by a mix of general fund appropriations, special revenue funds, trunk highway fund appropriation, and a highway user tax distribution fund appropriation. The source of the special revenue funds is the recovery of indirect costs.

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PUBLIC SAFETY DEPT

Program: ADMIN & RELATED SERVICES

Activity: PUBLIC SAFETY - SUPPORT

Budget Activity Summary

<i>Dollars in Thousands</i>					
	Current		Governor's Recomm.		Biennium
	FY2008	FY2009	FY2010	FY2011	2010-11
<u>Direct Appropriations by Fund</u>					
General					
Current Appropriation	3,247	3,296	3,296	3,296	6,592
Subtotal - Forecast Base	3,247	3,296	3,296	3,296	6,592
Total	3,247	3,296	3,296	3,296	6,592
Trunk Highway					
Current Appropriation	3,373	3,506	3,506	3,506	7,012
Subtotal - Forecast Base	3,373	3,506	3,506	3,506	7,012
Total	3,373	3,506	3,506	3,506	7,012
Highway Users Tax Distribution					
Current Appropriation	1,366	1,366	1,366	1,366	2,732
Subtotal - Forecast Base	1,366	1,366	1,366	1,366	2,732
Total	1,366	1,366	1,366	1,366	2,732
<u>Expenditures by Fund</u>					
Direct Appropriations					
General	2,178	2,781	3,296	3,296	6,592
Trunk Highway	3,315	3,564	3,506	3,506	7,012
Highway Users Tax Distribution	35	45	1,366	1,366	2,732
Statutory Appropriations					
Miscellaneous Special Revenue	1,457	1,578	1,549	1,579	3,128
Federal	15	18	19	20	39
Total	7,000	7,986	9,736	9,767	19,503
<u>Expenditures by Category</u>					
Total Compensation	3,706	4,101	4,114	4,152	8,266
Other Operating Expenses	1,587	2,010	1,629	1,622	3,251
Payments To Individuals	1,707	1,875	1,875	1,875	3,750
Transfers	0	0	2,118	2,118	4,236
Total	7,000	7,986	9,736	9,767	19,503
Full-Time Equivalents (FTE)	50.8	52.4	51.8	50.9	

Activity Description

The Office of Technical Support Services (OTSS) is responsible for the investment and operational support of department wide information technology services that include: Network Operations, Service Desk, E-mail, VoIP Telephone Service, and Information Systems Security including Business Continuity and Disaster Recovery Planning. OTSS also implements and supports business application solutions through the development/procurement of software systems for the Department of Public Safety (DPS) staff and its customers and partners.

Population Served

OTSS primarily serves the 1,200 employees of DPS, but additionally provides technical and security support for over 45,000 users of DPS business applications. All programs within the DPS including the Bureau of Criminal Apprehension, CriMNet, the Minnesota State Patrol, Driver and Vehicle Services, Emergency Management, State Fire Marshal, and Pipeline Safety are dependent on the core services OTSS provides.

Activity at a Glance

- ◆ Provide Service Desk support for over 1,200 DPS employees housed in five major locations, 17 small sites, and 250 individual remote locations across the state.
- ◆ Provide telephone system support for over 600 DPS phones and cell phone service request coordination for the entire department.
- ◆ Manage department systems security for the approximately 46,000 users of DPS business applications.
- ◆ Enterprise software application delivery for DPS divisions statewide.

Base Services Provided**Business Applications:**

OTSS provides business system solutions and application support services for the divisions of DPS required to assist in the attainment of their divisional and program goals. These solutions range from small reporting requests to the implementation and support of large enterprise systems. OTSS also provides web based systems and management of the DPS public website.

Network:

OTSS designs, implements, and supports the DPS network architecture, a complex infrastructure that includes email, file, print, and application hosting services that supports DPS staff in locations throughout the state. Inclusive are system architecture design services which manage local servers, switches, and routers. Design and support efforts are done in collaboration with the state Office of Enterprise Technology (OET) and other providers of our wide area network connectivity.

Service Desk:

OTSS provides personal computer desktop support services for 12 DPS divisions. Services provided are hardware/software installations, upgrades, disposals, relocations, moves, service desk support, software license compliance management, access, and telephone system support. In addition, the Service Desk performs formal incident and problem management, service level management, and release and change management to insure that all of our customers have a quality experience at a controlled cost.

Security:

The Chief Information Security Officer (CISO) directs DPS computer systems security, including network monitoring, incident response, intrusion testing, business continuity and disaster recovery. The CISO represents the department's interests on the Enterprise Information Security Council which is led by the state CISO (OET).

Strategic Planning:

OTSS provides department-wide information systems and strategic planning and represents the department's interests on the Chief Information Officer Advisory Council to the state CIO (OET), the Enterprise Architecture Team and the State Information Systems Master planning teams.

Key Goals

- ◆ Develop and implement a flexible, integrated Driver and Vehicles Services business application that meets state and federal mandates (including secure drivers license) and incorporates technology and functionality that draw on the state information technology (IT) resources and Drive to Excellence (D2E) initiatives, including security, web technologies, hosting and data center resources. Phased implementation of 2009-2012.
- ◆ Further enhance the technology security posture of DPS by completing the DPS Information Security Program. This includes the implementation of a Security Audit program and the development and deployment of a departmental Disaster Recovery and Business Continuity Plan. Phased implementation of 2009-2010.
- ◆ Drive to Excellence Initiatives:
 - ⇒ Participate in the transfer responsibility for hosting and operations of DPS email and calendaring to the Office of Enterprise Technology's solution. Targeted completion by 2010.
 - ⇒ Transition server, file and print operations of production applications from the Town Square server room to a state managed data center environment. Targeted completion by 2011.
 - ⇒ Participate in the Geographical Informational System (GIS) effort to implement a state enterprise organizational and governance framework. Anticipated benefits include identifying enterprise solutions that may be leveraged in DPS business applications and interfaces with state and federal partners. Phased implementation of 2009-2011.

Key Measures

- ◆ Network operating systems:

As more and more DPS services to the public and business partners are delivered over computer networks, including the Internet, the department must keep pace with transporting voice, video, and data services. Network monitoring must reflect an average availability of at least 99% each year to be sure those programs can operate adequately.
- ◆ Service Desk incident and problem resolution:

Trouble calls and Service requests are assigned an appropriate priority when received and are completed within the agreed upon service level. Goals are to handle 85% of the calls for service support on the first call for support and 90% of the priority one and two problems will be resolved and closed in compliance with stated service level agreements.
- ◆ Continue implementation of a rigorous System Security Program:

With the continuing challenges to protect the expanding and sensitive data that DPS collects and stores, there is a requirement to complete the implementation of the DPS security program and maintain a rigorous security posture into the future. Components of this program include department wide vulnerability scanning, continuous review and enhancement of security policies, on-line audit functions, and the deployment of business continuity and disaster recovery plans.

Activity Funding

This activity is funded by a mix of general fund appropriations, special revenue funds, trunk highway fund appropriation, and highway user tax distribution fund appropriation.

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PUBLIC SAFETY DEPT

Program: ADMIN & RELATED SERVICES

Activity: TECHNOLOGY & SUPPORT SERVICES

Budget Activity Summary

<i>Dollars in Thousands</i>					
	Current FY2008	FY2009	Governor's Recomm. FY2010	FY2011	Biennium 2010-11
<u>Direct Appropriations by Fund</u>					
General					
Current Appropriation	1,507	1,507	1,507	1,507	3,014
Technical Adjustments					
Pt Contract Base Reduction			(35)	(35)	(70)
Subtotal - Forecast Base	1,507	1,507	1,472	1,472	2,944
Total	1,507	1,507	1,472	1,472	2,944
Trunk Highway					
Current Appropriation	2,344	2,344	2,344	2,344	4,688
Subtotal - Forecast Base	2,344	2,344	2,344	2,344	4,688
Total	2,344	2,344	2,344	2,344	4,688
Highway Users Tax Distribution					
Current Appropriation	19	19	19	19	38
Subtotal - Forecast Base	19	19	19	19	38
Total	19	19	19	19	38
<u>Expenditures by Fund</u>					
Direct Appropriations					
General	695	2,206	1,472	1,472	2,944
Trunk Highway	2,060	2,628	2,344	2,344	4,688
Highway Users Tax Distribution	18	20	19	19	38
Statutory Appropriations					
Miscellaneous Special Revenue	221	175	0	0	0
Trunk Highway	0	4	0	0	0
Federal	4	6	0	0	0
Total	2,998	5,039	3,835	3,835	7,670
<u>Expenditures by Category</u>					
Total Compensation	1,825	2,651	2,540	2,638	5,178
Other Operating Expenses	1,173	2,388	1,295	1,197	2,492
Total	2,998	5,039	3,835	3,835	7,670
Full-Time Equivalents (FTE)	18.5	25.3	25.3	25.3	

Budget Activities

- ◆ Emergency Management Performance Grants
- ◆ Nuclear Plant Preparedness
- ◆ Community Right-To-Know Act

PUBLIC SAFETY DEPT

Program: EMERGENCY MANAGEMENT

Program Summary

Dollars in Thousands					
	Current		Governor Recomm.		Biennium
	FY2008	FY2009	FY2010	FY2011	2010-11
<u>Direct Appropriations by Fund</u>					
General					
Current Appropriation	11,980	3,089	3,089	3,089	6,178
Technical Adjustments					
One-time Appropriations			(575)	(575)	(1,150)
Subtotal - Forecast Base	11,980	3,089	2,514	2,514	5,028
Total	11,980	3,089	2,514	2,514	5,028
Environmental					
Current Appropriation	67	69	69	69	138
Subtotal - Forecast Base	67	69	69	69	138
Total	67	69	69	69	138
<u>Expenditures by Fund</u>					
Direct Appropriations					
General	8,666	6,096	2,514	2,514	5,028
Environmental	67	69	69	69	138
Statutory Appropriations					
Miscellaneous Special Revenue	2,127	2,639	3,113	3,117	6,230
Federal	45,126	82,955	38,732	31,027	69,759
Total	55,986	91,759	44,428	36,727	81,155
<u>Expenditures by Category</u>					
Total Compensation	4,369	5,659	5,648	5,832	11,480
Other Operating Expenses	4,137	4,621	2,923	2,841	5,764
Local Assistance	47,477	81,479	35,857	28,054	63,911
Other Financial Transactions	3	0	0	0	0
Total	55,986	91,759	44,428	36,727	81,155
<u>Expenditures by Activity</u>					
Emergency Mgmt Performance Grt	53,692	88,852	41,060	33,361	74,421
Nuclear Plant Preparedness	1,962	2,497	2,972	2,976	5,948
Community Right-To-Know Act	332	410	396	390	786
Total	55,986	91,759	44,428	36,727	81,155
Full-Time Equivalents (FTE)	59.3	70.9	70.5	70.4	

Activity Description

The Emergency Management Performance Grant (EMPG) activity exists to develop and maintain the state's emergency management system and structure. EMPG enables the state to prepare for, respond to, and recover from major emergencies/disasters, as well as reduce/eliminate potential damage from future disasters. The federal government makes EMPG monies available to states on a 50-50-match basis.

Population Served

The EMPG activity serves local governments, other state agencies, Indian Tribes, certain private, nonprofit entities, non-government organizations, school superintendents and other school staff.

Services Provided

Principal EMPG services include:

- ◆ coordinating state agency all-hazard disaster preparedness, response, and recovery efforts;
- ◆ assisting local government disaster preparedness, response, recovery and mitigation efforts by: supporting emergency planning, conducting training and exercises, coordinating the deployment of State Hazardous Materials Response Teams and other state response assets and providing onsite technical assistance;
- ◆ providing financial assistance to local governments and state agencies, through multiple grant programs;
- ◆ increasing citizen preparedness by conducting annual public awareness campaigns;
- ◆ coordinating the state's homeland security preparedness program with federal, state, and local governments;
- ◆ coordinating Emergency Management Assistance Compact activities (i.e., interstate mutual aid) and logistics support in Minnesota;
- ◆ coordinating the post-disaster damage assessment process, preparing requests for assistance, and administering disaster relief and hazard mitigation programs following presidential disaster declarations;
- ◆ coordinating overall state preparedness efforts for an influenza pandemic; and
- ◆ providing guidance and assisting schools in all-hazards school emergency prevention/mitigation, preparedness, response, and recovery efforts.

Activity at a Glance

- ◆ 20 presidential disaster declarations for Minnesota from June 1996 – June 2008.
- ◆ \$34 million in federal and state disaster monies disbursed during state FY 2006-08.
- ◆ 204 disaster assistance applicants (government entities and non-profit entities) currently being assisted.
- ◆ 83 training classes, 29,527 student contact hours during the 2006-07 biennium.
- ◆ 901 grants to government and non-government entities during FY 2007 and 2008.
- ◆ 17 school safety training sessions for 865 participants - August 2007-August 2008.

Historical Perspective

As indicated above, the federal government awards EMPG grant monies to states on a 50-50 match basis. The EMPG program has been in existence for over 40 years, and its purpose is to help states maintain at least minimal emergency management staff and capabilities. While the state's award fluctuates somewhat from year-to-year; it has consistently been inadequate to meet the need for EMPG funding.

Key Activity Goals

Increase the capacity of state and local governments to mitigate, prepare for, respond to, and recover from all types of disasters.

Key Measures

◆ **Preparation time for federal disaster assistance requests.**

The division's goal is to prepare and submit all federal disaster assistance requests to the Federal Emergency Management Agency (FEMA) within 30 days of the event. This performance measure is an indicator of the division's responsiveness and timeliness in requesting federal aid following a major emergency/disaster. The preparation of requests for federal disaster assistance is a complex process. However, the more time that elapses between the end of the disaster event and the submission of the request, the less likely it is that the request will be approved. Furthermore, in time of disaster, it is imperative that assistance be provided to

PUBLIC SAFETY DEPT

Program: EMERGENCY MANAGEMENT

Activity: EMERGENCY MANAGEMENT PERFORMANCE GRANT

Narrative

disaster victims - whether they be individual citizens, local governments, state agencies, private, nonprofit entities, or Indian Tribes - as quickly as possible.

Recent record of performance for submission of requests for federal disaster assistance:

Federal Fiscal Year	Presidential Declaration of a Major Disaster/Emergency	Original/Amended Requests Submitted Within 30 Days?	
		Yes	No
2005	Original Major Disaster declaration (DR-1569) on 10/7/2004 for five counties; declaration amended twice to add counties and/or make previously-declared counties eligible for other disaster programs.	3	0
	Declaration of Emergency (FEMA-3242) on 9/13/2005 for all 87 counties in Minnesota, in response to Hurricane Katrina "self-evacuees".	1	0
2006	Major Disaster declaration (DR-1622) for nine counties.	1	0
	Major Disaster declaration (DR-1648) for nine counties.	1	0
2007	Declaration of Emergency (FEMA-3248) on 8/21/07 for one county.	1	0
	Original Major Disaster declaration (DR-1717) on 8/23/07 for seven counties; amended once to add one county.	2	0
2008	Original Major Disaster declaration (DR-1772) on 6/25/08 for four counties; amended twice to add two counties.	1	0
Number/percent of original/amended requests submitted for federal assistance:		10/100%	0/0%

♦ Grant Preparation Time.

For the FY 2007 and 2008 time period, the division administered multiple grant programs and prepared a total of 901 grant contracts. The programs help local governments, state agencies and other entities prepare for, recover from, or reduce the severity of natural disasters, homeland security incidents, hazardous materials accidents, and other public safety threats. The contracts are the vehicle by which grant monies are passed through to applicants. The division's goal is to complete preparation of each contract within 30 days of the time it receives all required information. This performance measure is an indicator of the division's efficiency in preparing contracts. Applicants are prohibited from spending any funds related to their grant application until a fully-executed contract is in place. Hence, the timely preparation of contracts is very important.

Grant Program	Number of Grant Agreements	Prepared Within 30 Days?*	
		Yes	No
Emergency Management Performance Grant	174	X	
Hazardous Materials Emergency Preparedness	59	X	
Homeland Security Grant Program (HSGP)**	157	X	
(Multiple) disaster assistance-related programs	375	X	
Pre-Disaster Mitigation Program	7	X	
Radiological Emergency Preparedness	21	X	
Pandemic Influenza Preparedness	108	X	
TOTAL:	901	X	

*Of date the division received all necessary information. **HSGP consists of seven individual grant programs.

Activity Funding

This activity is funded by a mix of general fund appropriations and federal funds.

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PUBLIC SAFETY DEPT

Program: EMERGENCY MANAGEMENT

Activity: EMERGENCY MGMT PERFORMANCE GRT

Budget Activity Summary

<i>Dollars in Thousands</i>					
	Current		Governor's Recomm.		Biennium
	FY2008	FY2009	FY2010	FY2011	2010-11
<u>Expenditures by Fund</u>					
Direct Appropriations					
General	8,401	5,755	2,187	2,193	4,380
Statutory Appropriations					
Miscellaneous Special Revenue	165	142	141	141	282
Federal	45,126	82,955	38,732	31,027	69,759
Total	53,692	88,852	41,060	33,361	74,421
<u>Expenditures by Category</u>					
Total Compensation	3,671	4,684	4,629	4,769	9,398
Other Operating Expenses	3,786	4,214	2,337	2,318	4,655
Local Assistance	46,232	79,954	34,094	26,274	60,368
Other Financial Transactions	3	0	0	0	0
Total	53,692	88,852	41,060	33,361	74,421
Full-Time Equivalents (FTE)	49.7	58.5	58.2	58.1	

Activity Description

Nuclear plant preparedness exists to coordinate a variety of preparedness activities designed to ensure that state and local governments are prepared to respond effectively in the event of a nuclear power plant accident/incident, and to protect the health and safety of the public. This activity was established by the legislature when the two nuclear power plants in Minnesota began operations, and thus the potential was created for an accident/incident that could affect the safety of citizens living adjacent to the plants. Special revenue from fees is collected from nuclear plant utilities to cover the costs associated with nuclear power plant preparedness.

Population Served

Nuclear plant preparedness serves, first of all, the population within the "Emergency Planning Zone" (EPZ) for the Prairie Island and the Monticello nuclear plants. The EPZ encompasses the counties and cities located within a 10-mile radius of each plant. The EPZ for the Prairie Island plant includes Dakota County and Goodhue County, and the EPZ for the Monticello plant includes Sherburne County and Wright County. It is those persons who reside within an EPZ that could potentially be affected by a radioactive materials released from a nuclear plant as the result of an accident/incident. Secondly, nuclear plant preparedness serves the population in the 36 counties that are located within the Ingestion Pathway Zone (IPZ). The IPZ is the area located within a 50-mile radius of each plant, and that is the area in which the potential exists for contamination of foodstuffs should there be a radioactive release. This activity serves, indirectly, the entire state of Minnesota, because an accident/incident at either plant could significantly impact all Minnesotans. Lastly, the population in the planning zone around each of the plants continues to grow, which is resulting in the need to increase the number of reception centers available for use during evacuations.

Activity at a Glance

- ◆ 36 counties could potentially be impacted by a nuclear power plant accident/incident.
- ◆ 12 state agencies are involved in annual nuclear power plant-related emergency planning and exercises.
- ◆ Two full-scale, federally-evaluated exercises, two drills, one hostile action-based table - top exercise, and one hostile action-based drill conducted during FY 2007 and 2008.
- ◆ 431 state and local government and private-sector personnel participated in drills and exercises during FY 2007 and 2008.
- ◆ 2,936 state and local government and private-sector personnel trained during FY 2007 and 2008.

Services Provided

Principal Nuclear Plant Preparedness services include:

- ◆ coordinating state and local emergency planning relative to a potential power plant accident/incident;
- ◆ coordinating the development and conduct of a comprehensive, federally-evaluated emergency exercise involving multiple state agencies, local governments, and one of Minnesota's nuclear plants, each year;
- ◆ coordinating the development and conduct of a comprehensive, hostile action-based emergency exercise involving multiple state agencies, local governments, and one of Minnesota's nuclear plants, each year;
- ◆ ensuring that the State Emergency Operations Center is maintained in a constant state of readiness for a potential plant accident/incident;
- ◆ administering grants to state agencies, cities and counties that carry out nuclear plant preparedness activities;
- ◆ conducting annual training for state and local agencies;
- ◆ ensuring that all state and federal regulations and requirements relating to nuclear power plants are met; and
- ◆ sustaining the pre-distribution of Potassium Iodide within the 10-mile EPZ.

Historical Perspective

In the past several years, the federal planning and preparedness requirements placed on state and local governments have been increasing significantly. Most recently, for example, the Nuclear Regulatory Commission has announced that, in addition to their current emergency exercises, nuclear plants must periodically conduct exercises whose scenarios are based on hostile action (terrorism-type) incidents. The active participation of state and local government agencies in these exercises is mandatory. As a result of the increasing requirements associated with nuclear plant preparedness, such governments have steadily been incurring additional costs. The population that resides within the 10-mile EPZ and the 50-mile IPZ continues to grow, and hence additional

PUBLIC SAFETY DEPT

Program: EMERGENCY MANAGEMENT

Activity: NUCLEAR PLANT PREPAREDNESS

Narrative

planning, preparedness and reception center capacity will be needed in the area around the Prairie Island plant. As a consequence of these changes, the assessment on the utility that owns the Prairie Island and the Monticello nuclear plants will need to be increased during FY 2010 and 2011.

Key Activity Goals

Increase the capacity of state and local governments to mitigate, prepare for, respond to, and recover from all types of disasters.

Key Measures

The number of areas requiring corrective action (ARCAs) and the number of deficiencies identified by federal evaluators during a full-scale nuclear power plant exercise. Two nuclear power plant drills and two exercises, one of which must be full-scale, will be held each year, with the goal of receiving no exercise deficiencies. This performance measure serves as an indicator of the state's ability to conduct an exercise that adequately addresses all the requirements established by the federal government. More importantly, it demonstrates the state's ability to respond effectively to a nuclear plant accident/incident, and to protect the safety of the public. The federal government has established a detailed list of requirements and deadlines that must be met by state and local governments in preparation for the annually required, full-scale exercise. During the exercise, the state, participating local governments, and the utility must successfully demonstrate that all exercise criteria have been met. The federal exercise observers who are onsite in the state emergency operations center (SEOC) and other locations evaluate the performance of all exercise participants. Depending upon the performance of the state participants, the federal evaluators may identify one or more ARCAs, or one or more *deficiencies*. A deficiency is more serious, because it indicates that the state may not be able to adequately carry out a specific emergency response function.

Recent record of performance – annual, full-scale, nuclear power plant drills, and federally evaluated exercises:

Year	Date of Drill	Date of Exercise	No. of ARCAs	No. of Deficiencies
1998	June 10	July 22	0	0
1999	May 17	June 22	2	0
2000	August 2	September 13	0	0
2001	April 28	June 7	0	0
2002	April 3	May 15	1	0
2003	October 15	November 19	2	0
2004	May 5	June 16	3	1*
2005	July 20	August 30	3	0
2006	June 6	July 18	1	0
2007	August 15	November 6	2	0
2008	June 10	July 22	4	0
Total number of exercise ARCAs & Deficiencies:			18	1

*This was a shared deficiency with the state of Wisconsin; for an issue that was subsequently resolved.

Activity Funding

This activity is funded out of the with Nuclear Safety Preparedness Account in the special revenue fund. Assessments are levied on the operators of nuclear power plants or dry cask storage facilities located in Minnesota.

Contact

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PUBLIC SAFETY DEPT

Program: EMERGENCY MANAGEMENT

Activity: NUCLEAR PLANT PREPAREDNESS

Budget Activity Summary

<i>Dollars in Thousands</i>					
	Current		Governor's Recomm.		Biennium
	FY2008	FY2009	FY2010	FY2011	2010-11
<u>Expenditures by Fund</u>					
Statutory Appropriations					
Miscellaneous Special Revenue	1,962	2,497	2,972	2,976	5,948
Total	1,962	2,497	2,972	2,976	5,948
<u>Expenditures by Category</u>					
Total Compensation	433	695	729	763	1,492
Other Operating Expenses	284	277	480	433	913
Local Assistance	1,245	1,525	1,763	1,780	3,543
Total	1,962	2,497	2,972	2,976	5,948
Full-Time Equivalents (FTE)	5.8	8.6	8.6	8.6	

Activity Description

The Emergency Planning and Community Right-to-Know Act (EPCRA) Activity exists for the purpose of implementing the provisions of the (federal) EPCRA in Minnesota. EPCRA was enacted in response to the deadly toxic chemical release in Bhopal, India, that resulted in many fatalities. The program is intended to help ensure that local communities have the information they need to respond effectively to a serious accident that occurs at a facility that uses or stores hazardous chemicals. Lastly, the Minnesota EPCRA Program generates revenue from fees that are assessed on facilities that use, store, or release hazardous materials.

Activity at a Glance

- ◆ 6,000 facilities are subject to the EPCRA reporting requirements, and included in the Minnesota EPCRA Program database.
- ◆ On average, approximately \$1.3 million in fees is collected during a two-year time period.

Population Served

The entire population of Minnesota is potentially served by the Minnesota EPCRA Program, because all Minnesotans depend on state and local government first responders (fire fighters, law enforcement, emergency medical services personnel, etc.) to have the hazardous chemical information they need to protect the public in the event of an accident. Further, the EPCRA Program enables the general public, the legislature, and regulatory and public health agencies to know where and what hazardous materials are being used in Minnesota facilities, the quantity of those materials, and whether the use of those materials is increasing or decreasing. Lastly, the Program permits local government first responders to obtain specific information about the hazardous chemicals that are onsite at each individual facility in their communities.

Services Provided

Principal Minnesota EPCRA Program activity services include:

- ◆ collecting and maintaining, in a database, current information about hazardous materials that are used, stored, and released into the environment by facilities;
- ◆ using the Internet, annual reports, and other means to disseminate information to the public and to first responders about hazardous materials stored, used, and released into the environment;
- ◆ ensuring that local emergency managers are provided the information they need about the hazardous chemicals used and stored in the facilities in their communities; so that they can prepare and update their emergency operations plans and adequately protect the public;
- ◆ conducting annual training designed to improve facility compliance with state and federal hazardous materials reporting requirements; and
- ◆ collecting fees intended to cover the program's data management and administrative costs, and to help offset the cost of maintaining the state's regional hazardous materials incident response team program.

Historical Perspective

"Community Right-to-Know" has always been a critical component of the EPCRA Program. Both federal and state law contain provisions that are intended to ensure that key information about the types of hazardous materials stored, used, and released by facilities is available to both the general public and government entities. In recent years, the Environmental Protection Agency has established an online system that permits local government first responder personnel to more easily obtain this information in a timely manner. EPCRA Program staff has promoted the use of this system, while, in light of the events of 9-11-2001, simultaneously taking reasonable precautions to limit access to hazardous materials storage information by those who may have criminal intent.

Key Activity Goals

Increase the capacity of state and local governments to mitigate, prepare for, respond to, and recover from all types of disasters.

PUBLIC SAFETY DEPT

Program: EMERGENCY MANAGEMENT

Activity: COMMUNITY RIGHT TO KNOW ACT

Narrative

Key Measures

Accuracy and completeness of the EPCRA Program database.

Each year the Minnesota EPCRA Program database is reviewed and revised to ensure that the information it contains is both accurate and complete. At the present time, approximately 6,000 facilities in Minnesota that store, use, and/or release specific quantities of certain hazardous materials are required annually to submit a report (or reports) to the EPCRA Program staff. The information contained in those reports is entered into the database. Each year, there are some facilities that no longer need to report, and some that are subject to the reporting requirements for the first time. The EPCRA Program database must be continually reviewed and updated every year to ensure that the information it contains is accurate and complete. Information in the database is used by local emergency managers and emergency response agencies to further their knowledge of the potential hazards in their community. EPCRA Program staff typically provides the information on an intermittent, as-requested basis, but also occasionally makes it available in conjunction with special training events or meetings.

Activity Funding

This activity is funded with a combination of general fund and environmental fund appropriations.

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PUBLIC SAFETY DEPT

Program: EMERGENCY MANAGEMENT

Activity: COMMUNITY RIGHT-TO-KNOW ACT

Budget Activity Summary

<i>Dollars in Thousands</i>					
	Current		Governor's Recomm.		Biennium
	FY2008	FY2009	FY2010	FY2011	2010-11
<u>Expenditures by Fund</u>					
Direct Appropriations					
General	265	341	327	321	648
Environmental	67	69	69	69	138
Total	332	410	396	390	786
<u>Expenditures by Category</u>					
Total Compensation	265	280	290	300	590
Other Operating Expenses	67	130	106	90	196
Total	332	410	396	390	786
Full-Time Equivalents (FTE)	3.8	3.8	3.7	3.7	

Budget Activities

- ◆ Forensic Science Services
- ◆ Minnesota Justice Information Services
- ◆ Criminal Investigations
- ◆ Police Training and Development
- ◆ Criminal Apprehension Support

PUBLIC SAFETY DEPT

Program: CRIMINAL APPREHENSION

Program Summary

Dollars in Thousands					
	Current		Governor Recomm.		Biennium
	FY2008	FY2009	FY2010	FY2011	2010-11
<u>Direct Appropriations by Fund</u>					
General					
Current Appropriation	43,787	44,211	44,211	44,211	88,422
Technical Adjustments					
One-time Appropriations			(728)	(728)	(1,456)
Subtotal - Forecast Base	43,787	44,211	43,483	43,483	86,966
Governor's Recommendations					
BCA DWI Laboratory Testing Program		0	(1,568)	(1,568)	(3,136)
Total	43,787	44,211	41,915	41,915	83,830
State Government Spec Revenue					
Current Appropriation	7	7	7	7	14
Subtotal - Forecast Base	7	7	7	7	14
Total	7	7	7	7	14
Miscellaneous Special Revenue					
Current Appropriation	445	459	459	459	918
Subtotal - Forecast Base	445	459	459	459	918
Governor's Recommendations					
DWI Reinstatement Fee credited to BCA		0	(459)	(459)	(918)
Total	445	459	0	0	0
Trunk Highway					
Current Appropriation	367	373	373	373	746
Subtotal - Forecast Base	367	373	373	373	746
Governor's Recommendations					
BCA DWI Laboratory Testing Program		0	1,568	1,568	3,136
Total	367	373	1,941	1,941	3,882

PUBLIC SAFETY DEPT

Program: CRIMINAL APPREHENSION

Program Summary

<i>Dollars in Thousands</i>					
	Current		Governor Recomm.		Biennium
	FY2008	FY2009	FY2010	FY2011	2010-11
<u>Expenditures by Fund</u>					
Direct Appropriations					
General	41,223	46,775	41,915	41,915	83,830
State Government Spec Revenue	0	14	7	7	14
Miscellaneous Special Revenue	404	501	0	0	0
Trunk Highway	341	399	1,941	1,941	3,882
Statutory Appropriations					
General	2,416	1,566	1,636	1,390	3,026
Miscellaneous Special Revenue	5,870	7,030	5,756	5,677	11,433
Federal	2,607	4,192	1,231	437	1,668
Gift	58	13	4	4	8
Total	52,919	60,490	52,490	51,371	103,861
<u>Expenditures by Category</u>					
Total Compensation	27,187	30,948	30,414	30,014	60,428
Other Operating Expenses	25,708	29,542	22,076	21,357	43,433
Capital Outlay & Real Property	24	0	0	0	0
Total	52,919	60,490	52,490	51,371	103,861
<u>Expenditures by Activity</u>					
Forensic Science Services	13,573	15,923	14,605	14,353	28,958
Mn Justice Information Service	24,745	27,980	22,828	22,560	45,388
Criminal Investigations	12,853	14,656	13,433	12,834	26,267
Police Training & Development	1,056	1,145	973	973	1,946
Criminal Apprehension Support	692	786	651	651	1,302
Total	52,919	60,490	52,490	51,371	103,861
Full-Time Equivalents (FTE)	344.3	358.8	350.9	335.9	

Activity Description

The Bureau of Criminal Apprehension (BCA) Forensic Science Service (FSS) provides scientific examinations of physical evidence from Minnesota's law enforcement agencies. Scientists provide expert witness testimony to the courts, assist law enforcement in the processing of major crime scenes to recover evidence, and instruct law enforcement in the proper collection and presentation of physical evidence.

Population Served

The laboratories of the FSS serve the entire criminal justice community in Minnesota. The labs also collaborate with the Federal Bureau of Investigation (FBI) by submitting DNA offender profiles to the national database and with the Bureau of Alcohol Tobacco and Firearms (ATF) by submitting cartridge case images to the National Integrated Ballistic Information Network (NIBIN) database. The citizens of the state are served by the lab's contribution towards solving crime and providing evidence for the conviction of offenders.

Services Provided

The FSS operates two forensic science laboratories. At the main laboratory in Saint Paul, scientists perform scientific examinations of physical evidence recovered from crime scenes. Lab sections specialize in the areas of drug identification, trace evidence (including arson), firearms and tool marks, latent fingerprints, questioned documents, toxicology, and DNA. The Bemidji regional laboratory sections include drugs, latent fingerprints, firearms, and DNA. Scientists also provide expert witness testimony at trial in each of these areas.

Crime scene processing service is provided by scientists for the identification and collection of physical evidence from potential homicides throughout the state. Teams from both Saint Paul and Bemidji are on-call 24 hours a day to respond to requests for assistance. The crime scene response from the Bemidji facility provides service to the northern half of the state.

The BCA lab operates a statewide Driving While Impaired (DWI) testing program. The BCA lab maintains 258 Intoxilyzers (breath alcohol testing instruments) at 200 law enforcement agency locations throughout the state. In FY 2008 the lab certified 235 officers to operate the instruments and re-certified 1,749 officers. Trained operators performed 26,954 tests in FY 2008. In addition, the lab analyzes blood and urine samples for alcohol and drug levels for DWI cases in the state (7,583 cases).

The BCA lab maintains a DNA offender database referred to as CODIS (Combined DNA Index System). The database has over 74,190 DNA offender profiles. The database is used to search DNA profiles obtained from evidentiary specimens recovered in cases where there are no suspects. The state database is connected to the national offender database maintained by the FBI called NDIS (National DNA Index System), which includes over 6 million offenders from all 50 states.

The BCA lab maintains a cartridge case database through a cooperative agreement with the ATF. The system is called NIBIN (National Integrated Ballistic Identification Network). The system is used to link firearms related cases. Image capture stations are located at the BCA in Saint Paul and Bemidji, the Minneapolis Police Department and the Hennepin County Sheriffs' Crime Labs. The BCA had 506 entries in FY 2008 resulting in 23 hits.

The BCA lab maintains a database of latent fingerprints that are searched against all the fingerprints in MAFIN (Midwestern Automated Fingerprint Identification Network) which is operated by the BCA Criminal Justice Information System Division (CJIS). 800 latent fingerprints were entered in FY 2008 that resulted in 48,000 examinations and 122 hits (identifications).

Activity at a Glance

In FY 2008:

- ◆ Served 536 law enforcement agencies in 87 counties
- ◆ Examined 15,935 cases
- ◆ 391 court appearances
- ◆ 73 crime scene responses
- ◆ 11,132 DNA offender samples received
- ◆ *New program* : Two missing persons identified

Historical Perspective

The BCA laboratories are accredited through the American Society of Crime Laboratory Directors/ Laboratory Accreditation Board (ASCLD/LAB). Accreditation is one part of a laboratory's quality assurance program, which also includes proficiency testing, continuing education, and other programs to help provide better overall service to the criminal justice system. This program demonstrates that the laboratory management, personnel, operational and technical procedures, equipment and physical facilities meet established standards.

Through a partnership with the FBI Laboratory the BCA established a regional mitochondrial DNA laboratory. The FBI provides funding for this program and cases are submitted through the FBI from anywhere in the country (25% are from Minnesota). Mitochondrial DNA is the technique used for extremely degraded samples such as skeletal remains or for samples such as hair that do not contain nuclear DNA.

Over the past year, the BCA Lab has participated in planning sessions for the Next Generation Combined DNA Index System. The software will be ready for distribution in Fall 2008. A module of CODIS will be dedicated solely to using DNA to identify missing persons and unidentified human remains. It will incorporate the use of various DNA testing technologies along with the use of extensive metadata (gender, age, scars) into one system, allowing labs around the country to instantly share this information. With over 800 potential missing persons in Minnesota alone, it is anticipated that this new system will lead to the identification of many missing persons.

Key Activity Goals

- ♦ Minnesota Milestones statewide goals — Our communities will be safe (<http://server.admin.state.mn.us/mm/goal.html>).
- ♦ Department of Public Safety strategic goals — Maximize new technology to augment criminal investigations, laboratory procedures and collection of criminal justice data (BCA). Reduce the casework backlog and then maintain a 30 day turn-around time on cases processed. Determine the constitutionality of using new communications technology for court appearances so as to increase scientists time spent on evidentiary analysis (http://www.dps.state.mn.us/Commissioner/2006_2007_Strategic_Plan.pdf).
- ♦ The completion of the forensic analysis, including the reporting of scientific conclusions to the requesting agency should occur within thirty days after the agency provides the testing entity with the evidence to be tested (<http://www.bca.state.mn.us/ForensicLabAdvisoryBoard/Documents/AanalysisGuidelines6-29-07.pdf>).

Key Activity Measures

The amount of time it takes to complete a case. The goal is to increase the number of cases completed in less than 30 days from the actual 59% in FY 2008 to 75% in FY 2009.

	<u>FY 2008</u>	<u>FY 2009 Goal</u>
0-7 days	26%	25%
8-14 days	22%	25%
15-30 days	11%	25%
>30 days	41%	25%

Activity Funding

This activity is funded by a mix of general fund appropriations, special revenue funds, trunk highway fund appropriation, and federal funds.

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PUBLIC SAFETY DEPT

Program: CRIMINAL APPREHENSION

Activity: FORENSIC SCIENCE SERVICES

Budget Activity Summary

<i>Dollars in Thousands</i>					
	Current		Governor's Recomm.		Biennium
	FY2008	FY2009	FY2010	FY2011	2010-11
<u>Expenditures by Fund</u>					
Direct Appropriations					
General	10,908	12,216	10,596	10,596	21,192
Miscellaneous Special Revenue	346	373	0	0	0
Trunk Highway	341	399	1,941	1,941	3,882
Statutory Appropriations					
General	21	20	20	20	40
Miscellaneous Special Revenue	1,248	1,630	1,866	1,796	3,662
Federal	709	1,283	182	0	182
Gift	0	2	0	0	0
Total	13,573	15,923	14,605	14,353	28,958
<u>Expenditures by Category</u>					
Total Compensation	7,736	8,870	8,732	8,673	17,405
Other Operating Expenses	5,813	7,053	5,873	5,680	11,553
Capital Outlay & Real Property	24	0	0	0	0
Total	13,573	15,923	14,605	14,353	28,958
Full-Time Equivalents (FTE)	102.0	107.2	103.2	98.5	

Activity Description

Minnesota Justice Information Services (MNJIS) collects, manages, and delivers statewide criminal justice information to its customers and coordinates Minnesota's effort to integrate statewide criminal justice information. The ultimate goal is to assure criminal justice practitioners have electronic access to information they need to make critical decisions at points throughout the criminal justice process. MNJIS provides biometric identification through the state's automated fingerprint identification system and access to statewide criminal history information. Other information provided includes: wanted/missing persons, stolen guns, orders for protection, predatory offenders, gang members, vehicles, property, and other law enforcement incidents. MNJIS also provides access to federal and other states' information through the Federal Bureau of Investigation (FBI) and the National Crime Information Center.

Integration or information sharing activities facilitated by MNJIS involve coordinating standard practices (both business and technical) for managing and accessing information, assuring data accuracy, assessing agency information needs, and recommending changes to meet those needs.

Population Served

Minnesota's 1,100 criminal justice agencies, along with agencies throughout the United States, are served by the MNJIS unit. Non-criminal justice agencies, crime victims, and Minnesota residents in general also benefit from background checks performed by the MNJIS unit, as well as efforts to improve access to and accuracy of criminal justice information.

Services Provided

Services provided fall into four main categories:

- ◆ **Collection and Management of Statewide Data** – The MNJIS unit maintains the state's criminal history database, used for thousands of background checks annually, including statutorily mandated checks for teachers, school bus drivers, security guards, etc. MNJIS also maintains fingerprint, booking photo, law enforcement incident, and predatory offender databases, which provide key information for use by criminal justice agencies. MNJIS staff collect and compile crime data (including crimes, law enforcement officers killed in action, shots fired, pursuits, bias-motivated crimes, and racial profiling incidents) for mandated, annual reporting and for analysis of crime trends.
- ◆ **Access to Information** – MNJIS provides instantaneous access to data for its criminal justice partners (law enforcement officers, dispatchers, court personnel, corrections personnel, public defenders, county attorneys, designated state agencies, and federal agencies) through the state's secure data network. MNJIS also provides technical support for agencies and users. In addition, public criminal history information is accessible through the Bureau of Criminal Apprehension's (BCA's) Internet site.
- ◆ **Information Integration** – MNJIS provides analysis and recommendations that help agencies manage and share the information they collect. State and local agencies look to MNJIS to provide the statewide plan to share information and rely on assistance from MNJIS to provide access to information they need. These agencies also look to MNJIS when they need help acquiring capabilities necessary to share information electronically. MNJIS also tracks integration-related activities in local agencies so other agencies can learn from their experiences.

Activity at a Glance

- ◆ Received more than 157,000 fingerprint cards in 2007, more than 98% were submitted via the 168 electronic fingerprinting devices statewide (Livescans).
- ◆ Conducted nearly 350,000 background checks (as mandated by statute).
- ◆ Maintained records on more than 20,700 registered predatory offenders.
- ◆ Converted more than 2.3 million sets fingerprints (for nearly one million people) to a new Automated Fingerprinting Identification System (AFIS).
- ◆ Reduced response time for fingerprint identification and updating criminal history from two hours to 3.5 minutes.
- ◆ Provided access to criminal justice information to nearly 12,000 devices in 661 criminal justice agencies.
- ◆ Maintained records for more than 55,200 valid permits to carry a firearm.
- ◆ Maintained nearly 1.3 million arrest photo records, submitted by agencies in 53 counties.

- ♦ **Standards and Compliance** – MNJIS works with local and state agencies to recommend standard ways to manage information gathered through daily business, standard technical methods for sharing information, standard practices to assure the quality of data maintained and shared by agencies, and standards for agency compliance with data practices law. In addition, MNJIS staff provide training regarding recommended practices and rules for accessing data. MNJIS auditors periodically review agency information management practices to assure compliance with state and federal law.

Historical Perspective

During 2008, the BCA completed an extensive analysis of how information-related services were being provided to Minnesota criminal justice agencies. This resulted in a reorganization of the CriMNet Program Office (Program Office) and the Criminal Justice Information Systems (CJIS) work units into the new Minnesota Justice Information Services unit. This reorganization allows the agency to focus more effectively on the needs of the BCA's customers and to more consistently prioritize information services and integration-related activities.

The two units represented different aspects of the same endeavor – the Program Office focused on the planning, analysis and processes for sharing information between agencies, while CJIS provided the technical infrastructure and procedures for collecting, accessing and delivering information. The CJIS unit has also served as the primary manager of criminal history and other related information at the state level. Because of the interconnectedness between the Program Office and CJIS, it was determined that a new organization structure to more closely align the two units was necessary to allow MNJIS to be more responsive, collaborative and accountable.

Staff have been rearranged into Centers of Excellence where they are able to focus on particular services (such as criminal history, biometric identification, or technical development). A new governance structure provides defined and replicable decision-making and prioritization processes.

The newly combined unit will continue to enact the priorities established by the Criminal and Juvenile Justice Information Policy Group and the Criminal and Juvenile Justice Information Task Force (under the direction provided in Minn. Stat. 299C.65) as well as other statutory obligations. Today, emerging technologies have made criminal justice information the first line of defense for agencies working to solve crimes and provide timely justice and correctional programming - MNJIS provides a key link in that process.

Key Measures

- ♦ In 2008, the MNJIS unit successfully implemented a new Automated Fingerprint Identification System (AFIS) that allows more rapid identification of fingerprints submitted (both from arrests and crime scenes) and allows for agencies to capture both fingerprints and palm prints at booking. Palm prints are left at crime scenes and this new capability will enhance investigators' ability to solve crimes more quickly.
- ♦ The MNJIS unit upgraded 120 electronic fingerprint capture devices (Livescans) in 2008.
- ♦ Nearly 200 law enforcement agencies were connected to the Comprehensive Incident-Based Reporting System (CIBRS) for law enforcement incidents in 2008. This database collects incident information from law enforcement agencies and allows law enforcement to access that information for the purposes of a law enforcement investigation.
- ♦ Three counties (Carver, Olmsted, and St. Louis) began pilot projects as part of MNJIS's effort develop an electronic charging service (eCharging) and a card catalog-style index that links criminal justice records in multiple systems (Name Event Index Service).

Key Goals

Several key goals will be pursued in the next biennium:

- ♦ Transition to the MNJIS organization model and new governance structure;
- ♦ Development of eCharging and Name Event Index Service systems and initial deployment to agencies and counties statewide; and
- ♦ Connection of additional law enforcement agencies to the CIBRS system for law enforcement incidents;

PUBLIC SAFETY DEPT

Program: CRIMINAL APPREHENSION

Activity: MINNESOTA JUSTICE INFORMATION SERVICES

Narrative

Activity Funding

This activity is funded by state general fund appropriations, special revenue funds, and federal funds. Criminal background check fees are collected to cover the costs of processing background requests and a portion of the costs to maintain the criminal history record system. Monthly connection and access fees are assessed to cover a portion of the cost of maintaining the Criminal Justice Data Network.

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PUBLIC SAFETY DEPT

Program: CRIMINAL APPREHENSION

Activity: MN JUSTICE INFORMATION SERVICE

Budget Activity Summary

<i>Dollars in Thousands</i>					
	Current		Governor's Recomm.		Biennium
	FY2008	FY2009	FY2010	FY2011	2010-11
<u>Expenditures by Fund</u>					
Direct Appropriations					
General	17,565	21,117	18,237	18,237	36,474
Statutory Appropriations					
General	2,395	1,546	1,616	1,370	2,986
Miscellaneous Special Revenue	3,305	3,484	2,654	2,704	5,358
Federal	1,480	1,833	321	249	570
Total	24,745	27,980	22,828	22,560	45,388
<u>Expenditures by Category</u>					
Total Compensation	9,081	10,406	10,534	10,469	21,003
Other Operating Expenses	15,664	17,574	12,294	12,091	24,385
Total	24,745	27,980	22,828	22,560	45,388
Full-Time Equivalents (FTE)	114.2	123.4	124.0	118.8	

Activity Description

The Bureau of Criminal Apprehension (BCA) provides coordination and investigative assistance to local law enforcement agencies for complex, multi-jurisdictional, or long-term felony-level investigations. Agents and analysts provide state-of-the-art investigative techniques and sophisticated technology to assist in case solutions. This is expertise that the vast majority of law enforcement agencies cannot locally support.

Population Served

The investigative units serve the entire criminal justice community in the state. Field offices are located in Alexandria, Bemidji, Brainerd, Duluth, Grand Rapids, Mankato, Marshall, Moorhead, Rochester, Roseau and Willmar. Their services result in safer communities for the citizens of Minnesota.

Services Provided

The investigative units have extensive experience in felony investigations including violent crimes, drug trafficking, and computer crimes.

Specialists at headquarters provide highly sophisticated technical assistance to law enforcement. The graphics staff assists with videotapes and photographs of crime scenes, provides scale sketches of crime scenes, conducts facial reconstructions, enhances photographs of missing children using age progression techniques, and draws composite sketches of suspects. Advanced surveillance, computer, and other technical assistance in support of investigations are also provided throughout the state.

The **Special Investigations Unit** primarily conducts investigations of upper-level, interstate and international drug trafficking organizations operating within the state. Agents in this unit also conduct other proactive investigations and assist with major reactive investigations, such as kidnappings.

The **St. Paul Regional Office** investigates murders, sexual assaults, and other violent crimes throughout the southern half of the state. This section also houses the states Missing Persons Clearinghouse. The **Bemidji Regional Office** provides the same investigative services to the northern half of the state.

The **Crimes Against a Person Section** directs the Predatory Offender Investigation Unit, Predatory Offender Registration and Internet Crimes Against Children Unit.

Historical Perspective

- ◆ The BCA has 58 special agents. Approximately half are assigned to our 11 field offices. These field offices are geographically located to provide timely responses to requests for investigative assistance by local agencies.
- ◆ In recent years, the BCA has been called upon more regularly to partner with federal, state, and local agencies to solve complex, violent crimes that cross jurisdictional lines. Additionally, special agents and analysts have been called upon to provide advanced technological assistance for a wide range of reactive and proactive investigations.
- ◆ In 1989, the BCA Crime Scene Team was formed and responded to eight death, kidnapping or otherwise violent crime scenes. In the past five years, the team has responded to an average of 85 such requests for assistance each year.
- ◆ The Predatory Offender Registration (POR) System was established at the BCA in 1991 with 300 registered offenders. Today, there are 20,775 offenders registered. All registration records are immediately accessible online to local law enforcement agencies throughout the state. The plan is to expand accessibility to other agencies as permitted under state law.

Activity at a Glance

- ◆ Criminal investigative services provided to law enforcement agencies throughout the state including 87 sheriffs departments and over 400 police departments.
- ◆ Full implementation of Internet Crimes Against Children (ICAC) Unit providing investigative service and online safety education.
- ◆ In FY 2008 the ICAC Unit handled over 300 Cybertips reporting child pornography or online sexual solicitation from the National Center for Missing and Exploited Children.

PUBLIC SAFETY DEPT

Program: CRIMINAL APPREHENSION

Activity: CRIMINAL INVESTIGATIONS

Narrative

Key Activity Goals

- ◆ Minnesota Milestones statewide goals — Our communities will be safe
<http://server.admin.state.mn.us/mm/goal.html>
- ◆ Department of Public Safety strategic goals — Maximize new technology to augment criminal investigations, laboratory procedures and collection of criminal justice data. Increase the number of federal level narcotics investigations in partnership with federal agencies
(http://www.dps.state.mn.us/Commissioner/2006_2007_Strategic_Plan.pdf).
- ◆ Increase the number of Internet Crimes Against Children affiliates in the state.

Key Activity Measures

- ◆ Implemented new legislation which requires all jails to incorporate a check of the POR database into their booking procedure. This legislation took effect on August 1, 2008 and, in the first three weeks, resulted in the location of 28 non-compliant offenders and over 200 reports of registered offenders being incarcerated.
- ◆ Maintain and monitor registrations for 20,775 predatory offenders with a compliance rate of over 93%.
- ◆ Since 2006, seven individuals have been indicted for their connection in the deaths of three separate individuals as a result of Cold Case Investigations.
- ◆ All Missing Persons and Unidentified Cases are entered in the BCA's Missing and Unidentified Persons database and analyzed for follow up. As a result, two unidentified remains cases have been solved, in turn closing two missing persons cases.

Activity Funding

This activity is funded by a mix of general fund appropriations, special revenue funds, and federal funds. A portion of the special revenue funding is from disposition of drug forfeitures. BCA also receives a portion of the motor vehicle title transfer surcharge revenues. The revenues are used to purchase law enforcement vehicles for this activity.

Contact

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<http://www.dps.state.mn.us/bca/invest/documents/Inv-Intro.html>

PUBLIC SAFETY DEPT
Program: CRIMINAL APPREHENSION
Activity: CRIMINAL INVESTIGATIONS

Budget Activity Summary

<i>Dollars in Thousands</i>					
	Current		Governor's Recomm.		Biennium
	FY2008	FY2009	FY2010	FY2011	2010-11
<u>Expenditures by Fund</u>					
Direct Appropriations					
General	11,308	11,907	11,712	11,712	23,424
Statutory Appropriations					
Miscellaneous Special Revenue	1,102	1,673	993	934	1,927
Federal	418	1,076	728	188	916
Gift	25	0	0	0	0
Total	12,853	14,656	13,433	12,834	26,267
<u>Expenditures by Category</u>					
Total Compensation	9,417	10,649	10,222	9,946	20,168
Other Operating Expenses	3,436	4,007	3,211	2,888	6,099
Total	12,853	14,656	13,433	12,834	26,267
Full-Time Equivalents (FTE)	115.9	116.9	113.8	108.8	

PUBLIC SAFETY DEPT

Program: CRIMINAL APPREHENSION

Activity: POLICE TRAINING & DEVELOPMENT

Narrative

Activity Description

The Bureau of Criminal Apprehension's (BCA) Police Training and Development Unit provides training to local law enforcement throughout the state. Training topics include: narcotics, clandestine lab entry certification, arson investigation, specialized investigative techniques, crime alert network certification, evidence collection, missing persons response and law enforcement management. This unit's activities include several collaborations with other state agencies, federal law enforcement, investigative associations, and advocacy groups.

Activity at a Glance

- ◆ 132 courses offered to 5,849 students in FY 2008
- ◆ 724 Alerts were sent using the Minnesota Crime Alert Network in 2007 and four AMBER Alerts were issued through the Network
- ◆ 100,000 crime prevention and informational materials distributed.

BCA Drug Abuse Resistance Education (D.A.R.E.) training specialists prepare officers to teach elementary school children effective strategies to build student self-esteem, avoid drug abuse, and remain non-violent. This program holds one training certification program per year.

The Minnesota Crime Watch Program works closely with local law enforcement crime prevention units to promote personal and residential security. Crime Watch also provides training to crime prevention specialists throughout the state and assists with the Crime Free Multi-housing program.

This unit also provides training for the Minnesota Crime Alert Network (MCAN), a statewide communications network that enables law enforcement agencies to quickly alert the public and businesses about crime or criminals that may affect them. MCAN is the communication system that alerts the state about an AMBER Alert, child abduction.

Population Served

BCA Training and Development serves the law enforcement community and other criminal justice professionals, including medical examiners. In addition, the citizens of Minnesota also benefit from the D.A.R.E. program, Crime Watch Program, and Crime Alert Network.

Services Provided

Specific services provided include specialized training courses and conferences, printed educational materials in the areas of narcotics and crime prevention, crime prevention video lending library, class schedule posted online, and a web based crime alert system. The Training Unit is also responsible for the in-service training for the Bureau's sworn personnel. This training includes all Peace Officer Standards and Training (POST) and Occupational Safety and Health Act (OSHA) mandated training. This also includes internal management training for bureau supervisors and managers.

Historical Perspective

The recent major changes to the Training and Development Unit have come in the form of technology advances and the ability to host large classes at the bureau's headquarters. Hosting classes at the bureau has helped to reduce the overall costs of training to participants. The use of online training technology on "Right-to-Know" materials for agent in-service training has saved both time and money. Other recent innovations include the unit's collaboration with federal, state, and private entities to produce educational materials on narcotics identification and online safety.

Key Activity Goals

- ◆ Minnesota Milestones statewide goals— Our communities will be safe
<http://server.admin.state.mn.us/mm/goal.html>
- ◆ Department of Public Safety strategic goals— Maximize new technology to augment criminal investigations, laboratory procedures and collection of criminal justice data (BCA). Develop a cost effective online training program for external criminal justice clients utilizing new technology
(http://www.dps.state.mn.us/Commissioner/2006_2007_Strategic_Plan.pdf).

PUBLIC SAFETY DEPT

Program: CRIMINAL APPREHENSION

Activity: POLICE TRAINING & DEVELOPMENT

Narrative

- ◆ Evaluate and assess the current training structure and operations and develop and implement a plan to address organizational issues and needs in order to respond to the statewide training needs of the criminal justice community.

Key Activity Measures

- ◆ Evaluation rating for courses offered by the Training and Development Unit (average was 8.5 in FY 2008 on a scale of one to ten).
- ◆ National Award and recognition for the partnership with Qwest and the National Center for Missing and Exploited Children to provide online safety training and education.
- ◆ The Minnesota Crime Alert Network went live with a web based alert system that alerts law enforcement and the public (including private businesses) about crimes and/or criminals that may affect them. Hundreds of crimes have been solved as a result of this system.
- ◆ Established a system for law enforcement to alert scrap metal dealers about copper thefts and an avenue for the two to work together to combat the rising thefts involving scrap metal. Multiple successes have already occurred as a result.

Activity Funding

This activity is funded by a mix of general fund appropriations and special revenue funds. A portion of the costs of providing peace officer training is recovered through fees. A fee is charged to the members of the Crime Alert Network to recover a portion of the costs for sending electronic transmissions of information regarding crime, including missing children and crime prevention information. In addition, nonprofit organizations have held fundraisers and donated funds to assist in covering cost associated with activations of the states AMBER Alert Plan.

Contact

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<http://www.dps.state.mn.us/bca>

PUBLIC SAFETY DEPT

Program: CRIMINAL APPREHENSION

Activity: POLICE TRAINING & DEVELOPMENT

Budget Activity Summary

<i>Dollars in Thousands</i>					
	Current		Governor's Recomm.		Biennium
	FY2008	FY2009	FY2010	FY2011	2010-11
<u>Expenditures by Fund</u>					
Direct Appropriations					
General	808	877	812	812	1,624
State Government Spec Revenue	0	14	7	7	14
Statutory Appropriations					
Miscellaneous Special Revenue	215	243	150	150	300
Gift	33	11	4	4	8
Total	1,056	1,145	973	973	1,946
<u>Expenditures by Category</u>					
Total Compensation	420	477	459	459	918
Other Operating Expenses	636	668	514	514	1,028
Total	1,056	1,145	973	973	1,946
Full-Time Equivalents (FTE)	5.9	5.3	4.9	4.9	

PUBLIC SAFETY DEPT

Program: CRIMINAL APPREHENSION

Activity: CRIMINAL APPREHENSION SUPPORT

Narrative

Activity Description

Senior management set policy and provide leadership and managerial support to the Bureau of Criminal Apprehension (BCA). This section provides financial, human resources, data practices, communications and legislative support.

Population Served

The entire criminal justice community (1,400 autonomous agencies) is served by the various BCA activities. This section oversees and supports the staff and operations of the BCA to ensure that goals are met. The citizens of the state benefit from these activities in that their communities are safer.

Activity at a Glance

- ◆ Serves 1,400 Criminal Justice Agencies
- ◆ Developed an agency Work Force Plan
- ◆ Implemented the BCA Disabled Employee Project
- ◆ Designed a Bureau wide Communications Plan to market the services provided by the agency

Services Provided

BCA Support develops and implements policies and procedures, innovative management methods, and long-range strategic and operational planning. In addition, BCA Support provides representation on a number of boards and committees including: the Peace Officer Standards and Training Board; Private Detective and Protective Agents' Services Board; Gang and Drug Oversight Committee; Minnesota Joint Analysis Center Oversight Council, Minnesota Criminal and Juvenile Justice Information Task Force, Minnesota State Bar Criminal Justice Institute Planning Committee, American Society of Crime Laboratory Directors, SEARCH (criminal justice information), and numerous national, state, and local criminal justice policy development and implementation organizations. This section maintains partnerships with the Minnesota State Sheriffs Association, the Minnesota Chiefs of Police Association, Minnesota County Attorneys, U.S. Attorneys Office, the Minnesota Attorney General's Office and the Association of Minnesota Emergency Managers. Through these efforts the section furthers the mission of the Department of Public Safety and increases the safety of Minnesota citizens by collaborating with other federal, state, and local public safety and law enforcement entities, citizen groups and non-profits such as the National Center for Missing and Exploited Children, the Minnesota AMBER Alert Fundraiser, Mothers Against Drunk Drivers (MADD) and Missing Children-Minnesota, the Jacob Wetterling Resource Center, as well as the business community.

BCA Support focuses internal resources to ensure continuation of critical activities, to retain highly trained and competent staff, and to ensure that BCA services are accessible throughout the state. It is the varied and extensive expertise of the BCA that is critical to local agencies. This section ensures that the infrastructure of the bureau is such that internal support services are consistently administered to all other sections within the bureau. BCA Support administers the Undercover Buy Fund (299C.065) which provides resources to local agencies to assist in the investigation of violent crimes and other complex, long-term, and multi-jurisdictional investigations.

Historical Perspective

BCA Support continually monitors and responds to trends in criminal justice. Overall, new challenges for the BCA include: upgrades in technology, integration of information systems, growth in employer background checks, monitoring predatory offenders, market place competition for employees in specialized services, impact of the media on expectations for Forensic Science services, and state data practices as related to the Minnesota Joint Analysis Center.

BCA Support has been involved in several initiatives to increase public and constituent information about the bureau. For example, members of the BCA's alumni association have continued to give tours of the headquarters building. The groups taking these tours include individuals from the legislature, criminal justice agencies, businesses, and the community. Additionally, the Citizens' Academy continues to grow with participants from private industry, criminal justice, the general public, and the legislature.

The BCA continues to explore creative means of funding critical activities through federal grants, foundations, dedicated receipts, public/private partnerships, and forfeited property. The BCA has worked closely with the business community to further develop the Spotlight on Crime reward program. This public/private partnership

PUBLIC SAFETY DEPT

Program: CRIMINAL APPREHENSION

Activity: CRIMINAL APPREHENSION SUPPORT

Narrative

provides cash rewards for information that helps solve violent crimes. This program is a collaboration between members of the Minnesota Business Partnership and public safety officials. The BCA is working with private partners on funding needs in areas such as Internet Crimes Against Children and Online Safety and currently has partnerships that financially support the state's AMBER Alert Program. Additional private and public partnerships related to laboratory services and training services are being explored.

Key Activity Goals

- ♦ Minnesota Milestones statewide goals— Our communities will be safe
<http://server.admin.state.mn.us/mm/goal.html>
- ♦ Department of Public Safety strategic goals— Maximize new technology to augment criminal investigations, laboratory procedures and collection of criminal justice data (BCA). Develop a cost effective online training program for external criminal justice clients utilizing new technology
(http://www.dps.state.mn.us/Commissioner/2006_2007_Strategic_Plan.pdf).
- ♦ Department of Public Safety strategic goals – Implement strategies to increase diversity within DPS. Implement the BCA Disabled Employee Project to address diversity and the changing workforce and create new opportunities for individuals with disabilities
(http://www.dps.state.mn.us/Commissioner/2006_2007_Strategic_Plan.pdf).
- ♦ Develop a strategic plan, with a Work Force Planning component, for the agency to address the changing criminal justice environment, the new workforce, and the economy. A strategic planning process has been identified and the steps to complete the process are being designed.

Key Activity Measures

The BCA has partnered with the Department of Employment and Economic Development to create and implement a disabled employee project where the BCA works to ensure that the disabled workforce is given every opportunity for each position opening. The BCA has worked to educate the entire management staff on working with and supervising disabled employees.

Activity Funding

This activity is funded by a mix of general fund appropriations and special revenue funds. The Special revenue funds are used to assist law enforcement agencies with unanticipated costs associated with complex investigations. These reimbursements are funded through the driver license reinstatement fees.

Contact

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<http://www.dps.state.mn.us/bca/bca.html>

PUBLIC SAFETY DEPT

Program: CRIMINAL APPREHENSION

Activity: CRIMINAL APPREHENSION SUPPORT

Budget Activity Summary

<i>Dollars in Thousands</i>					
	Current		Governor's Recomm.		Biennium
	FY2008	FY2009	FY2010	FY2011	2010-11
<u>Expenditures by Fund</u>					
Direct Appropriations					
General	634	658	558	558	1,116
Miscellaneous Special Revenue	58	128	0	0	0
Statutory Appropriations					
Miscellaneous Special Revenue	0	0	93	93	186
Total	692	786	651	651	1,302
<u>Expenditures by Category</u>					
Total Compensation	533	546	467	467	934
Other Operating Expenses	159	240	184	184	368
Total	692	786	651	651	1,302
Full-Time Equivalents (FTE)	6.3	6.0	5.0	4.9	

PUBLIC SAFETY DEPT

Program: FIRE MARSHAL

Narrative

Budget Activities

- ◆ Fire Prevention Protection and Inspection
- ◆ Fire Safety Account

PUBLIC SAFETY DEPT
Program: FIRE MARSHAL

Program Summary

<i>Dollars in Thousands</i>					
	Current		Governor Recomm.		Biennium
	FY2008	FY2009	FY2010	FY2011	2010-11
<u>Direct Appropriations by Fund</u>					
Miscellaneous Special Revenue					
Current Appropriation	6,193	9,234	9,234	9,234	18,468
Technical Adjustments					
November Forecast Adjustment			(1,234)	(1,234)	(2,468)
Subtotal - Forecast Base	6,193	9,234	8,000	8,000	16,000
Total	6,193	9,234	8,000	8,000	16,000
<u>Expenditures by Fund</u>					
Direct Appropriations					
Miscellaneous Special Revenue	2,882	4,387	8,000	8,000	16,000
Statutory Appropriations					
Miscellaneous Special Revenue	1,576	1,728	1,785	1,841	3,626
Federal	5	0	0	0	0
Total	4,463	6,115	9,785	9,841	19,626
<u>Expenditures by Category</u>					
Total Compensation	3,571	4,502	4,685	4,821	9,506
Other Operating Expenses	892	1,613	1,487	1,407	2,894
Local Assistance	0	0	45	45	90
Transfers	0	0	3,568	3,568	7,136
Total	4,463	6,115	9,785	9,841	19,626
<u>Expenditures by Activity</u>					
Fire Prevention Protection & I	4,463	6,115	6,172	6,228	12,400
Fire Safety Account	0	0	3,613	3,613	7,226
Total	4,463	6,115	9,785	9,841	19,626
Full-Time Equivalents (FTE)	46.3	51.8	56.2	56.2	

PUBLIC SAFETY DEPT

Program: FIRE MARSHAL

Activity: FIRE PREVENTION PROTECTION & INSPECTION

Narrative

Activity Description

The State Fire Marshal Division (SFM) protects lives and property by fostering a fire safe environment through investigation, enforcement, regulation, data collection, and public education.

Population Served

The SFM Division serves all the citizens in the state of Minnesota, with particular emphasis on fire and law enforcement communities.

Services Provided

- ◆ **Arson Investigation** – One chief investigator/supervisor, nine fire/arson investigators and one fire/arson investigator/trainer are located throughout the state to assist local fire departments with fatal and/or serious injury fires, arson, and large dollar loss fires.
- ◆ **Inspections** – Eighteen full-time inspectors and two supervisors are responsible for conducting inspections of hotels, motels, resorts, daycares, schools, hospitals, nursing homes, group homes, foster care facilities, correctional facilities, and other places of assembly. In addition to site visits, inspectors provide consultation to fire officials, architects, engineers, contractors, building inspectors, government officials, building owners/operators, and the general public regarding specific fire and life safety problems or concerns.
- ◆ **Fire Protection Systems** – SFM is authorized to regulate the fire sprinkler protection industry through licensing and/or certification of contractors and sprinkler fitters. One half time supervisor and three sprinkler plan reviewers / inspectors ensure that contractors and designers of automatic fire protection systems are correctly designing sprinkler systems. Plan reviews for correct design are conducted for each installation.
- ◆ **Public Fire Safety Education** – One deputy state fire marshal provides training and resources to the Minnesota fire service to assist with the development and implementation of local fire safety programs.
- ◆ **Minnesota Fire Incident Reporting System (MFIRS)** –The SFM fire/data analysis team collects and analyzes over 200,000 incident reports annually, providing technical assistance to all Minnesota fire departments. 95% of Minnesota's fire departments reported in 2007.
- ◆ **Fireworks** – SFM enforces state law regarding public fireworks display safety and certifies fireworks operators. Certification is achieved by passing a written examination administered and approved by SFM and by documenting experience. Certified operators must submit a report to SFM identifying the certified operator and any assistants, general display information, and any property damage, injuries and product defects.
- ◆ **Explosives** – SFM assumed responsibility for the department's explosives license and permit program in 2005. A total of 40 licenses were issued to persons who manufacture, assemble, warehouse or store explosives, and 155 explosives user permits are issued by local law enforcement authorities during 2007.

Activity at a Glance

- ◆ Fire arson investigators were called to 414 fire scenes in 2007, accounting for a total property loss of \$76.5 million; 96 of these were determined to be arson and accounted for \$9.3 million of the total property loss.
- ◆ SFM inspection teams completed 3,290 inspections in 2007. These inspections found 12,161 state and 1,841 federal (health care) violations.
- ◆ There were 40 fire deaths in 2007, 30 (75%) were in residential dwellings. Careless smoking was the leading cause of death by fire.
- ◆ 671 sprinkler plan reviews and 273 system inspections conducted during CY 2007.

Historical Perspective

The SFM Division was created through legislation in 1905. In 1913 a funding mechanism was deemed necessary and the State Fire Marshal Tax was implemented. Insurance companies paid one-half of 1% of property insurance premiums written in the state. In 1981 that revenue was directed to the general fund which funded division activities up to the present time. Beginning in FY 2008 division activities previously funded by the general fund received funding from a Fire Safety Surcharge which was implemented during the 2006 legislative session. SFM is no longer funded by a general fund appropriation.

Health Care Inspections – This program includes seven inspectors, one supervisor, one full-time and one half-time support staff, is funded by an interagency agreement between the Department of Health and SFM in effect since 1986. Health care inspections include hospitals, nursing homes, group homes and surgical centers.

School Inspections – In 1990, the Department of Children, Families and Learning and SFM entered into a contract agreement to inspect public schools and to review school plans and specifications for new construction

PUBLIC SAFETY DEPT

Program: FIRE MARSHAL

Activity: FIRE PREVENTION PROTECTION & INSPECTION

Narrative

and remodeling projects to ensure fire safety, code compliance, and appropriate use of state health and safety money. In 2003, the funding mechanism was changed to a fee system paid by local school districts. Three full-time deputies and one half-time deputy conduct school inspections, and one deputy reviews construction plans, and conducts inspections. One half-time supervisor is responsible for the program.

Hotel/Motel Inspections – The hotel/motel inspection program began in 1978 in response to 21 hotel fire fatalities which occurred in 1977 in Breckenridge and Cokato. Funding was provided by a general fund appropriation. In 2003, the legislature eliminated the general fund appropriation and authorized SFM to charge a fee for the inspection of certain hotels, motels, and resorts based on the number of sleeping rooms at each location. Facilities with 35 rooms or less, and resorts classified as 1-C (property tax designation), were exempted from the fee. Inspections are mandated for each facility once every three years.

Fire Protection Systems – In 1992, the legislature authorized SFM to regulate the fire sprinkler protection industry through licensing and/or certification of contractors and installers and plan review functions.

Daycare Inspections – SFM is required to ensure that all daycare facilities in the state are inspected by local fire departments or SFM; 2002 legislation allows a fee of up to \$50 for each daycare inspection to help recover the costs associated with these inspections. On average, SFM conducts 1,500 daycare inspections per year.

Key Activity Goals

This activity supports the following goals:

- ◆ Minnesota Milestones: Our communities will be safe, friendly and caring.
- ◆ Department of Public Safety Priority: Target education, inspection and investigation efforts to decrease fire injuries and deaths.

Key Activity Measures

- ◆ **Maintain sprinkler plan review turn around time and increase the number of sprinkler inspections.**
Maintain an average plan review turn around time of two weeks, increase the number of site inspections by 20%, and double the training provided to fire protection system contractors, designers and installers.
- ◆ **Number of fire departments reporting data to the Minnesota Fire Incident Reporting System (MFIRS).**
Increase local fire department MFIRS participation by 1% in the next biennium. (In 2007, 95% of Minnesota's 788 fire departments reported.) This goal will be accomplished through the implementation of a free Web based on-line incident reporting system which will provide real-time data and result in improved awareness and education regarding Minnesota's fire problem.
- ◆ **Conduct all mandatory fire safety inspections.**
Conduct all mandatory hotel, motel and school inspections in a three-year inspection cycle, and all day care inspections within 60 days of the date the request is received.
- ◆ **Provide fire investigation assistance to local authorities.**
Respond to 100% of the requests for fire investigation assistance received from local fire and / or law enforcement authorities via phone consultation or on-scene investigation.

Activity Funding

This activity is funded by a mixture of special revenue account and federal funds. The SFM conducts five separate inspection programs from special revenue fund accounts in FY 2007: schools; daycare; state and local correctional facilities; health care facilities; and hotel/motel inspections.

Contact

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PUBLIC SAFETY DEPT

Program: FIRE MARSHAL

Activity: FIRE PREVENTION PROTECTION & I

Budget Activity Summary

<i>Dollars in Thousands</i>					
	Current		Governor's Recomm.		Biennium
	FY2008	FY2009	FY2010	FY2011	2010-11
<u>Expenditures by Fund</u>					
Direct Appropriations					
Miscellaneous Special Revenue	2,882	4,387	4,387	4,387	8,774
Statutory Appropriations					
Miscellaneous Special Revenue	1,576	1,728	1,785	1,841	3,626
Federal	5	0	0	0	0
Total	4,463	6,115	6,172	6,228	12,400
<u>Expenditures by Category</u>					
Total Compensation	3,571	4,502	4,685	4,821	9,506
Other Operating Expenses	892	1,613	1,487	1,407	2,894
Total	4,463	6,115	6,172	6,228	12,400
Full-Time Equivalents (FTE)	46.3	51.8	56.2	56.2	

PUBLIC SAFETY DEPT

Program: FIRE MARSHAL

Activity: FIRE SAFETY ACCOUNT

Narrative

Activity Description

A Fire Safety Account is used to deposit the revenue received from the Fire Safety Surcharge collected from insurance companies, and to distribute those funds to the programs and entities authorized to receive those funds upon the recommendation of the Fire Service Advisory Committee and with the approval of the commissioner of Public Safety.

Population Served

Indirectly, all citizens in Minnesota are served by this account, through the improvement in services provided by the fire services entities that will receive funding from this account.

Services Provided

This account provides funding for firefighter training through the Firefighter Training and Education Board, for staffing and operations of the State Fire Marshal Division, and for other regional fire service related programs and services.

Historical Perspective

The Fire Safety Account was established by the 2006 Legislature, which also removed a tax on insurance premiums. The insurance premium tax was originally established to fund the State Fire Marshal's Office when that office was created in 1905. In the 1980s the tax was redirected to the general fund.

Key Activity Goals

This activity supports the following goals:

- ♦ Minnesota Milestones: "Our communities will be safe, friendly and caring.
- ♦ Department of Public Safety Priority: "Target education, inspection and investigation efforts to decrease fire injuries and deaths.

Key Activity Measures

This new account was established as of 7-01-2007. Funds were deposited in the account, on a quarterly basis, during FY 2008. Funding became available for programs and services in the first quarter of FY 2009. Results will be measured by the following:

- ♦ Funds deposited in the Fire Safety Account are distributed in accordance with the recommendations of the Fire Service Advisory Committee, and the provisions of M.S. 299F.012, subject to the approval of the commissioner of Public Safety.

Activity Funding

Funding for this activity is provided solely by the insurance surcharge established in M.S. 299F.012.

Contact

The commissioner of Public Safety can be contacted for additional information on this activity, at (651) 201-7160.

Activity at a Glance

This activity provides funding to various programs in accordance with the provisions of M.S. 299F.012 as follows:

- ♦ Minnesota Board of Firefighter Training and Education
- ♦ Programs and staffing for the State Fire Marshal Division
- ♦ Fire-related regional response team programs and any other fire service programs that have the potential for statewide impact.

(Account established 7/01/2007, no activity in 2006/2007 biennium, or FY2008.)

PUBLIC SAFETY DEPT
Program: FIRE MARSHAL
Activity: FIRE SAFETY ACCOUNT

Budget Activity Summary

<i>Dollars in Thousands</i>					
	Current		Governor's Recomm.		Biennium
	FY2008	FY2009	FY2010	FY2011	2010-11
<u>Expenditures by Fund</u>					
Direct Appropriations					
Miscellaneous Special Revenue	0	0	3,613	3,613	7,226
Total	0	0	3,613	3,613	7,226
<u>Expenditures by Category</u>					
Local Assistance	0	0	45	45	90
Transfers	0	0	3,568	3,568	7,136
Total	0	0	3,613	3,613	7,226

PUBLIC SAFETY DEPT

Program: STATE PATROL

Narrative

Budget Activities

- ◆ Patrolling Highways
- ◆ Commercial Vehicle Enforcement
- ◆ Capitol Complex Security

PUBLIC SAFETY DEPT
Program: STATE PATROL

Program Summary

<i>Dollars in Thousands</i>					
	Current		Governor Recomm.		Biennium
	FY2008	FY2009	FY2010	FY2011	2010-11
<u>Direct Appropriations by Fund</u>					
General					
Current Appropriation	3,065	3,150	3,150	3,150	6,300
Subtotal - Forecast Base	3,065	3,150	3,150	3,150	6,300
Total	3,065	3,150	3,150	3,150	6,300
Trunk Highway					
Current Appropriation	72,382	79,164	79,164	79,164	158,328
Subtotal - Forecast Base	72,382	79,164	79,164	79,164	158,328
Total	72,382	79,164	79,164	79,164	158,328
Highway Users Tax Distribution					
Current Appropriation	92	92	92	92	184
Subtotal - Forecast Base	92	92	92	92	184
Total	92	92	92	92	184
<u>Expenditures by Fund</u>					
Carry Forward					
General	26	1	0	0	0
Direct Appropriations					
General	2,856	3,359	3,150	3,150	6,300
Trunk Highway	70,285	81,261	79,164	79,164	158,328
Highway Users Tax Distribution	40	144	92	92	184
Statutory Appropriations					
General	1,525	1,533	1,615	1,651	3,266
State Government Spec Revenue	1,462	1,756	1,531	1,557	3,088
Miscellaneous Special Revenue	9,421	10,354	7,721	7,748	15,469
Trunk Highway	30	21	21	21	42
Federal	7,731	7,880	8,045	8,088	16,133
Gift	12	9	3	3	6
Total	93,388	106,318	101,342	101,474	202,816
<u>Expenditures by Category</u>					
Total Compensation	72,649	81,930	79,530	79,672	159,202
Other Operating Expenses	18,809	23,038	19,481	19,473	38,954
Payments To Individuals	30	44	44	44	88
Local Assistance	1,900	1,306	2,287	2,285	4,572
Total	93,388	106,318	101,342	101,474	202,816
<u>Expenditures by Activity</u>					
Patrolling Highways	78,697	89,050	84,585	84,636	169,221
Commercial Vehicle Enforcement	10,491	12,425	12,029	12,074	24,103
Capitol Complex Security	4,200	4,843	4,728	4,764	9,492
Total	93,388	106,318	101,342	101,474	202,816
Full-Time Equivalents (FTE)	902.5	954.7	924.8	897.2	

Activity Description

It is the responsibility of the State Patrol to enforce traffic and criminal laws on Minnesota's public highways and on state property. These law enforcement services provide for the safe and efficient movement of traffic and the protection of Minnesota's citizens through enforcement, education, and assistance.

Population Served

The State Patrol serves the 5.3 million citizens of Minnesota, over 3.9 million licensed drivers operating 4.8 million registered motor vehicles, as well as visitors to our state. The motoring population compiled 57 billion miles of travel on Minnesota roadways in 2007.

Activity at a Glance

During calendar year 2007:

- ◆ 578,211 enforcement contacts
- ◆ 20.953 crashes investigated
- ◆ 6,495 Driving While Impaired (DWI) arrests
- ◆ 15,521,054 total miles traveled by troopers
- ◆ 13,507 assists to local law enforcement
- ◆ 73,013 assists to the public
- ◆ 35,473 driving complaints received

Services Provided

This division's primary role is the enforcement of laws regulating the use of the state's highways with special emphasis on removing impaired drivers, encouraging seat belt use, and reducing the incidence of speed and aggressive driving violations.

In addition to enforcement, the State Patrol provides a variety of services. Troopers respond to motor vehicle crashes and provide assistance to stranded motorists. As first responders, troopers regularly render life-saving assistance to the victims of serious crashes or medical emergencies. After tending to the injured, troopers investigate and reconstruct motor vehicle collisions to determine the causal factors. Determining the cause of collisions establishes accountability and helps prevent future crashes. Disabled vehicles can be a serious hazard for the drivers of other vehicles and frequently inhibits the efficient flow of traffic on the roadway. Helping motorists with vehicle problems to either move their vehicles to safety off the road, or to repair a minor problem, makes travel safer for everyone, reduces congestion, and provides a safer transportation environment. In 2007 the State Patrol provided 73,013 assists to the public. Of the assists 13,661 were for stalled vehicles blocking all, or portions, of roadways, 15,117 vehicles off the roadway, and 34,115 stalled vehicles. Further, the State Patrol received and responded to 35,473 driving complaints. The State Patrol also promotes a safer highway environment by encouraging voluntary compliance with motor vehicle traffic laws through public education activities and use of the media.

The Minnesota State Patrol collaborates and provides support to local public safety agencies in transportation and public safety related areas. Some of these areas include aviation, crash reconstruction, highway criminal interdiction programs, targeted traffic enforcement projects and motor vehicle title and dealer fraud. In 2007 the State Patrol logged 13,507 assists to local agencies.

Historical Perspective

Since 1980, the effects of removing impaired drivers, encouraging seat belt use, and reducing the incidence of speed and aggressive driving violations have caused some positive changes to occur.

With sustained emphasis on arresting and removing impaired drivers from the highways, the incidence of impaired or intoxicated driving has decreased. Prior to 1980, over 50% of all fatal car crashes involved an impaired driver. For the calendar year 2003, 37% of fatal crashes were attributed to an impaired driver; in 2005 the rate had been reduced to 35% and remained near that level through 2007.

Special emphasis on seat belt enforcement and education has contributed to the increasing percentage of motorists using seat belts. Corresponding to the increased seat belt enforcement, the number of severe injuries resulting from motor vehicle crashes has steadily decreased. Prior to 1980, the percentage of persons wearing seat belts was 30% and the number of persons severely injured in crashes was over 5,000 annually. In 2003, seat

PUBLIC SAFETY DEPT

Program: STATE PATROL

Activity: PATROLLING HIGHWAYS

Narrative

belt use was at 79% and the number severely injured was under 2,300. In 2005, statewide seatbelt use increased to 84% and in 2007, seat belt compliance was reported at 88%.

In 2007, illegal or unsafe speed contributed to 25.1% of all traffic crashes; by far the leading crash contributor. By placing patrolling emphasis on roadways where there were crashes and excess speed, the number of vehicles traveling significantly in excess of posted limits has been greatly reduced. In selected target areas, the number of vehicles traveling speeds in excess of ten miles per hour (MPH) over the posted limit has been reduced by as much as 28% in greater Minnesota and 25% in the metro area.

Key Activity Goals

The Minnesota State Patrol has four key overarching goals. These goals relate to increased traffic safety in the state, agency business efficiency, increased collaboration with allied agencies as well as the public, and workforce planning. These goals as well as the strategies and tactics associated with meeting the goals can be found in the Minnesota State Patrol Strategic Plan located at:

http://www.dps.state.mn.us/patrol/Doc/Strategic2006_09/MSP%20Strategic%20Plan%2011-12-06.pdf

Key Measures

- ◆ The number of motor vehicle occupants using seat belts.

The goal is to reduce the number of serious injury and fatal injuries resulting from unrestrained motorists in motor vehicle crashes.

Performance indicator: The percentage of motor vehicle occupants that used seat belts.

<u>1994</u>	<u>1995</u>	<u>1996</u>	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
57%	65%	64%	65%	64%	72%	73%	74%	76%	77%	79%	84%	83%	88%

- ◆ MSP Driving while Intoxicated (DWI) arrests.

The goal is to reduce the number of alcohol related crashes through active enforcement.

Performance indicator: The number of driving after intoxicated arrests (DWI) by MSP

<u>1994</u>	<u>1995</u>	<u>1996</u>	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
5,268	4,965	5,154	5,469	5,420	5,990	7,305	6,772	5,855	4,946	5,891	7,036	7,854	6,495

- ◆ Fatality Rate

The goal is to reduce the number of fatalities and serious injuries resulting from crashes

Outcome indicator: Number of fatalities per 100 million vehicle miles traveled (VMT)

<u>1994</u>	<u>1995</u>	<u>1996</u>	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
1.48	1.35	1.26	1.28	1.34	1.24	1.19	1.07	1.21	1.18	1.00	.99	.88	.89

PUBLIC SAFETY DEPT

Program: STATE PATROL

Activity: PATROLLING HIGHWAYS

Narrative

Activity Funding

This activity is funded by a mix of appropriations: trunk highway fund, special revenue funds, emergency 911 funds, and federal funds. The sources of the special revenue funds are the motor vehicle title transfer surcharge revenues (funds State Patrol vehicle purchases), disposition of drug forfeitures, portion of the seat belt violation fine money (funds traffic safety educational programs), service fees charged for air patrol services, State Patrol escort service fees and Enhanced 911 service fees.

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PUBLIC SAFETY DEPT
Program: STATE PATROL
Activity: PATROLLING HIGHWAYS

Budget Activity Summary

<i>Dollars in Thousands</i>					
	Current		Governor's Recomm.		Biennium
	FY2008	FY2009	FY2010	FY2011	2010-11
<u>Direct Appropriations by Fund</u>					
General					
Current Appropriation	37	37	37	37	74
Subtotal - Forecast Base	37	37	37	37	74
Total	37	37	37	37	74
Trunk Highway					
Current Appropriation	65,437	71,393	71,393	71,393	142,786
Subtotal - Forecast Base	65,437	71,393	71,393	71,393	142,786
Total	65,437	71,393	71,393	71,393	142,786
Highway Users Tax Distribution					
Current Appropriation	92	92	92	92	184
Subtotal - Forecast Base	92	92	92	92	184
Total	92	92	92	92	184
<u>Expenditures by Fund</u>					
Carry Forward					
General	26	1	0	0	0
Direct Appropriations					
General	30	44	37	37	74
Trunk Highway	63,913	72,917	71,393	71,393	142,786
Highway Users Tax Distribution	40	144	92	92	184
Statutory Appropriations					
General	305	21	0	0	0
State Government Spec Revenue	1,462	1,756	1,531	1,557	3,088
Miscellaneous Special Revenue	9,421	10,354	7,721	7,748	15,469
Trunk Highway	30	21	21	21	42
Federal	3,458	3,783	3,787	3,785	7,572
Gift	12	9	3	3	6
Total	78,697	89,050	84,585	84,636	169,221
<u>Expenditures by Category</u>					
Total Compensation	61,125	68,625	66,615	66,676	133,291
Other Operating Expenses	16,775	19,886	16,957	16,949	33,906
Payments To Individuals	30	44	44	44	88
Local Assistance	767	495	969	967	1,936
Total	78,697	89,050	84,585	84,636	169,221
Full-Time Equivalents (FTE)	738.1	776.9	747.2	722.9	

PUBLIC SAFETY DEPT

Program: STATE PATROL

Activity: COMMERCIAL VEHICLE ENFORCEMENT

Narrative

Activity Description

Commercial Vehicle Enforcement exists to enforce laws specifically regulating the operation and movement of commercial motor vehicles, with the expressed goal of reducing the number of collisions involving commercial vehicles as well as reducing the damage to roadways caused by overweight vehicles.

Population Served

The Commercial Vehicle Enforcement division serves the 5.3 million Minnesota citizens, and 3.9 million licensed drivers operating 4.8 million registered motor vehicles regularly using the roadways in Minnesota. More specifically, daily activities center on the commercial vehicle operators and companies involved in transporting goods and providing transportation services within Minnesota.

Services Provided

The Commercial Vehicle Enforcement division enforces state and federal laws regulating the size, weight, load, and operation of commercial motor vehicles on all Minnesota roadways, and primarily, on the state and federal trunk highway systems.

This includes 11 fixed weigh scale locations and 22 mobile enforcement teams. Fixed scales are located in Erskine, Saginaw, Moorhead, St. Croix, and Worthington. These facilities are operated on a regular basis with permanent staff. The remaining scale locations are operated on an irregular basis with no permanent staff assigned. Mobile enforcement teams weigh vehicles at roadside and perform random roadside inspections of commercial vehicles. Specialized school bus inspectors perform annual and random inspections of school buses for compliance with safety equipment, vehicle mechanical condition, and driver documentation. In 2007, 35,539 commercial vehicle and/or driver inspections were completed in addition to 14,499 school bus inspections.

While weather is a contributing factor, the major cause of roadway deterioration is the effect of overweight trucks. Deterioration of roadways comes at a tremendous cost in dollars and lost safety for taxpayers and users of the roadways. The Minnesota relevant evidence law provides for the civil enforcement of vehicle weight by requiring law enforcement access to certain shipping documents and bills of lading at elevators and shipping locations. State Patrol civil weight inspectors review hundreds of thousands of shipping documents annually identifying overweight violations that would otherwise go undiscovered.

Commercial Vehicle Enforcement provides annual and requested training to local law enforcement agencies on commercial vehicle regulation, inspection, and crash investigation. Training is also provided in compliance with the requirements of the state mandatory commercial vehicle inspection program.

The State Patrol is also designated as the lead agency for the state of Minnesota's participation in the federal Motor Carrier Safety Assistance Program (MCSAP). The purpose of MCSAP is to improve the performance of commercial vehicle drivers and mechanical condition of commercial vehicles. The State Patrol Commercial Vehicle Enforcement activity, as part of the MCSAP, devotes a significant portion of resources toward CMV-driver safety education. This generally takes the form of formal classes conducted by the Commercial Vehicle Enforcement staff, question and answer sessions between staff and CMV industry representatives and drivers, and roadside enforcement activities focusing on unsafe driver practices.

In addition to the MCSAP grant, the State Patrol Commercial Vehicle Section coordinates other federal grant activities including; Northern Border Safety and Security, Red-Dyed Fuel, New Entrant Safety Assurance Program, aerial crash photography, PRISM (registration enforcement), and CVARS (crash data reporting and accuracy).

Activity at a Glance

Commercial motor vehicle (CMV) enforcement activity for calendar year 2007:

- ◆ 35,539 CMV/driver safety inspections
- ◆ 14,499 school bus safety inspections
- ◆ 4,631 CMV collisions
- ◆ 2,856 CMV drivers placed out of service as a result of safety inspections (8.9%)
- ◆ 9,826 CMVs placed out of service (19.6%)
- ◆ State Patrol driver and vehicle out of service rates far exceed the national average

PUBLIC SAFETY DEPT

Program: STATE PATROL

Activity: COMMERCIAL VEHICLE ENFORCEMENT

Narrative

The above-mentioned grants work in concert with our other enforcement and education activities to improve the overall safety of commercial vehicles operating on our roadways.

The Minnesota State Patrol provides state safety and security oversight for all state operated light rail through a partnership with the Metro Transit Authority. These responsibilities encompass a wide range of activities such as: incident investigation, training, equipment/rail inspection and personnel certification.

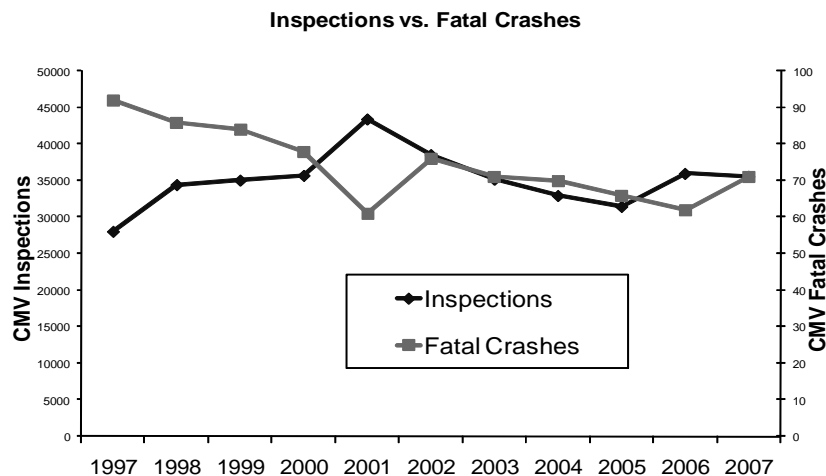
Key Activity Goals

The Minnesota State Patrol has four key overarching goals. These goals relate to increased traffic safety in the state, agency business efficiency, increased collaboration with allied agencies as well as the public, and workforce planning. These goals as well as the strategies and tactics associated with meeting the goals can be found in the Minnesota State Patrol Strategic Plan located at:

http://www.dps.state.mn.us/patrol/Doc/Strategic2006_09/MSP%20Strategic%20Plan%2011-12-06.pdf

Key Measures

- ◆ The number of commercial motor vehicle inspections.
- ◆ The number of fatal crashes involving a commercial motor vehicle.



Activity Funding

This activity is funded by a mix of trunk highway fund appropriations and federal funds.

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PUBLIC SAFETY DEPT

Program: STATE PATROL

Activity: COMMERCIAL VEHICLE ENFORCEMENT

Budget Activity Summary

<i>Dollars in Thousands</i>					
	Current		Governor's Recomm.		Biennium
	FY2008	FY2009	FY2010	FY2011	2010-11
<u>Direct Appropriations by Fund</u>					
Trunk Highway					
Current Appropriation	6,945	7,771	7,771	7,771	15,542
Subtotal - Forecast Base	6,945	7,771	7,771	7,771	15,542
Total	6,945	7,771	7,771	7,771	15,542
<u>Expenditures by Fund</u>					
Direct Appropriations					
Trunk Highway	6,372	8,344	7,771	7,771	15,542
Statutory Appropriations					
Federal	4,119	4,081	4,258	4,303	8,561
Total	10,491	12,425	12,029	12,074	24,103
<u>Expenditures by Category</u>					
Total Compensation	7,843	9,163	8,608	8,653	17,261
Other Operating Expenses	1,515	2,451	2,103	2,103	4,206
Local Assistance	1,133	811	1,318	1,318	2,636
Total	10,491	12,425	12,029	12,074	24,103
Full-Time Equivalents (FTE)	104.2	112.9	110.9	108.4	

Activity Description

Capitol Complex Security is a division of the Minnesota State Patrol, whose primary function is to provide for the safety and security of judicial and legislative officials, state employees, and members of the public working at or visiting the Capitol Complex. The executive protection unit is comprised of state troopers, who are responsible for providing personal protection, transportation and security for the governor, lieutenant governor, the governor's immediate family and the state's executive residence in St. Paul.

Activity at a Glance

- ◆ Capitol Security monitors over 65,000 environmental, fire, and security points including fire alarms, panic alarms, hold-up alarms, and security alarms.
- ◆ 14,000 employees work within the Capitol Complex and nearly one million citizens visit the Capitol Complex on an annual basis.

Population Served

Capitol Complex security officers are responsible for safety and security of more than 14,000 state employees working within 37 individual state buildings located throughout the entire Capitol Complex. Capitol Security officers also provide security, employee safety escorts, assists with motorists locked out of their vehicles, and parking enforcement within the 40 Capitol Complex parking facilities. There are also over one million visitors to the Capitol annually.

Services Provided

The Capitol Security Operations Center is the central hub for the operation of the state buildings and responds to all emergencies that occur within its jurisdiction. Currently there are over 65,000 environmental, fire and security points regulated by the Operations Center staff. These include: security alarms, panic alarms, fire alarms, hold-up alarms, environmental heating, air conditioning and ventilation controls, and lighting.

The Operations Center monitors more than 489 cameras. These cameras are located throughout the Capitol Complex in high-security and public areas. The parking lots, parks, tunnels, and main entrances also have intercoms, which can be used in an emergency or to request assistance from a security officer. There are over 100 intercom sites located throughout the Capitol Complex. Capitol Security is also responsible for issuing and monitoring over 9,000 key cards to complex employees.

During the legislative session, the State Patrol assigns additional troopers and Legislative Security Officers (LSO) to the legislature to protect members of the House of Representatives and Senate. These troopers follow up on threats, which members may receive verbally, electronically, in writing, or via the telephone.

There are over 240 rallies, protests and events held on the Capitol Complex each year. A permit request is required for each event and additional security is often needed at these events.

Capitol Security officers are the primary responders to all emergencies occurring on the Capitol Complex and at buildings within Capitol Security's jurisdiction. These emergencies include: suspicious activities, disruptive individuals, fires, and medical emergencies. Officers are trained in first aid, CPR, and the use of automatic external defibrillators. Capitol Security works closely with St. Paul police, fire department, and paramedics to make sure that all emergencies are safely and efficiently managed.

Key Activity Goals

The Minnesota State Patrol has four key overarching goals. These goals relate to increased traffic safety in the state, agency business efficiency, increased collaboration with allied agencies as well as the public, and workforce planning. These goals as well as the strategies and tactics associated with meeting the goals can be found in the Minnesota State Patrol Strategic Plan located at:

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PUBLIC SAFETY DEPT

Program: STATE PATROL

Activity: CAPITOL COMPLEX SECURITY

Narrative

Key Measures

- ◆ The response time of Capitol Security officers to requests for assistance.
Calls for Service (CFS) are defined as a request for security services, which require an immediate response or follow-up by security personnel. CFS received at the Capitol Complex Security Communications Center are categorized as emergency and non-emergency. Data indicates that quick response to emergency situations (medicals, fire/police assists, alarms) saves lives, minimizes damage, and solves crimes. Emergency CFS are given priority for response. CFS response time is the elapsed time from the time a CFS is received by the Communications Center and the time that security personnel arrive at the CFS location.

The goal of Capitol Security is to ensure the safety of employees and visitors within the Capitol Complex by responding to CFS in a timely manner.

- ◆ Establishment of a strategic plan enhancing security on the Capitol campus.
The safety and security of personnel and property on the Capitol campus are the primary goal of Capitol Security. In conjunction with the National Guard Threat Assessment Team, Capitol Security has, and continues to, develop a strategic plan that addresses current and future security needs.

Activity Funding

This activity is funded from the general fund. Revenues are generated from security contracts with agencies located in buildings outside the Capitol Complex and for additional security needed by some state agencies.

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PUBLIC SAFETY DEPT

Program: STATE PATROL

Activity: CAPITOL COMPLEX SECURITY

Budget Activity Summary

<i>Dollars in Thousands</i>					
	Current		Governor's Recomm.		Biennium
	FY2008	FY2009	FY2010	FY2011	2010-11
<u>Direct Appropriations by Fund</u>					
General					
Current Appropriation	3,028	3,113	3,113	3,113	6,226
Subtotal - Forecast Base	3,028	3,113	3,113	3,113	6,226
Total	3,028	3,113	3,113	3,113	6,226
<u>Expenditures by Fund</u>					
Direct Appropriations					
General	2,826	3,315	3,113	3,113	6,226
Statutory Appropriations					
General	1,220	1,512	1,615	1,651	3,266
Federal	154	16	0	0	0
Total	4,200	4,843	4,728	4,764	9,492
<u>Expenditures by Category</u>					
Total Compensation	3,681	4,142	4,307	4,343	8,650
Other Operating Expenses	519	701	421	421	842
Total	4,200	4,843	4,728	4,764	9,492
Full-Time Equivalents (FTE)	60.2	64.9	66.7	65.9	

Budget Activities

- ◆ Vehicle Services
- ◆ Driver Services

PUBLIC SAFETY DEPT

Program: DRIVER & VEHICLE SERVICES

Program Summary

Dollars in Thousands					
	Current		Governor Recomm.		Biennium
	FY2008	FY2009	FY2010	FY2011	2010-11
<u>Direct Appropriations by Fund</u>					
Miscellaneous Special Revenue					
Current Appropriation	46,635	47,684	47,684	47,684	95,368
Subtotal - Forecast Base	46,635	47,684	47,684	47,684	95,368
Total	46,635	47,684	47,684	47,684	95,368
Trunk Highway					
Current Appropriation	1	1	1	1	2
Subtotal - Forecast Base	1	1	1	1	2
Total	1	1	1	1	2
Highway Users Tax Distribution					
Current Appropriation	7,336	7,636	7,636	7,636	15,272
Technical Adjustments					
Current Law Base Change			300	600	900
Subtotal - Forecast Base	7,336	7,636	7,936	8,236	16,172
Total	7,336	7,636	7,936	8,236	16,172
<u>Expenditures by Fund</u>					
Carry Forward					
Miscellaneous Special Revenue	1,798	3,332	0	0	0
Direct Appropriations					
Miscellaneous Special Revenue	40,694	47,804	47,684	47,684	95,368
Trunk Highway	0	2	1	1	2
Highway Users Tax Distribution	6,795	8,177	7,936	8,236	16,172
Statutory Appropriations					
Miscellaneous Special Revenue	382	4,414	13,719	18,565	32,284
Federal	807	3,132	1,126	91	1,217
Reinvest In Minnesota	16	16	16	16	32
Miscellaneous Agency	4,502	5,014	4,968	4,968	9,936
Gift	66	76	66	66	132
Total	55,060	71,967	75,516	79,627	155,143
<u>Expenditures by Category</u>					
Total Compensation	27,196	32,261	35,247	37,715	72,962
Other Operating Expenses	23,383	34,733	35,355	36,998	72,353
Other Financial Transactions	4,481	4,973	4,914	4,914	9,828
Total	55,060	71,967	75,516	79,627	155,143
<u>Expenditures by Activity</u>					
Vehicle Services	28,853	40,544	45,483	50,619	96,102
Driver Services	26,207	31,423	30,033	29,008	59,041
Total	55,060	71,967	75,516	79,627	155,143
Full-Time Equivalents (FTE)					
	484.8	534.2	562.8	573.3	

Activity Description

Vehicle Services is responsible for the regulation of all motor vehicles in Minnesota including issues related to: issuance of vehicle registration and titles, maintenance of motor vehicle records, collection of revenue, regulation of motor vehicle dealers, issuance of disability permits and plates, inspection of salvaged and reconstructed vehicles, and interstate motor carrier registration.

Population Served

This division serves the general population of Minnesota, vehicle owners and lessees, deputy registrars, auto dealers, motor carriers, law enforcement agencies, lending institutions, insurance companies, and the court system.

Services Provided

- ◆ Maintains 6.5 million vehicle ownership and registration records.
- ◆ Verifies ownership documents and issues certificates of title to owners and lien notification cards to lenders.
- ◆ Issues license plates and registration stickers.
- ◆ Issues disability license plates and parking certificates to qualified applicants and organization.
- ◆ Collects registration and fuel taxes from interstate motor carriers through the administration of two international registration and fuel tax agreements, offering online registration and fuel tax reporting to carriers. 24% of motor carrier transactions completed are self-service online.
- ◆ Partners with appointed public and private deputy registrars to provide motor vehicle services to citizens at over 173 locations throughout the state. Thirteen of those offices also provide services to carriers with interstate registration.
- ◆ Provides training and support to appointed deputy registrars and licensed motor vehicle dealers and ensures agent and dealer compliance with Minnesota statutes and rules.
- ◆ Prepares and distributes procedural manuals and bulletin updates related to motor vehicle title and registration issues.
- ◆ Provides information services related to vehicle registration and titling to citizens, deputy registrars, auto dealers, courts, and law enforcement agencies, by phone, letter, Internet, and email. Deputy registrars and auto dealers also have access to the Driver and Vehicle Services (DVS) web site designed to bring information and online services to Vehicle Services business partners.
- ◆ Provides self-service web options for vehicle registration renewal, report of vehicle sale, and purchase of Critical Habitat and Support Our Troops license plates. Registration stickers and license plates are delivered to customers in ten days or less.
- ◆ Offers mail-in option for registration renewals. Ninety percent (90%) of registration materials are mailed to customer in four business days or less.

Activity at a Glance

During FY 2008:

- ◆ Twenty-six percent (26%) of registration renewals completed as self-service transactions (includes Internet and mail renewals).
- ◆ Seventeen percent (17%) of phone calls completed as self-service

In FY 2008 the division:

- ◆ Collected \$1.1 billion in revenue.
- ◆ Processed 5.5 million vehicle registration-related transactions.
- ◆ Issued 1.4 million vehicle ownership certificates of title.
- ◆ Processed 1.1 million vehicle registration renewals and payments by Internet and mail using an automated process.
- ◆ Agents processed over 3 million motor vehicle transactions in real-time online.
- ◆ Processed 29,514 motor vehicle transactions as part of a FAST Track process. This optional service that began in May 2006 allows titles to be processed within three business days.
- ◆ Issued one million license plates.
- ◆ Accessed 450 million motor vehicle records.
- ◆ Licensed 3,900 motor vehicle dealers; 42 % renewed with self-service online licensing.
- ◆ Issued 91,000 disability parking certificates.
- ◆ Handled 350,000 information contacts (e.g. phone agent, e-mail, self-service IVR, etc.).
- ◆ Implemented an electronic title and registration program in collaboration with 17 deputy registrars and 28 dealers. Since October 2007, 1650 transactions have been processed.

PUBLIC SAFETY DEPT

Program: DRIVER & VEHICLE SERVICES

Activity: VEHICLE SERVICES

Narrative

- ◆ Staffs an office in St. Paul, where citizens may file a traffic crash report, obtain motor vehicle records, perform online services at a kiosk, access division records in accordance with Minnesota Data Privacy statutes and register interstate vehicle, and renew dealer licenses.
- ◆ Issues a variety of special license plates, including personalized, critical habitat, veteran, collector, and special use plates.
- ◆ Business liaisons visit deputy registrars and dealers in order to provide information, training and conduct audits.
- ◆ Ninety-two deputy offices participate in the FAST Track (expedited services) program. On average, 146 expedited titles are processed daily.

Historical Perspective

The Driver and Vehicle Services (DVS) customer service delivery model is based on providing service options to our customers. The online vehicle registration renewal program was the first self-service program offered by DVS in 2000. An upgraded registration renewal online system has been in operation since December 2005. DVS has also been expanding the access that our business partners have to electronic transactions. Deputy registrars renew registration and process duplicate title and sticker requests online in real-time. They also report their work to us in a standardized form online. Interstate carriers have access to online registration renewal and fuel taxes filing. Dealers are able to renew their license to do business online. These expansions are part of an ongoing technology improvement plan to provide citizens and business partners with more options to receive fair, accurate, secure, and timely (FAST) service from Driver and Vehicle Services.

Key Activity Goals

- ◆ In collaboration with DVS stakeholders, analyze current business processes in order to re-engineer business requirements to be support in the design of an automated information system that supports driver license and motor vehicle programs so that service can be delivered in an integrated, timely, dependable manner, with flexibility and sustainability to accommodate change.
- ◆ Improve internal and external communication to address staff and public needs for accurate and up-to-date information through process documentation and staff training that assist in achieving DVS customer service mission.
- ◆ Improve the DVS workplace environment in order to provide staff with the tools necessary to effectively deliver internal and external customer services.
- ◆ Develop systematic workforce planning process that includes review of staff competencies, process documentation, training, and analysis of the tools necessary to assist staff in order to provide quality services to our staff and our customers.

Key Measures

- ◆ Wait times for delivery of service.
- ◆ Access to service and information.

Vehicle Services Performance Targets

Target is an average annual turnaround for processing titles of 14 days or less. Vehicle registration target is two days.

PUBLIC SAFETY DEPT**Program: DRIVER & VEHICLE SERVICES****Activity: VEHICLE SERVICES**

Narrative

Performance Targets FY 2006	Processing Time* for Issuance of Vehicle Title	Processing Time* for Vehicle Registrations	Self Service Transactions
Quarter 1**			
- Actual	39-42 days	2 days	27%
Quarter 2			
- Actual	26-40 days	2 days	28%
Quarter 3			
- Actual	19-41 days	2 days	26%
Quarter 4			
- Actual	17-26 days	2 days	22%
FY 2008 Targets	14 Days	2 Days	30%

* Processing time is when request is received until the title or registration is mailed.

** State of Minnesota was affected by a shutdown in this quarter.

Activity Funding

This activity is funded by a mix of special revenue funds and highway user tax distribution fund appropriations. The primary funding of this activity is from the Vehicle Services Operating Account in the special revenue fund.

Contact

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PUBLIC SAFETY DEPT

Program: DRIVER & VEHICLE SERVICES

Activity: VEHICLE SERVICES

Budget Activity Summary

Dollars in Thousands					
	Current		Governor's Recomm.		Biennium
	FY2008	FY2009	FY2010	FY2011	2010-11
<u>Direct Appropriations by Fund</u>					
Miscellaneous Special Revenue					
Current Appropriation	18,696	18,973	18,973	18,973	37,946
Subtotal - Forecast Base	18,696	18,973	18,973	18,973	37,946
Total	18,696	18,973	18,973	18,973	37,946
Highway Users Tax Distribution					
Current Appropriation	7,336	7,636	7,636	7,636	15,272
Technical Adjustments					
Current Law Base Change			300	600	900
Subtotal - Forecast Base	7,336	7,636	7,936	8,236	16,172
Total	7,336	7,636	7,936	8,236	16,172
<u>Expenditures by Fund</u>					
Carry Forward					
Miscellaneous Special Revenue	1,798	3,332	0	0	0
Direct Appropriations					
Miscellaneous Special Revenue	15,552	19,680	18,973	18,973	37,946
Highway Users Tax Distribution	6,795	8,177	7,936	8,236	16,172
Statutory Appropriations					
Miscellaneous Special Revenue	124	4,209	13,514	18,360	31,874
Federal	0	40	10	0	10
Reinvest In Minnesota	16	16	16	16	32
Miscellaneous Agency	4,502	5,014	4,968	4,968	9,936
Gift	66	76	66	66	132
Total	28,853	40,544	45,483	50,619	96,102
<u>Expenditures by Category</u>					
Total Compensation	9,971	12,748	15,355	17,413	32,768
Other Operating Expenses	14,401	22,823	25,214	28,292	53,506
Other Financial Transactions	4,481	4,973	4,914	4,914	9,828
Total	28,853	40,544	45,483	50,619	96,102
Full-Time Equivalents (FTE)	178.4	206.3	234.5	250.2	

Activity Description

Driver Services is responsible for the regulation of all licensed drivers in Minnesota including issues related to: identification, examination, licensing, and evaluation of drivers; issuance of driver's licenses and identification cards; maintenance of driver history and traffic crash data; licensing of driver training instructors and schools; and collection of revenue.

Population Served

The division serves the general population of Minnesota, licensed drivers, driver education instructors and schools, driver's license agents, the court system, insurance companies, and law enforcement agencies.

Services Provided

- ◆ Maintains 4.1 million driver history records.
- ◆ Administers driver's license examinations. Driver Services staff administer knowledge (written) and skill (road) exams at 95 locations throughout the state. In FY 2008, 606,196 total tests were conducted, including Class D, commercial vehicle licensing, motorcycle, and school bus. Of those, 466,850 were knowledge tests and 139,346 were skill tests. Over 36,000 foreign language knowledge tests were administered in seven languages at 24 testing facilities.
- ◆ Offers 139 sites throughout the state to renew or apply for a Minnesota driver's license, identification card, or permit in partnership with 125 appointed driver's license agents.
- ◆ Issues expedited (FAST Track) driver's licenses and identification cards.
- ◆ Develops and publishes driver manuals to assist individuals in preparing for the driver's license tests. Manuals are also available electronically on the division's website, including the Spanish translation of the Class D manual.
- ◆ Issues driver's licenses, identification cards, and permits. An online application process delivers a duplicate or renewed license, permit, or ID card to the customer in less than seven days in comparison to 13 days (including average mailing time) using the manual issuance process.
- ◆ Provides driver compliance evaluations for problem drivers throughout the state. Evaluators were in contact with 44,811 drivers in FY 2008.
- ◆ Provides information services to the public by phone, letter, and email.
- ◆ Licenses over 120 commercial driver education schools and over 550 driver education instructors.
- ◆ Approves the 265 public and private high school driver education programs which employ over 1,000 instructors; approves motorized bicycle courses, accident prevention courses for drivers 55 or older, and DWI clinics.
- ◆ Approves six motorcycle third party programs and 180 individual testers; approves 62 CDL third party programs and 90 individual testers.
- ◆ Maintains all Minnesota traffic crash records online.
- ◆ Staffs an office in St. Paul where the public may file a traffic crash report, obtain motor vehicle records, and access division records in accordance with Minnesota data privacy statutes.
- ◆ Provides service to law enforcement and the courts.

Activity at a Glance

During FY 2008 the division has:

- ◆ Maintained processing time for driver's licenses at 14 days or less.
- ◆ Scheduled over 164,000 road tests online.
- ◆ 29% of phone calls completed as self service.
- ◆ Provided 1.9 million driver license validity checks 24/7 via web and Interactive Voice Response.

In FY 2008 the division:

- ◆ Issued 1.68 million cards – including driver's licenses, ID cards, and permits.
- ◆ Conducted over 386,000 Class D knowledge and skill examinations.
- ◆ Reinstated the driving privileges of 143,000 drivers.
- ◆ Suspended, canceled, revoked, or disqualified the driving privileges of 224,000 drivers.
- ◆ Processed 489 FAST Track driver's licenses and 119 identification (ID) cards. This optional service that began in May 2006 allows licenses and IDs to be processed within three business days.
- ◆ Handled 790,000 information contacts (e.g. phone agent, email, self service IVR, etc.).
- ◆ Accessed 540 million driver's license records.

Historical Perspective

In the past, Driver Services has worked to provide fair, accurate, secure, and timely (FAST) service to the public and its business partners (law enforcement, court systems, driver's license agents, driver instructors, schools, and third party testers). The creation of the Driver and Vehicle Services (DVS) web site designed for use by DVS stakeholders, provides these partners access to simple-to-read driving records, regional on-line scheduling of driver's tests, and an online driver's license application process. Currently, approximately 60% of all driver's licenses and ID cards are entered at point-of-service and licenses are produced in three days. The provision of online services has simplified the process for the end user and streamlined the process for the division, enabling the division to meet many of its target goals. Driver Services continues to issue a new, more secure format for Minnesota's driver's licenses and ID cards. Over 2.5 million cards have been issued using the current card design since its deployment in December 2004.

Key Activity Goals

- ◆ In collaboration with DVS stakeholders, analyze current business processes in order to re-engineer business requirements to be support in the design of an automated information system that supports driver license and motor vehicle programs so that service can be delivered in an integrated, timely, dependable manner, with flexibility and sustainability to accommodate change.
- ◆ Improve internal and external communication to address staff and public needs for accurate and up-to-date information through process documentation and staff training that assist in achieving DVS customer service mission.
- ◆ Improve the DVS workplace environment in order to provide staff with the tools necessary to effectively deliver internal and external customer services.
- ◆ Develop systematic workforce planning process that includes review of staff competencies, process documentation, training, and analysis of the tools necessary to assist staff in order to provide quality services to our staff and our customers.

Key Measures

- ◆ Wait times for delivery of service.
- ◆ Access to service and information.

Driver Services Performance Targets:

Performance Targets FY 2008:	Wait for Skill (Road) Test Appointments*	Processing Time** for Issuance of Driver's License
Quarter 1		
- Target	15 Days	10 days
- Actual	17 Days	23 Days
Quarter 2		
- Target	10 Days	10 Days
- Actual	10 Days	19 Days
Quarter 3		
- Target	10 Days	10 Days
- Actual	8 Days	6 Days
Quarter 4		
- Target	15 Days	10 Days
- Actual	8 Days	8 Days
FY 2009 Targets	12 Days	10 Days

* Number of days per quarter is based on the average number of days for that quarter.

** Processing time is based on the date the request is received until the date the license is issued.

PUBLIC SAFETY DEPT

Program: DRIVER & VEHICLE SERVICES

Activity: DRIVER SERVICES

Narrative

Activity Funding

This activity is funded by a mix of special revenue funds and federal funds. The primary funding of this activity is from the Driver's License Operating Account in the special revenue fund, Motorcycle Safety Account (driver license motorcycle endorsement fee), DWI Reinstatement Account (driver license reinstatement fee).

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PUBLIC SAFETY DEPT

Program: DRIVER & VEHICLE SERVICES

Activity: DRIVER SERVICES

Budget Activity Summary

<i>Dollars in Thousands</i>					
	Current		Governor's Recomm.		Biennium
	FY2008	FY2009	FY2010	FY2011	2010-11
<u>Direct Appropriations by Fund</u>					
Miscellaneous Special Revenue					
Current Appropriation	27,939	28,711	28,711	28,711	57,422
Subtotal - Forecast Base	27,939	28,711	28,711	28,711	57,422
Total	27,939	28,711	28,711	28,711	57,422
<u>Trunk Highway</u>					
Current Appropriation	1	1	1	1	2
Subtotal - Forecast Base	1	1	1	1	2
Total	1	1	1	1	2
<u>Expenditures by Fund</u>					
<u>Direct Appropriations</u>					
Miscellaneous Special Revenue	25,142	28,124	28,711	28,711	57,422
Trunk Highway	0	2	1	1	2
<u>Statutory Appropriations</u>					
Miscellaneous Special Revenue	258	205	205	205	410
Federal	807	3,092	1,116	91	1,207
Total	26,207	31,423	30,033	29,008	59,041
<u>Expenditures by Category</u>					
Total Compensation	17,225	19,513	19,892	20,302	40,194
Other Operating Expenses	8,982	11,910	10,141	8,706	18,847
Total	26,207	31,423	30,033	29,008	59,041
Full-Time Equivalents (FTE)	306.4	327.9	328.3	323.1	

PUBLIC SAFETY DEPT

Program: ALCOHOL & GAMBLING ENFORCEMENT

Narrative

Budget Activities

- ◆ Gambling Enforcement
- ◆ Alcohol Enforcement

PUBLIC SAFETY DEPT

Program: ALCOHOL & GAMBLING ENFORCEMENT

Program Summary

Dollars in Thousands					
	Current		Governor Recomm.		Biennium
	FY2008	FY2009	FY2010	FY2011	2010-11
<u>Direct Appropriations by Fund</u>					
General					
Current Appropriation	1,642	1,685	1,685	1,685	3,370
Subtotal - Forecast Base	1,642	1,685	1,685	1,685	3,370
Total	1,642	1,685	1,685	1,685	3,370
Miscellaneous Special Revenue					
Current Appropriation	150	153	153	153	306
Subtotal - Forecast Base	150	153	153	153	306
Governor's Recommendations					
Transfer from Alcohol Enforcement Acct		0	750	750	1,500
Total	150	153	903	903	1,806
<u>Expenditures by Fund</u>					
Direct Appropriations					
General	1,587	1,740	1,685	1,685	3,370
Miscellaneous Special Revenue	144	153	903	903	1,806
Statutory Appropriations					
General	117	215	71	71	142
Miscellaneous Special Revenue	467	894	579	584	1,163
Federal	164	224	194	194	388
Gift	2	0	0	0	0
Total	2,481	3,226	3,432	3,437	6,869
<u>Expenditures by Category</u>					
Total Compensation	1,864	2,093	1,970	1,975	3,945
Other Operating Expenses	554	1,020	637	637	1,274
Local Assistance	63	113	75	75	150
Transfers	0	0	750	750	1,500
Total	2,481	3,226	3,432	3,437	6,869
<u>Expenditures by Activity</u>					
Gambling Enforcement	1,752	2,366	1,873	1,878	3,751
Alcohol Enforcement	729	860	1,559	1,559	3,118
Total	2,481	3,226	3,432	3,437	6,869
<u>Full-Time Equivalents (FTE)</u>					
	23.8	24.0	22.6	21.7	

Activity Description

The Gambling Enforcement Division conducts background investigations and criminal investigations relating to lawful gambling, the Minnesota Lottery, pari-mutuel horse racing, and tribal reservation gambling. Additionally, Gambling Enforcement enforces laws relating to illegal gambling such as sports bookmaking and other illegal gambling activities.

Population Served

Clientele includes the entire gambling industry and their associations, Minnesota citizens, tribal governments, the Minnesota Racing Commission, Minnesota State Lottery, Gambling Control Board, and local and federal law enforcement agencies.

Services Provided

The Gambling Enforcement Division provides the following services:

- ◆ civil and criminal investigative services for lawful, regulated gambling in Minnesota and investigates illegal gambling activities and complaints;
- ◆ regulation of the state's legal gambling, tribal gaming and investigation of other gambling-related crimes;
- ◆ background investigations and checks on licensees and contractors;
- ◆ approval and issuance of gambling distributor and manufacturing licenses;
- ◆ testimony in civil and criminal matters;
- ◆ collaboration with local law enforcement and prosecutors relating to gambling issues;
- ◆ response to public inquiry and complaints;
- ◆ collaboration with worldwide regulators;
- ◆ employee and industry training related to timely and relevant gaming issues; and
- ◆ management of proceeds from forfeitures involving illegal gambling devices and prizes.

Activity at a Glance

- ◆ 21,000 background check requests processed in FY 2008.
- ◆ 8740 background check fingerprint submissions processed in FY 2008.
- ◆ Implemented a Lottery/Sweepstakes Fraud Campaign to reduce consumer fraud scams against Minnesota citizens. In FY 2008, 25,000 complaints were taken regarding fraud scams.
- ◆ Conducts targeted enforcement sweeps at licensed establishments to identify criminal and civil violations for illegal gambling activities. In FY 2008 imposed 15 penalties related to illegal gambling amounting to \$15,000.

Historical Perspective

The Minnesota legislature, in establishing a gambling enforcement division in 1989, realized that a specific agency needed to be created for the regulation and enforcement of gambling statutes. Other enforcement agencies, for a variety of reasons, were unable to perform those functions. The legislature was concerned that the gambling industry would not be adequately policed.

Key Activity Goals

- ◆ Ongoing efforts to provide a paperless e-commerce environment in which licensees, the gaming industry, and the general public to be able to conduct business with the Alcohol and Gambling Enforcement Division.
- ◆ Maintain the integrity of the gambling industry by providing consistent regulation and enforcement as it relates to lawful gaming, tribal gaming, illegal gambling, fraud, and other forms of gambling related crimes.
- ◆ Provide a safe gaming environment for Minnesota citizens with anti fraud campaign utilizing the MNSCAMS complaint hotline to gather complaints and respond with appropriate action.

PUBLIC SAFETY DEPT

Program: **ALCOHOL AND GAMBLING ENFORCEMENT**

Activity: **GAMBLING ENFORCEMENT**

Narrative

Key Measures

- ◆ **The number of background checks conducted.** Annually, the Gambling Enforcement Division conducts approximately 21,000 background history checks on individuals involved in the gaming industry in Minnesota.
- ◆ **The number of civil and criminal incidents reported.** 331 criminal and civil incidents were investigated by the Gambling Enforcement Division in 2007.
- ◆ **The number of complaints taken regarding Lottery/Sweepstakes Fraud.** The Lottery/Sweepstakes fraud campaign implemented by the Alcohol and Gambling Enforcement Division in 2008 has already resulted in 25,000 complaints by individuals reporting fraudulent solicitations.

Activity Funding

This activity is funded by a mix of general fund appropriations and special revenue funds. The source of revenues in special revenue fund accounts are from Indian Nation Compacts, criminal background check fees and gambling forfeitures.

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PUBLIC SAFETY DEPT

Program: ALCOHOL & GAMBLING ENFORCEMENT

Activity: GAMBLING ENFORCEMENT

Budget Activity Summary

<i>Dollars in Thousands</i>					
	Current		Governor's Recomm.		Biennium
	FY2008	FY2009	FY2010	FY2011	2010-11
<u>Expenditures by Fund</u>					
Direct Appropriations					
General	1,166	1,258	1,224	1,224	2,448
Statutory Appropriations					
General	117	215	71	71	142
Miscellaneous Special Revenue	467	893	578	583	1,161
Gift	2	0	0	0	0
Total	1,752	2,366	1,873	1,878	3,751
<u>Expenditures by Category</u>					
Total Compensation	1,327	1,497	1,379	1,384	2,763
Other Operating Expenses	425	869	494	494	988
Total	1,752	2,366	1,873	1,878	3,751
Full-Time Equivalents (FTE)	15.5	15.2	13.9	13.3	

Activity Description

The Alcohol Enforcement Division (AGED) maintains the integrity of the liquor industry by enforcing legislation impacting three general areas:

- ◆ manufacturers and importers;
- ◆ wholesalers; and
- ◆ retailers through licensing, enforcement, and regulation.

This structure of legislation is referred to as a three-tier system of enforcement and is consistent among all 50 states.

Population Served

Clientele includes the entire liquor industry and their associations, Minnesota citizens, alcohol consumers, local units of government, law enforcement agencies, the insurance industry, and the legal community.

Services Provided

The Alcohol Enforcement Division provides uniform direction and response to local units of government regarding regulation of the alcohol industry.

Alcohol Enforcement is a collaboration of efforts, which results in criminal prosecution as well as civil penalty impositions for violations of M.S. 340A. Staff investigators conduct criminal investigations of alcohol-related complaints regarding unlicensed sale, importation, and manufacture of alcoholic beverages, unregistered product introduction into the state, and illegal gambling on liquor-licensed premises. Alcohol investigators conduct civil investigations into trade practice violations, after hour sales, failure to register kegs sold at off-sale, illegal alcohol promotion and advertising, delinquent licensees buying alcohol from illegal sources, thereby violating Minnesota's three-tier structure. Alcohol enforcement agents also investigate reports of contaminated alcohol beverages unfit for human consumption as the result of fires, floods, or other exposure and conducts pre-license inspections of establishments in order to determine if the establishment qualifies for a license to sell liquor. In 2007, alcohol investigators worked 2,023 hours in response to 1,047 alcohol related complaints and industry inquiries. 59 cases resulted in \$19,800 in administrative penalties being imposed. Alcohol agents traveled 83,771 miles conducting state business related to alcohol enforcement and regulation.

Alcohol Enforcement in coordination with the Office of Traffic Safety, participates in an ongoing grant program through the federal Office of Juvenile Justice and Delinquency Prevention to reduce the incidence of underage sale of alcohol at licensed liquor establishments and through adult providers. Local law enforcement agency resources are utilized and compensated for enforcing Minnesota's underage drinking laws by conducting compliance checks at licensed liquor establishments and applying alternative techniques to reduce the incidence of adult providers of alcoholic beverages to underage persons. Alternative enforcement activities include arresting adult providers, campus party patrols, community festival compliance checks, and extra enforcement presence at events such as graduation, prom and homecoming celebrations.

Alcohol Enforcement is constantly being challenged to be proactive and to address ongoing issues relating to alcohol distribution and sale (such as adult providers of alcohol to underage persons) and e-commerce alcohol issues.

Activity at a Glance

- ◆ Provides consistent, prompt, world class customer service to approximately 17,000 liquor licensees, 853 cities, and 87 county officials.
- ◆ Administers underage alcohol grant program where 804 underage compliance checks were conducted in FY 2008 in 36 municipalities with an 89% compliance rate. 1,057 arrests, citations, and warnings were also made in 2008 utilizing alternative underage alcohol enforcement techniques. Alcohol and Gambling Enforcement Division (AGED) underage alcohol liaison conducted training and informational seminars for 1,570 individuals at 69 locations in FY 2008.
- ◆ Ongoing development of AGED's online license, permit and brand label renewal process for AGED alcohol beverage industry.
- ◆ Conducts targeted enforcement sweeps and responds to complaints at liquor licensed establishments to identify and impose appropriate civil penalties for illegal alcohol and gambling violations. In FY 2008 imposed 71 penalties amounting to \$34,800.00.

PUBLIC SAFETY DEPT

Program: ALCOHOL AND GAMBLING ENFORCEMENT

Activity: ALCOHOL ENFORCEMENT

Narrative

The division also provides education to Minnesota's law enforcement community with Peace Officer Standards and Training certified alcohol courses. Educational seminars are conducted for Minnesota's liquor licensing authorities regarding alcohol licensing procedures and requirements and alcohol beverage laws and regulations. Educational sessions are offered for community members regarding underage compliance checks. Demands for alcohol awareness training, server training, and training reference materials have increased as communities, licensees, and law enforcement departments have become more aware of their responsibilities to comply with Minnesota alcohol beverage laws and regulations.

This division collects, approves, records, verifies the accuracy, and acts as the sole state repository for over 17,000 intoxicating liquor licenses and permits, 3.2% malt liquor licenses and liquor liability insurance, and records and maintains over 40,000 brand label records. AGED also verifies and collects workers compensation insurance requirements and tax delinquency information as part of the licensing process. Alcohol Enforcement serves as the final regulatory approval authority in determining if licensees and establishments meet minimum legal requirements necessary to obtain licenses and permits to sell, import, and distribute alcoholic beverages in Minnesota. Alcohol enforcement is integral in the collection of approximately \$13 million in delinquent sales tax each year because of AGED's enforcement of M.S. 340A related to the three-tier system of alcohol distribution.

Historical Perspective

To provide a safe environment for Minnesota alcohol consumers and citizens in general, the liquor industry requires consistent regulation, and equitable enforcement. In the pre-prohibition era, irresponsible business practices led to the creation of Minnesota's alcohol beverage laws. The three-tier system, which limits interaction between the tiers, continues to be appropriate for today's alcohol beverage industry and exists in all 50 states as a means of promoting responsible alcohol beverage consumption, distribution, and sale.

Key Activity Goals

- ◆ Maintain the integrity of the alcohol beverage industry by providing consistent regulation and enforcement as it relates to alcohol licensing, sales, importation, distribution, and education.
- ◆ Reduce the incidence of alcohol sales to minors, adult providers of alcohol to minors, and utilize enforcement techniques to provide a greater law enforcement presence at problem locations, i.e. college campuses, community festivals and celebrations.
- ◆ Ongoing efforts to provide a paperless e-commerce environment in which licensees, local licensing authorities, law enforcement agencies, and the general public are able to conduct business with the Alcohol and Gambling Enforcement Division.

Key Measures

- ◆ The number of compliance checks conducted.
- ◆ The number of arrests made involving adult providers of alcohol to underage persons.
- ◆ The improved failure rate involving the sale of alcohol to minors at licensed establishments

The collaboration with the federal Office of Juvenile Justice and Delinquency Prevention as well as other community coalition organizations, and a consistent plan to enforce violators through civil and criminal penalties, has reduced the incidence of licensed liquor establishments selling alcohol to underage individuals. In 1999, the failure rate was 17% relating to underage compliance checks conducted under the federal program. In 2007 the failure rate was 11%, and additionally alternative enforcement techniques resulted in 1,057 arrests related to underage alcohol consumption, sales, and provision by adult providers. The AGED underage alcohol liaison travels to participating communities and provides alcohol awareness training to licensed liquor establishments, local law enforcement departments, and other community officials prior to compliance checks and alternative enforcement activities.

PUBLIC SAFETY DEPT

Program: ALCOHOL AND GAMBLING ENFORCEMENT

Activity: ALCOHOL ENFORCEMENT

Narrative

In 2007, 59 communities participated and were awarded up to \$5,000 per year for conducting compliance checks or participating in activities designed to prevent provision of alcohol by adults to underage persons. They are required to provide the statistics regarding the compliance checks and illegal adult provider activity, and any civil or criminal action taken by the local licensing authority. Liquor licensees that fail the underage compliance checks must be charged civilly. Local law enforcement departments are expected to seek criminal charges of adult providers.

Activity Funding

This activity is funded by a mix of a general fund appropriation, special revenue fund appropriation, and federal funds.

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PUBLIC SAFETY DEPT

Program: ALCOHOL & GAMBLING ENFORCEMENT

Activity: ALCOHOL ENFORCEMENT

Budget Activity Summary

<i>Dollars in Thousands</i>					
	Current		Governor's Recomm.		Biennium
	FY2008	FY2009	FY2010	FY2011	2010-11
<u>Expenditures by Fund</u>					
Direct Appropriations					
General	421	482	461	461	922
Miscellaneous Special Revenue	144	153	903	903	1,806
Statutory Appropriations					
Miscellaneous Special Revenue	0	1	1	1	2
Federal	164	224	194	194	388
Total	729	860	1,559	1,559	3,118
<u>Expenditures by Category</u>					
Total Compensation	537	596	591	591	1,182
Other Operating Expenses	129	151	143	143	286
Local Assistance	63	113	75	75	150
Transfers	0	0	750	750	1,500
Total	729	860	1,559	1,559	3,118
Full-Time Equivalents (FTE)	8.3	8.8	8.7	8.4	

Program Description

The Office of Traffic Safety (OTS) was created to reduce traffic fatalities and serious injuries through behavioral measures including law enforcement, community programs, and public education and outreach. Traffic crashes are the number one cause of death and serious injury for Minnesotans from the age of one through 34 years of age.

Population Served

OTS partners with law enforcement, public health, traffic/road engineering, education, research, media communities, and with other traffic safety organizations, to improve the safety-related behaviors of drivers, passengers and motorcyclists on Minnesota roadways.

Services Provided

OTS collaborates with other divisions in the Department of Public Safety (DPS), other state agencies, county and city governments, judicial districts, school districts, and private organizations and individuals to conduct traffic safety programs throughout Minnesota. The federal funds allow us to support traffic safety action programs and innovative technological solutions to a variety of traffic safety problems – from overtime patrols for law enforcement, to the development of new database links, to computer solutions for Driver and Vehicle Services and beyond. We see ourselves as sound stewards of public funds, seeking to invest in programs that will reduce not only the economic cost of crashes in Minnesota, but also the emotional toll on families of crash victims.

OTS serves as the governor's representative for highway safety and coordinates Minnesota's participation in the National Highway Traffic Safety Administration's (NHTSA) State and Community Highway Safety grant program. In addition to the NHTSA federal grant programs, OTS coordinates and manages two state-funded programs (the motorcycle safety program and the child seats for needy families program) and other federal grant programs (the block grant and discretionary grants made available through the Office of Juvenile Justice and Delinquency Prevention to combat underage drinking). OTS also produces Minnesota Motor Vehicle Crash Facts to satisfy the requirements of M.S. 169.10.

State program administrators (roughly half of the OTS staff of 20) serve as grant managers/coordinators and project designers who interact with grant recipients and funding agencies. Coordinators also serve as key resource experts within their designated program area (e.g., impaired driving, teen drivers, motorcycle safety, occupant protection, child passenger safety, and traffic records) who help shape innovative research and programming in Minnesota and nation-wide, testify before the legislature, answer questions from the media and the general public, and advise policy makers and legislative staff on issues related to the program areas they coordinate. OTS has three research analysts who analyze traffic crash data from Minnesota, produce the legislatively-mandated Minnesota Motor Vehicle Crash Facts booklet, identify traffic safety problem areas for the coordinators, answer questions from the general public, and evaluate the effectiveness of various traffic safety programs. Other office activities include participation in the Fatal Analysis Reporting System, a national database on fatal motor vehicle crashes which is internationally known and respected.

OTS employs a variety of methods to gather input from other people involved in traffic safety issues. The key advisory boards and networks used include the Minnesota Toward Zero Deaths (TZD) Program, Traffic Safety Partners Group, Traffic Records Coordinating Committee, Network of Employers for Traffic Safety Advisory Board, *Safe and Sober* Law Enforcement Liaisons, DWI Task Force, Motorcycle Safety Advisory Board, and Child Passenger Safety Advisory Board.

Program at a Glance

- ◆ 173 grants covering 280 local units of government and 70 counties. Thirty statewide grants to other state agencies, other divisions of Public Safety, courts, and nonprofits. Thirty contracts to organizations and individuals (including two outside of Minnesota).
- ◆ Approximately \$20 million annually in grants and programs, requiring OTS applications for at least seven different federal programs.
- ◆ Staff of 19 serve as key resource experts in critical traffic safety program areas and provide research analyses to determine Minnesota traffic fatality and crash trends and emerging issues.

Historical Perspective

While a great deal of progress has been made since the early days of OTS, traffic crashes are still a critical public health problem. If we compare 1977 Minnesota data with 2007 data we find:

- ◆ In the past thirty years, licensed drivers have increased 48%, registered vehicles have increased 74%, and vehicle miles traveled have more than doubled. During the same time, the state's population increased 33%. Basically, there are more of us, more of us drive, and we drive more than we used to. Our exposure to the risk of a traffic crash has increased as a result of these factors.
- ◆ From 1977 to 2007, the number of traffic-related deaths fell 40% and severe injuries fell nearly 80%. A crash today is more likely to result in a moderate or possible injury – moderate injuries nearly tripled and possible injuries increased over seven times. Today's vehicles are better designed to protect the people inside when a crash happens and more of our travel is done on four-lane divided highways with limited access and advanced safety features – the safest type of roadway. The change most responsible for the declining severity of crashes is the 12-fold increase in occupant protection use seen over the past 30 years – from less than 7% in 1977 (when many cars on the road weren't even equipped with belts) to 85% in 2007.
- ◆ Comparing 1977 and 2007, the number of Driving While Impaired (DWI) arrests increased over 125%. Males accounted for 89% of alcohol related traffic deaths in 1977 and for 85% in 2007. In 1977, when the legal drinking age was 19 years, 27% of the drinking drivers in fatal crashes were under the age of 21. In 2007, that age group represented 16% of the drinking drivers in fatal crashes.
- ◆ Crash costs include emergency medical services, hospitalization, hospital staff, rehabilitation, administrative, and liability. In Minnesota, crash costs have increased four and a half times since 1977. In 2007, Minnesota taxpayers and insurance policy holders footed the bill for costs of over \$1.6 billion.

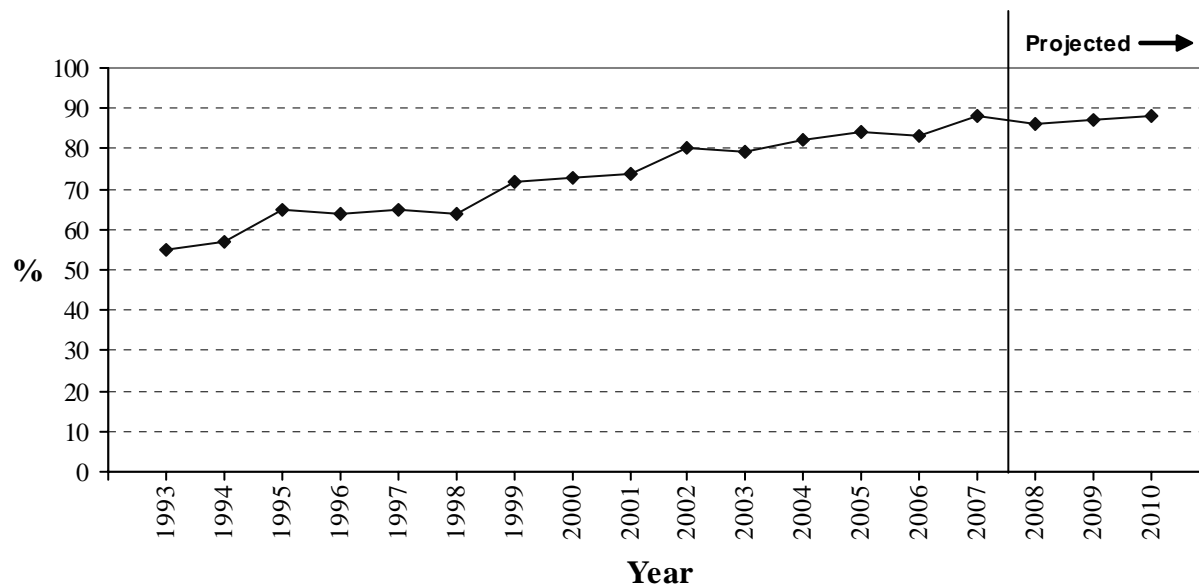
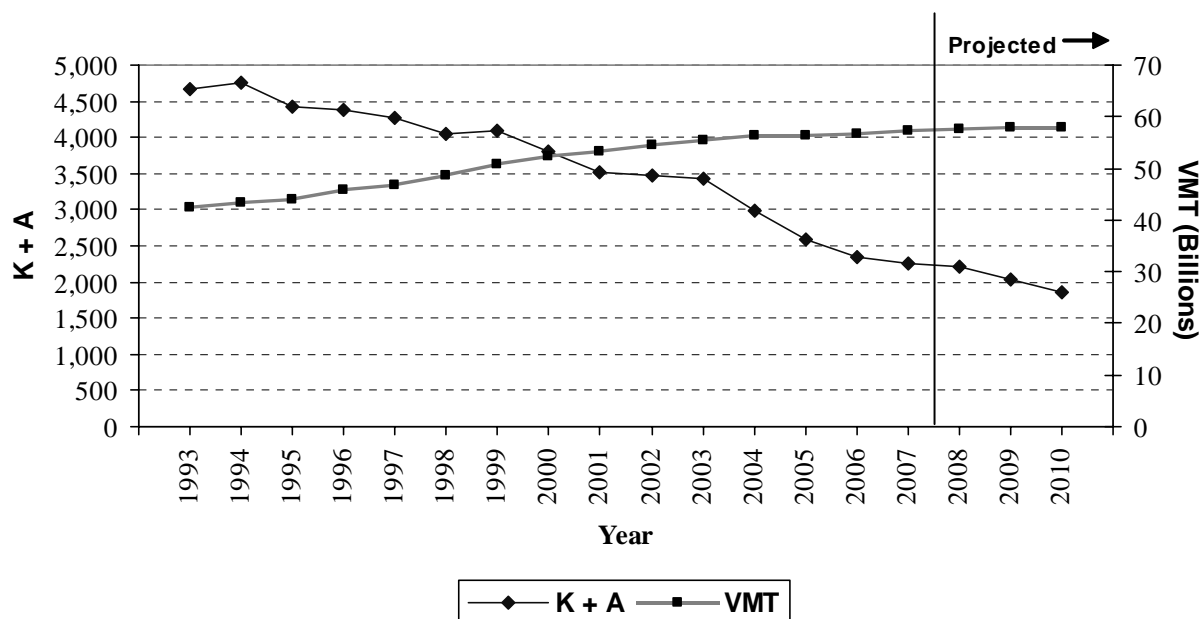
Key Program Goals

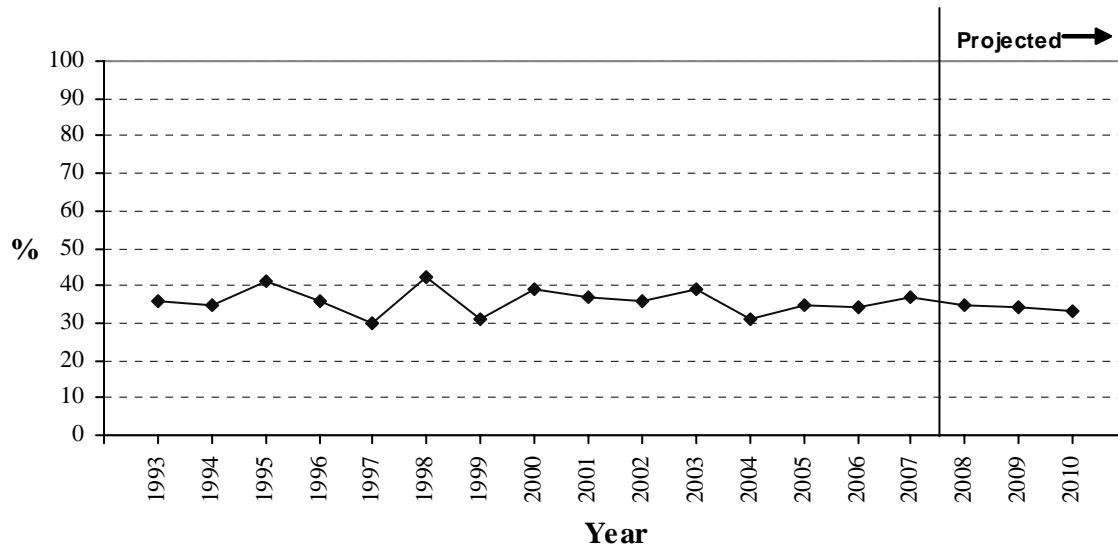
- ◆ OTS actively works towards achieving the following Minnesota Milestone: ***Minnesotans will be healthy.*** Traffic crashes are the leading cause of death for Minnesotans from the age of one through thirty-four.
- ◆ OTS will lead the implementation of the newly-structured state-wide Towards Zero Deaths (TZD) program structure.
- ◆ OTS will collaborate with other DPS divisions to improve its grant management process and develop an electronic grant management system to strengthen efficiency and better serve our partners.

Key Measures

- ◆ Reduce the number of traffic deaths and serious injuries in Minnesota
- ◆ Increase seat belt use in Minnesota
- ◆ Decrease impaired driving in Minnesota

Observed Seat-Belt Use in Minnesota

Traffic Deaths and Severe Injuries in Minnesota
Compared To Vehicle Miles Traveled (VMT)

Percentage of Minnesota Traffic Deaths Known to be Alcohol-Related**Program Funding**

Traffic Safety program is funded by a mix of special revenue funds, trunk highway fund appropriations, and federal funds. The sources of the special revenue funds are motorcycle endorsement fees on drivers' licenses (the Motorcycle Safety Account) and child restraint car seat violations (the Minnesota Child Passenger Restraint and Education Account). The trunk highway fund appropriation is a required match for receiving the federal funding.

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PUBLIC SAFETY DEPT
Program: TRAFFIC SAFETY

Program Summary

<i>Dollars in Thousands</i>					
	Current		Governor Recomm.		Biennium
	FY2008	FY2009	FY2010	FY2011	2010-11
<u>Direct Appropriations by Fund</u>					
Trunk Highway					
Current Appropriation	435	435	435	435	870
Subtotal - Forecast Base	435	435	435	435	870
Total	435	435	435	435	870
<u>Expenditures by Fund</u>					
Direct Appropriations					
Trunk Highway	273	597	435	435	870
Statutory Appropriations					
Miscellaneous Special Revenue	676	681	662	659	1,321
Federal	11,609	34,020	27,798	26,385	54,183
Gift	14	13	10	10	20
Total	12,572	35,311	28,905	27,489	56,394
<u>Expenditures by Category</u>					
Total Compensation	1,324	1,681	1,784	1,825	3,609
Other Operating Expenses	2,501	4,663	4,851	4,119	8,970
Local Assistance	8,747	28,967	22,270	21,545	43,815
Total	12,572	35,311	28,905	27,489	56,394
<u>Expenditures by Activity</u>					
Traffic Safety & Research	12,572	35,311	28,905	27,489	56,394
Total	12,572	35,311	28,905	27,489	56,394
Full-Time Equivalents (FTE)	16.1	20.0	21.0	21.0	

Program Description

The Office of Pipeline Safety (MNOPS) protects Minnesota's lives, property, and environment through the implementation of a program of gas and hazardous liquid pipeline inspections, enforcement, accident/incident investigations and education. It conducts safety inspections of all pipeline facilities as authorized by state law and the United States Department of Transportation (U.S. DOT).

Population Served

The Office of Pipeline Safety protects the public safety of all Minnesotans by inspecting over 30 municipal gas systems, ten private gas systems, over 100 total pipeline facility operators (which operate over 65,000 miles of pipelines in the state) and over 1.5 million customer meter settings.

Services Provided

Pipeline Inspections:

- ◆ Twelve pipeline inspectors are responsible for statewide inspection of the natural gas and hazardous liquid industry. As agents for the U.S. DOT, Minnesota staff inspects over 9,000 miles of interstate pipelines in addition to over 56,000 miles of intrastate pipelines.
- ◆ Staff responds to pipeline accidents and incidents, working cooperatively with the National Transportation Safety Board, U.S. DOT/ Pipeline and Hazardous Materials Safety Administration (PHMSA), and the Minnesota Pollution Control Agency.
- ◆ The Office has field personnel located in Mankato and Grand Rapids as well as St. Paul.

Damage Prevention:

- ◆ The Office promotes damage prevention, enforces the Gopher State One Call law (requires excavators to call before they dig and utility operators to mark their facilities), supports an emergency notification center, and maintains data and maps on pipelines. MNOPS conducts dig safely education seminars at several utility coordinating committees, Gopher State One-Call, public speaking opportunities, pipeline operator training and damage prevention seminars.

Historical Perspective

The Office of Pipeline Safety was created in 1987 following a major pipeline release that ignited in Mounds View. In 1991 the office became fully qualified to inspect all interstate pipelines under authority of U. S. DOT, PHMSA. As a condition of its federal pipeline grant funding the Office must continue to train its inspectors, meet federal standards, pass an annual program audit and periodic financial audits.

Federal program changes have placed increased federal inspection requirements in risk and integrity management, operator qualifications and expanded community liaison between emergency officials and pipeline operators.

Minnesota has initiated new efforts with industry to inform local communities and emergency responders about responding to pipeline incidents. The Minnesota Pipeline Community Awareness and Emergency Response program (C.A.E.R) conducted over 25 local meetings throughout the state in 2007.

The Office has identified nearly 12,000 violations and has issued over \$1.5 million in penalties since 1994.

Nationally, the MNOPS continues as a leader in its inspection program and its damage prevention education and enforcement efforts.

Program at a Glance

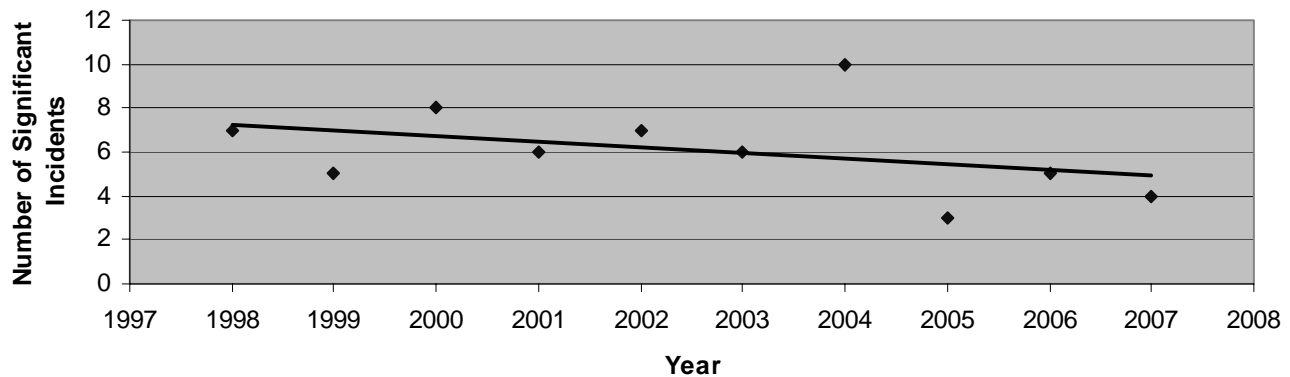
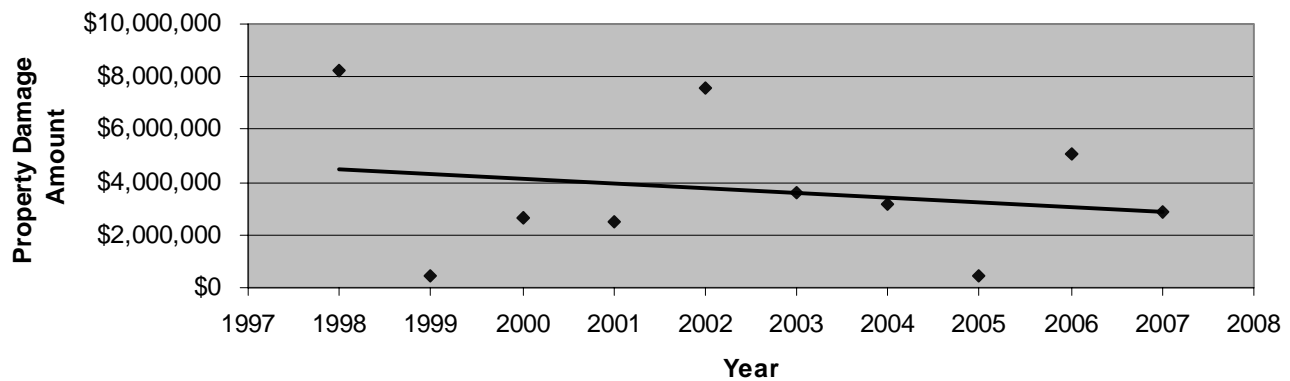
- ◆ Minnesota's 12 inspectors have over 65,000 miles of pipelines to inspect; which includes over 9,000 miles of large diameter high pressure interstate transmission pipelines.
- ◆ There are 30 municipal gas systems, ten private gas distribution systems, and 100 pipeline facility operators in Minnesota's program.
- ◆ Minnesota's Damage Prevention program conducted 91 presentations to 7,000 people in 2007.
- ◆ The Office of Pipeline Safety is funded up to 40% by U.S. Department of Transportation grant and 60% from a special revenue account.

Key Program Goals

- ♦ Minnesotans will be safe
- ♦ Minnesotans will be healthy

Key Program Measures

- ♦ The number and consequences of significant pipeline incidents will be reduced.

Minnesota Significant Pipeline Incidents**Minnesota Pipeline Related Property Damage****Program Funding**

This program is funded by a mix of special revenue funds and federal funds. The source of the special revenue funds is pipeline safety inspection fees (Pipeline Safety Account).

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PUBLIC SAFETY DEPT
Program: PIPELINE SAFETY

Program Summary

<i>Dollars in Thousands</i>					
	Current		Governor Recomm.		Biennium
	FY2008	FY2009	FY2010	FY2011	2010-11
<u>Direct Appropriations by Fund</u>					
Miscellaneous Special Revenue					
Current Appropriation	1,315	1,354	1,354	1,354	2,708
Subtotal - Forecast Base	1,315	1,354	1,354	1,354	2,708
Total	1,315	1,354	1,354	1,354	2,708
<u>Expenditures by Fund</u>					
Direct Appropriations					
Miscellaneous Special Revenue	1,004	1,354	1,354	1,354	2,708
Statutory Appropriations					
Miscellaneous Special Revenue	57	61	62	63	125
Federal	874	985	835	835	1,670
Total	1,935	2,400	2,251	2,252	4,503
<u>Expenditures by Category</u>					
Total Compensation	1,406	1,581	1,583	1,584	3,167
Other Operating Expenses	529	819	668	668	1,336
Total	1,935	2,400	2,251	2,252	4,503
<u>Expenditures by Activity</u>					
Pipeline Safety	1,935	2,400	2,251	2,252	4,503
Total	1,935	2,400	2,251	2,252	4,503
Full-Time Equivalents (FTE)	16.7	17.2	17.7	17.8	

Budget Activities

This program includes the following budget activities:

- ◆ Crime Victims Reparations
- ◆ Crime Victims Assistance Grants
- ◆ Battered Women/Shelter Service
- ◆ Law Enforcement and Community Grants

PUBLIC SAFETY DEPT

Program: OFFICE OF JUSTICE PROGRAMS

Program Summary

Dollars in Thousands					
	Current		Governor Recomm.		Biennium
	FY2008	FY2009	FY2010	FY2011	2010-11
<u>Direct Appropriations by Fund</u>					
General					
Current Appropriation	41,153	41,484	41,484	41,484	82,968
Technical Adjustments					
One-time Appropriations			(4,286)	(4,286)	(8,572)
Subtotal - Forecast Base	41,153	41,484	37,198	37,198	74,396
Total	41,153	41,484	37,198	37,198	74,396
State Government Spec Revenue					
Current Appropriation	96	96	96	96	192
Subtotal - Forecast Base	96	96	96	96	192
Total	96	96	96	96	192
<u>Expenditures by Fund</u>					
Direct Appropriations					
General	40,807	41,826	37,198	37,198	74,396
State Government Spec Revenue	96	96	96	96	192
Statutory Appropriations					
Miscellaneous Special Revenue	2,770	4,064	1,245	1,245	2,490
Federal	17,538	25,048	18,367	16,082	34,449
Total	61,211	71,034	56,906	54,621	111,527
<u>Expenditures by Category</u>					
Total Compensation	3,106	3,696	3,527	3,289	6,816
Other Operating Expenses	4,328	5,810	4,664	4,579	9,243
Local Assistance	53,777	61,528	48,715	46,753	95,468
Total	61,211	71,034	56,906	54,621	111,527
<u>Expenditures by Activity</u>					
Crime Victims Reparations	5,000	6,539	5,359	5,359	10,718
Crime Victim Assistance Grants	14,604	17,288	15,284	14,813	30,097
Battered Women / Shelter Serv	20,966	20,428	19,689	19,689	39,378
Law Enforcement & Comm. Grts.	20,641	26,779	16,574	14,760	31,334
Total	61,211	71,034	56,906	54,621	111,527
Full-Time Equivalents (FTE)	43.2	44.7	43.3	40.4	

Activity Description

The Crime Victims Reparations Program provides financial assistance to victims of violent crime. These victims suffer severe economic hardships as a result of their victimization. This program helps to lessen the impact of violent crime on victims and their family members. M.S. 611A.51-611A.67 governs this program.

Activity at a Glance

- ◆ 1,800 individuals file claims for reimbursement each year.
- ◆ \$3.1 million in claims awarded in FY 2008.

Population Served

Victims, and family members of victims, who have experienced a financial loss as a result of a violent crime are eligible to apply for reparations. Service providers may also receive reimbursement.

Services Provided

The Reparations Board makes reimbursement payments directly to victims, their families and service providers for expenses not covered by other sources. Reimbursement is provided for crime-related expenses such as medical and dental care, mental health counseling, lost wages, funeral expenses, loss of support for dependents, and childcare. A five-member board, whose membership is defined in statute, oversees the operation of the program and meets monthly to review claims. The program has a fund recovery staff that focuses their efforts on the collection of restitution and civil awards. Revenue is received from offenders ordered to pay restitution to the Crime Victims Reparations Program as part of their criminal sentence. Other funds are collected by asserting the state's subrogation rights to a portion of the proceeds of lawsuits filed by victims against offenders or other negligent parties.

Historical Perspective

The Reparations Board was created by the legislature in 1974. Since that time, over 30,000 victims of violent crime have applied for assistance. The program also provides training to service providers throughout the state to make sure that crime victims in every region receive information about the reparations program.

Key Activity Goals

- ◆ To help crime victims recover their health and economic stability by providing prompt financial assistance.
⇒ This relates to the Minnesota Milestone goal that *Minnesotans will be healthy*.
- ◆ To hold criminal offenders accountable for the costs of crime through the improved collection of restitution. This goal is contained in the Department of Public Safety 2006-2007 Strategic Plan.
⇒ http://www.dps.state.mn.us/Commissioner/2006_2007_Strategic_Plan.pdf

Key Activity Measures

- ◆ **The number of days it takes to process claims.** The reparations program would like to further reduce its excellent processing time from the current average of 106 days to the national standard of 90 days.

Activity Funding

This activity is funded by a mix of general fund appropriations, special revenue funds, and federal funds. The sources of the special revenue funds include unclaimed restitution payments held by the courts, court-ordered restitution payments and contributions from inmates' wages, and subrogation collections.

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PUBLIC SAFETY DEPT

Program: OFFICE OF JUSTICE PROGRAMS

Activity: CRIME VICTIMS REPARATIONS

Budget Activity Summary

<i>Dollars in Thousands</i>					
	Current		Governor's Recomm.		Biennium
	FY2008	FY2009	FY2010	FY2011	2010-11
<u>Expenditures by Fund</u>					
Direct Appropriations					
General	3,318	3,825	3,403	3,403	6,806
Statutory Appropriations					
Miscellaneous Special Revenue	1,052	1,261	1,095	1,095	2,190
Federal	630	1,453	861	861	1,722
Total	5,000	6,539	5,359	5,359	10,718
<u>Expenditures by Category</u>					
Total Compensation	964	1,184	1,142	1,157	2,299
Other Operating Expenses	3,708	5,032	4,067	4,052	8,119
Local Assistance	328	323	150	150	300
Total	5,000	6,539	5,359	5,359	10,718
Full-Time Equivalents (FTE)	14.5	15.6	15.2	15.2	

PUBLIC SAFETY DEPT

Program: OFFICE OF JUSTICE PROGRAMS

Activity: CRIME VICTIMS ASSISTANCE GRANTS

Narrative

Activity Description

State and federal grants for crime victim assistance are administered by the Minnesota Office of Justice Programs (OJP), Crime Victim Services and support local programs in serving crime victims across the state.

Population Served

OJP annually funds approximately 350 crime victim programs throughout Minnesota providing direct services to victims of domestic abuse, child abuse, sexual assault and/or general crime. Approximately 107,000 primary victims received services in FY 2007.

Activity at a Glance

- ◆ Approximately 350 crime victim programs received funding in FY 2007.
- ◆ Approximately 107,000 primary crime victims received services in FY 2007.
- ◆ Annually, approximately \$13.5 million in state and federal grant funds go to serve victims with *non-shelter* needs.

Services Provided

Programs funded for crime victim assistance provide a variety of services including: crisis intervention, counseling, support groups, advocacy for victims during the criminal justice process, information, referrals, transportation, reparations assistance, and child care assistance. The role of OJP is to administer funding as well as provide monitoring, evaluation, training, and technical assistance to grantees.

Historical Perspective

Minnesota has a rich history of providing services to crime victims beginning in the 1970s. Community-based services for victims of sexual assault and domestic abuse began in 1970-71, and services for victims of general crime and child abuse followed in the late 1970s and 80s. Annually, approximately \$13.5 million in state and federal grant funds are awarded to programs to provide services to victims with *non-shelter* needs. Approximately 41% of these funds go to programs serving victims of domestic abuse; 26% to sexual assault; 21% to general crime such as homicide, assault, and drunk driving; and 12% to child abuse, plus supervised visitation services. Funds support general operating costs and ensure consistent services in communities. Funding from the Minnesota state legislature was relatively consistent through FY 2001, but has fluctuated up and down since then. In FY 2008, funding is approximately \$2.5 million less than FY 2001.

Key Activity Goals

- ◆ To increase grantee program and financial management practices through monitoring, training and technical assistance
- ◆ To assist grantees in establishing effective community collaborations to ensure comprehensive services to primary and secondary crime victims.

Key Measures

- ◆ Completion of 75+ formal site visits and 50+ desk audits per year.
- ◆ Provision of board and non-profit management training for non-profit grantees.
- ◆ Integration of client satisfaction measurement tools for grantees providing direct services to crime victims.
- ◆ Development and dissemination of best practice models for all types of direct service crime victim programs.

Activity Funding

This activity is funded by a mix of general fund appropriations and federal funds.

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PUBLIC SAFETY DEPT

Program: OFFICE OF JUSTICE PROGRAMS

Activity: CRIME VICTIM ASSISTANCE GRANTS

Budget Activity Summary

<i>Dollars in Thousands</i>					
	Current		Governor's Recomm.		Biennium
	FY2008	FY2009	FY2010	FY2011	2010-11
<u>Expenditures by Fund</u>					
Direct Appropriations					
General	5,180	5,236	4,618	4,618	9,236
State Government Spec Revenue	96	96	96	96	192
Statutory Appropriations					
Miscellaneous Special Revenue	16	0	0	0	0
Federal	9,312	11,956	10,570	10,099	20,669
Total	14,604	17,288	15,284	14,813	30,097
<u>Expenditures by Category</u>					
Total Compensation	797	908	983	933	1,916
Other Operating Expenses	244	366	302	281	583
Local Assistance	13,563	16,014	13,999	13,599	27,598
Total	14,604	17,288	15,284	14,813	30,097
Full-Time Equivalents (FTE)	10.8	10.6	11.0	11.0	

Activity Description

Emergency shelter services for victims of domestic violence and their children are administered by the Office of Justice Programs (OJP), Crime Victim Services. Funding is granted to programs that provide 24-hour emergency housing and support services.

Population Served

Shelter programs are located throughout the state and serve victims of domestic abuse and their children. Of the 27 emergency shelters, 13 are located in the metropolitan area and 14 are located in greater Minnesota. Nearly all of the 31 hotel/motel/safehome programs are in greater Minnesota; four of these on tribal reservations.

Activity at a Glance

- ◆ Programs receiving shelter funding in FY 2007 include:
- ◆ 27 emergency shelters, and
- ◆ 31 hotel/motel/safehome programs.
 - ⇒ 4,926 women and 4,813 children were housed in emergency shelters for a total of 212,520 bed days.
 - ⇒ 454 women, 542 children and 16 men were housed in hotel/motel/safehome programs for a total of 4,186 bed days.

Services Provided

Emergency domestic violence shelters and hotel/motel/safehome programs are designated by OJP and must meet minimum programmatic standards of services. OJP monitors programs and services through regular site visits and desk audits. The amount of funding awarded to each shelter program is based on a formula using the shelter's licensed capacity and their average occupancy rate over three years. The amount of funding awarded to each hotel/motel/safehome program is based on a three-year average of bed days reported.

Historical Perspective

The 1997 Minnesota Welfare Reform Law transferred the powers, duties and functions relating to the operation of shelters for victims of battering from the commissioner of Human Services to the commissioner of Corrections effective 7-01-1999. Authority for the program has since transferred via Governor's Reorganization Orders No. 180 and No. 182 to the Department of Public Safety. Upon transfer of responsibility for per diem administration, funding for this service was changed from an entitlement program to a capped appropriation. In 2002, the Minnesota Legislature passed legislation that changed the per diem program to a grant program effective 7-01-2003. Beginning in FY 2004, shelter funding previously provided through the per diem program was combined with the shelter grant program and shelters receive both sources of funding through a grant contract, which reimburses allowable expenses. The number of beds funded across the state has remained consistent since FY2001, at 662.

Key Activity Goals

- ◆ To increase effective management of programs through monitoring, training and technical assistance.
- ◆ To assist grantees in collaboration efforts with local community partners for improved coordinated services to domestic violence victims and their children across Minnesota.

Key Measures

- ◆ The number of bed days in emergency shelters provided. The total of bed days for the past four years is: FY2004 = 214,389; FY2005 = 204,070; FY2006 = 204,773; FY2007 = 212,520.
- ◆ The number of bed days in hotel/motel/safehome programs provided. The total of bed days for the past four years by hotel/motel/safehome programs is: FY2004 = 3,402; FY2005 = 3,051; FY2006 = 3,492; FY2007 = 4,186.

Activity Funding

This activity is funded through a combination of general fund appropriations and federal funds.

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PUBLIC SAFETY DEPT

Program: OFFICE OF JUSTICE PROGRAMS

Activity: BATTERED WOMEN / SHELTER SERV

Budget Activity Summary

<i>Dollars in Thousands</i>					
	Current		Governor's Recomm.		Biennium
	FY2008	FY2009	FY2010	FY2011	2010-11
<u>Expenditures by Fund</u>					
Direct Appropriations					
General	20,903	20,403	19,689	19,689	39,378
Statutory Appropriations					
Federal	63	25	0	0	0
Total	20,966	20,428	19,689	19,689	39,378
<u>Expenditures by Category</u>					
Total Compensation	10	0	0	0	0
Other Operating Expenses	2	0	0	0	0
Local Assistance	20,954	20,428	19,689	19,689	39,378
Total	20,966	20,428	19,689	19,689	39,378
Full-Time Equivalents (FTE)	0.2	0.0	0.0	0.0	

PUBLIC SAFETY DEPT

Program: OFFICE OF JUSTICE PROGRAMS

Activity: LAW ENFORCEMENT & COMM. GRTS.

Narrative

Activity Description

The Office of Justice Programs (OJP), Justice and Community Grants section, administers law enforcement, criminal justice system improvement, community and youth crime prevention and Juvenile Justice Delinquency prevention program grants. The Statistical Analysis Center (SAC) is also part of this activity. The SAC (two full time employees) provides criminal and juvenile justice information, conducts research and develops reports on a variety of criminal justice topics.

Activity at a Glance

- ♦ Administered over 350 grants in FY2008-2009.
- ♦ Administered over \$17 million in FY2008-2009 in state funds.
- ♦ Administered over \$8 million in FY2008-2009 in federal funds.

Population Served

OJP staff work in partnership with state, local and tribal units of government as well as nonprofit and community organizations throughout the state of Minnesota.

Services Provided

Over 350 grants were awarded to prevent and/or reduce crime and juvenile delinquency, increase community livability and improve the criminal justice system. Staff provide grant administration services including: fiscal, administrative and program performance monitoring, training, and technical assistance.

Key Activity Goals

- ♦ To ensure proper fiscal administration and program success through monitoring, training and technical assistance.
- ♦ To provide accurate and timely criminal and juvenile justice information

Key Measures

Given the broad array of programming these grants are used for, staff and grantees work together to develop performance indicators specific to each program. The indicators include output measures such as the number of persons served, number of services provided, and amount of drugs and guns seized. They also include outcome measures such as reduced truancy and delinquency, improved sense of safety, reduced police contacts, reduced recidivism, and reduced time from arrest to case disposition. OJP has the following key measures specifically related to the administration of the grants:

- ♦ **The amount of contact with grantees.** Each year staff conducts at least one site visit with 75% of the grantees and quarterly desk audits and regular email and phone contact with 100% of the grantees. The purpose of these activities is to ensure compliance and provide technical assistance.
- ♦ **The amount of training and technical assistance provided to grantees.** Each year staff provides six training and technical assistance workshops for grantees.

Activity Funding

This program is funded by a mix of general fund appropriations, special revenue fund accounts and federal funds. The source of the special revenue funds is the Annie B. Casey Foundation for Juvenile Detention Reform and a surcharge on automobile insurance policies (the Automobile Theft Prevention Account).

Contact

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<http://www.dps.state.mn.us/ojp>

PUBLIC SAFETY DEPT

Program: OFFICE OF JUSTICE PROGRAMS

Activity: LAW ENFORCEMENT & COMM. GRTS.

Budget Activity Summary

<i>Dollars in Thousands</i>					
	Current		Governor's Recomm.		Biennium
	FY2008	FY2009	FY2010	FY2011	2010-11
<u>Expenditures by Fund</u>					
Direct Appropriations					
General	11,406	12,362	9,488	9,488	18,976
Statutory Appropriations					
Miscellaneous Special Revenue	1,702	2,803	150	150	300
Federal	7,533	11,614	6,936	5,122	12,058
Total	20,641	26,779	16,574	14,760	31,334
<u>Expenditures by Category</u>					
Total Compensation	1,335	1,604	1,402	1,199	2,601
Other Operating Expenses	374	412	295	246	541
Local Assistance	18,932	24,763	14,877	13,315	28,192
Total	20,641	26,779	16,574	14,760	31,334
Full-Time Equivalents (FTE)	17.7	18.5	17.1	14.2	

Program Description

This division includes the Statewide 9-1-1 Emergency Services activity as well as the ARMER (Allied Radio Matrix for Emergency Response) activity, a statewide integrated public safety radio and communication system. Each of these activities is described below.

ARMER/9-1-1 Activity Description

Minnesota Statewide 9-1-1 Emergency Services/ARMER oversees:

- ◆ 9-1-1 system standards;
- ◆ provides technical assistance to cities and counties to implement, maintain, and improve 9-1-1 systems;
- ◆ manages the state's share of contracted wired and wireless 9-1-1 costs authorized by M.S. 403.11;
- ◆ distributes funds to help pay for 9-1-1 Public Safety Answering Point (PSAP) improvements in accordance with M.S. 403.113;
- ◆ distributes funds for the shared public safety radio system in accordance with M.S. 403.27, 403.275 and appropriation; and
- ◆ coordinates the governance of the statewide public safety radio system (ARMER) through the Statewide Radio Board and oversees implementation of the ARMER project under an agreement with the Department of Transportation.

Program at a Glance

The following activity statistics help illustrate the size and scope of the Division of Emergency Communication Networks:

- ◆ 100% statewide 9-1-1 coverage;
- ◆ Enhanced wireless 9-1-1 coverage from all wireless carriers in Minnesota;
- ◆ 9-1-1 calls are answered at 105 local PSAPs and 10 regional State Patrol PSAPs.
- ◆ Full implementation of local enhancements to the ARMER backbone in the seven county metropolitan area planned for 2008.
- ◆ Implementation of ARMER backbone in Phase Three (23 counties in southeastern and central Minnesota) complete in 2009.
- ◆ Site development work for ARMER Phases 4, 5, and 6 started in Fall of 2008 with substantial completion by the end of 2012.

Population Served

The universal emergency 9-1-1 number is available throughout the state of Minnesota, including border exchanges where callers are served by telephone exchanges from an adjoining state. Enhanced 9-1-1, with Automatic Location Identification (specific location of landline callers), covers virtually all of the Minnesota population. For wireless telephones, FCC rules (Title 47, CFR 20.18) require the wireless carriers to put all 9-1-1 calls through to a PSAP, even if the cellular caller is a non-subscriber. FCC required Phase I Enhanced Wireless 9-1-1 service (general location and callback number of the cellular 9-1-1 caller) and Phase II service (caller's location in latitude and longitude) are also available to virtually all of Minnesota's PSAPs.

With the implementation of Phase Three of the ARMER system the backbone will provide basic public safety communication in 32 of 87 counties. The backbone provides interoperable communication coverage for approximately 85% of the state's population. In addition to local implementation in the metropolitan area, Olmsted (city of Rochester), Stearns (city of St. Cloud), Itasca, and Sherburne Counties, three additional counties are in the process of replacing their existing legacy communication systems and migrating to ARMER.

Services Provided

For budget purposes 9-1-1 costs can be viewed as several related activities required by M.S. Chapter 403:

About 40% of the costs are to pay 9-1-1 network, database, and wireless charges:

- ◆ 9-1-1 Network and Database Costs – The recurring costs of delivering 9-1-1 calls, with the associated location information, to PSAPs operated by county and other government agencies.
- ◆ Wireless Enhanced 9-1-1 Costs – The installation and recurring costs for integrating wireless 9-1-1 calls into the Enhanced 9-1-1 networks for Phase I service. Funding for Phase II service is not covered in existing statutes.
- ◆ Part of the Department of Public Safety PSAP operating costs – These costs cover Minnesota State Patrol expenses for handling 9-1-1 emergency calls made from cellular phones.

About 20% of the costs are to fund grants to Public Safety Answering Points and the Minnesota Emergency Medical Services Regulatory Board:

- ◆ Enhanced 9-1-1 Grant Costs – Grants to county and other government agencies operating public safety answering points to implement, improve, and maintain 9-1-1 systems based upon M.S. 403.113 and appropriated amounts.
- ◆ MRCC Grant Costs – Grants to the Metro East and Metro West Medical Resource Communication Centers was authorized in 2005. The grants are administered by the Emergency Medical Services Regulatory Board as provided in the appropriation.

About 20% of the costs are to fund costs related to the ARMER program:

- ◆ Statewide Public Safety Radio 9-1-1 Revenue Bonds – A portion of the 9-1-1 fee is used to fund the 9-1-1 revenue bonds used to fund capital costs of the ARMER program.
- ◆ Other ARMER program expenses – A portion of the 9-1-1 fee is allocated to the Statewide Radio Board for costs related to implementing the ARMER program.

About 1.5% of the costs fund salaries for seven full-time equivalent positions and administrative expenses.

All Incumbent Local Exchange Carriers (ILECs) and existing wireless carriers are integrated into the 9-1-1 systems. The competitive local exchange carriers, new wireless carriers and emerging Voice over Internet Protocol (VoIP) telecommunication technologies require connections to 9-1-1 networks as their networks expand and mature. Work continues to provide and maintain wireless Phase II Enhanced 9-1-1 from all wireless carriers to all 87 counties.

Key Program Goals

- ◆ Complete audit of existing End Office (ES trunk) carrier trunks and compare against carrier contracts
- ◆ Complete host/remote End Office trunk audit and complete reduction and contract revision with various carriers
- ◆ Complete Next Generation 9-1-1 request for proposal and analyze responses
- ◆ Complete ARMER local assessments for each remaining county
- ◆ Assist local officials in developing Joint Powers Radio Boards in all regions of the state
- ◆ Collect communication infrastructure information from all local and county public safety agencies for TIC plan development
- ◆ Identify equipment for Minnesota's Strategic Technical Reserve

Key Measures

- ◆ 9-1-1 – Phase I Enhanced Wireless 9-1-1 service is available from all eight wireless carriers among all 87 counties in Minnesota.
- ◆ 9-1-1 – The number of PSAPs have declined from 129 to 115 with the consolidation of the Ramsey County and Dakota County consolidations.
- ◆ 9-1-1 – One hundred fourteen PSAPs (including 10 State Patrol PSAPs) have attained tandem selective router Enhanced 9-1-1 with Automatic Location Identification (ALI), where 9-1-1 calls are sent to PSAPs by a selective router switch, and the location of the caller is determined from a remote database that is automatically updated based on telephone subscriber records. There is only one PSAP operating with Local Location Identification (LLI), however, they have initiated the planning process to convert to the tandem selective router.
- ◆ 9-1-1 – Planning for the implementation of a next generation internet protocol based 9-1-1 network.
- ◆ ARMER – Regionally based county specific studies in the remaining 46 counties that haven't completed a radio communications analysis will be completed in the spring of 2009.
- ◆ ARMER – With the recent transition of Scott and Washington counties the seven-county metropolitan area has completed migrated to the ARMER system.

- ◆ ARMER – Phase Three implementation of the ARMER backbone is significantly complete with final completion slated for spring 2009.

Activity Funding

This activity is funded through a subscriber fee in the state government special revenue fund. Funds are collected through a monthly statewide subscriber fee that is not less than eight cents nor more than 75 cents per month on each customer access line, including cellular and other non-wire access services. The commissioner of Public Safety sets the amount of the subscriber fee (currently 65 cents) with the approval of the commissioner of Finance.

Contact

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PUBLIC SAFETY DEPT

Program: EMERG. COMMUNICATION NETWORK

Program Summary

Dollars in Thousands					
	Current		Governor Recomm.		Biennium
	FY2008	FY2009	FY2010	FY2011	2010-11
<u>Direct Appropriations by Fund</u>					
State Government Spec Revenue					
Current Appropriation	55,681	50,385	50,385	50,385	100,770
Technical Adjustments					
Current Law Base Change			7,654	13,358	21,012
Subtotal - Forecast Base	55,681	50,385	58,039	63,743	121,782
Total	55,681	50,385	58,039	63,743	121,782
<u>Expenditures by Fund</u>					
Direct Appropriations					
State Government Spec Revenue	34,896	39,114	58,039	63,743	121,782
Statutory Appropriations					
Miscellaneous Special Revenue	6	0	0	0	0
Federal	488	3,610	2,877	1,440	4,317
Total	35,390	42,724	60,916	65,183	126,099
<u>Expenditures by Category</u>					
Total Compensation	509	603	622	641	1,263
Other Operating Expenses	15,927	24,157	21,370	20,024	41,394
Local Assistance	18,954	17,964	14,214	14,104	28,318
Transfers	0	0	24,710	30,414	55,124
Total	35,390	42,724	60,916	65,183	126,099
<u>Expenditures by Activity</u>					
911 Emergency Services	35,390	42,724	60,916	65,183	126,099
Total	35,390	42,724	60,916	65,183	126,099
<u>Full-Time Equivalents (FTE)</u>					
	6.4	8.0	8.0	8.0	

Program Description

The Minnesota Board of Firefighter Training and Education (MBFTE) supports the fire service in Minnesota with oversight, qualifications and review of training and education.

Population Served

Minnesota career, paid-on-call and volunteer firefighters, fire departments and firefighter trainers and educators are served by the MBFTE. There are approximately 18,000 to 20,000 firefighters in Minnesota.

Services Provided

The MBFTE was created to review fire service training needs and make recommendations on training to Minnesota fire service organizations, establish standards for educational programs for the fire service and develop procedures for continuing oversight of the programs, and establish qualifications for fire service training instructors in programs established affected by those educational programs. Under statute the board may hire or contract for technical or professional services, pay expenses necessary to carry out its duties, apply for, receive, and accept grants, gifts, devises, and endowments that any entity may make to the board for the purposes of this chapter and may use any money given to it consistent with the terms and conditions under which the money was received and for the purposes stated, make recommendations to the legislature to improve the quality of firefighter training, collect and provide data, conduct studies and surveys and make reports, and conduct other activities necessary to carry out its duties.

Program at a Glance

The MBFTE reviews fire service training needs and makes recommendation on training to Minnesota fire service organizations, establishes standards for education program and develops procedures for continuing oversight of the programs.

- ◆ Reimbursement of funds to firefighters for training.
- ◆ Develops standards for training and education in Minnesota.

Historical Perspective

The MBFTE was created by the Minnesota state legislature in 2000 with a sunset date of 12-31-2003. The 2005 Minnesota state legislature revived and reenacted the Board. In July 2008 the MBFTE hired an Executive Director team.

Key Program Goals

- ◆ Actively works towards achieving the following two Minnesota Milestones: **“Minnesota’s workforce will have the education and training to make the state a leader in the global economy.”** and **“Our communities will be safe, friendly and caring.”**
- ◆ Establish a list of qualified instructors for fire service training with the qualifications required by NFPA 1041: Standard for Fire Service Instructor Professional Qualifications.
- ◆ Develop a reimbursement program for funding firefighter education and training using the funds allocated from the Fire Service Advisory Committee.

Key Program Measures

- ◆ A list of qualified instructors for fire service training and approved classes by National Fire Protection Association, National Fire Academy and OSHA standards was created.
- ◆ The reimbursement program was accessible and communication about the program was aimed at all Minnesota firefighters.
- ◆ Funds for firefighter training and education were distributed with special attention to paid to geographic fairness and equity.
- ◆ The MBFTE produced documentation demonstrating the benefit of firefighter training and education funding to the Minnesota.

Program Funding

In the summer of 2007 homeowners began paying a new "Fire Safety Surcharge" when they renewed their homeowner's insurance premiums. This surcharge is separately stated on their premium notice and is equal to .65% of their overall premium. Business owners also pay this rate on their business insurance lines. The new Fire Safety Surcharge was the result of legislation passed in 2006 that called for the repeal of the Fire Marshal Tax, which had been collected for more than 70 years but was hidden from consumers because it was included in the price of premiums. The repeal of the hidden tax along with the addition of the new surcharge means most homeowners will only pay slightly more overall than they had been paying in the past; estimated at about \$1 more than they had in the past because of the changes.

Money raised by the new surcharge goes into the Fire Safety Account which pays for the majority of the budget of the Minnesota State Fire Marshal's office, the MBFTE and for grants that will be used to pay for fire related regional response team programs and other fire service programs that have potential for statewide impact.

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PUBLIC SAFETY DEPT

Program: MN FIREFIGHTERS TRNG. & EDUC.

Program Summary

<i>Dollars in Thousands</i>					
	Current		Governor Recomm.		Biennium
	FY2008	FY2009	FY2010	FY2011	2010-11
<u>Expenditures by Fund</u>					
Direct Appropriations					
Miscellaneous Special Revenue	0	1,089	0	0	0
Total	0	1,089	0	0	0
<u>Expenditures by Category</u>					
Other Operating Expenses	0	245	245	245	490
Local Assistance	0	844	1,055	1,055	2,110
Transfers	0	0	(1,300)	(1,300)	(2,600)
Total	0	1,089	0	0	0
<u>Expenditures by Activity</u>					
Mn Firefighters Trng. & Educ.	0	1,089	0	0	0
Total	0	1,089	0	0	0

PUBLIC SAFETY DEPT

Agency Revenue Summary

Dollars in Thousands

	Actual FY2008	Budgeted FY2009	Governor's Recomm. FY2010 FY2011		Biennium 2010-11
<u>Non Dedicated Revenue:</u>					
Departmental Earnings:					
General	19,355	19,544	18,635	18,635	37,270
Trunk Highway	2,124	2,385	560	560	1,120
Environmental	9,896	9,700	9,700	9,700	19,400
Other Revenues:					
General	69	78	78	78	156
Trunk Highway	4,750	6,221	6,221	6,221	12,442
Highway Users Tax Distribution	1,186	1,039	1,039	1,039	2,078
Taxes:					
General	185,511	107,093	69,835	30,119	99,954
Highway Users Tax Distribution	680,245	667,557	747,524	856,291	1,603,815
Transit Assistance	7,691	7,095	14,896	17,666	32,562
Total Non-Dedicated Receipts	910,827	820,712	868,488	940,309	1,808,797
<u>Dedicated Receipts:</u>					
Departmental Earnings (Inter-Agency):					
General	1,236	1,438	1,438	1,438	2,876
Departmental Earnings:					
General	1,444	1,440	1,440	1,440	2,880
State Government Spec Revenue	52,157	52,157	59,790	67,935	127,725
Miscellaneous Special Revenue	81,202	96,802	93,974	94,091	188,065
Trunk Highway	4	5	5	5	10
Grants:					
Miscellaneous Special Revenue	1,507	1,594	1,422	1,442	2,864
Federal	88,614	156,329	99,570	86,764	186,334
Other Revenues:					
General	31	34	34	34	68
State Government Spec Revenue	11	0	0	0	0
Miscellaneous Special Revenue	10,447	13,543	11,037	11,098	22,135
Trunk Highway	7	7	7	7	14
Federal	399	346	160	74	234
Reinvest In Minnesota	3,623	3,606	3,606	3,606	7,212
Gift	125	107	105	105	210
Other Sources:					
Miscellaneous Agency	4,545	4,968	4,968	4,968	9,936
Total Dedicated Receipts	245,352	332,376	277,556	273,007	550,563
Agency Total Revenue	1,156,179	1,153,088	1,146,044	1,213,316	2,359,360

Agency: Public Safety, Department of (DPS)**PROGRAM: Administration & Related Services****PROGRAM DESCRIPTION:**

National Highway Traffic Safety Administration (NHTSA) Highway Safety Grants. These programs are designed to reduce the number and severity of traffic crashes that occur in Minnesota by changing driver behavior. They include funding to the communications activity for information and public education awareness campaigns.

NHTSA Highway Safety Paid Media Grant. This grant was designed to reduce the number and severity of traffic crashes that occur in Minnesota by changing driver behavior through advertising.

Homeland Security. This program provides grant monies to fund homeland security preparedness and prevention activities through external communication dealing with homeland security topics.

CHANGES TO PROGRAM FUNDING OR GUIDELINES:

No changes are anticipated.

FUNDS AT RISK:

None

PROGRAM: Homeland Security and Emergency Management (HSEM)**PROGRAM DESCRIPTION:**

Disaster Assistance Grants (Public Assistance). This funding is provided to the state after a presidential declaration of a major disaster. The public assistance program provides assistance to local governments, state agencies, Indian Tribes and eligible private-non-profit entities to cover 75% of emergency costs and infrastructure repair/replacement costs resulting from the disaster.

- **Individuals and Households Program (IHP).** Following a presidential declaration of a major disaster, this program provides assistance to eligible disaster victims for serious needs and necessary expenses caused by the disaster. Other individual assistance programs are also available for disaster unemployment and crisis counseling. The federal government contribution to the IHP is 75%; the state is obligated to pay the remaining 25% share.

Emergency Management Performance Grant (EMPG). This program supports state emergency planning, training, and exercise programs. It also supports hazard mitigation, operational readiness, and regional support, including grants to counties to support local emergency management programs.

Hazardous Materials Emergency Preparedness (HMEP). This program supports hazardous materials incident preparedness-related planning, training, and exercises, local public safety support group development, and special projects that involve hazardous materials accident/incident preparedness.

Hazard Mitigation Grant Program (HMGP). This program provides assistance to local governments, state agencies, and eligible private, non-profit entities to fund activities/projects that will reduce the impact of future disasters.

Pre-Disaster Hazard Mitigation Program. This program provides funding to States and communities for cost-effective hazard mitigation activities that reduce injuries, deaths, and property damage.

National Oceanic and Atmospheric Administration (NOAA) Weather Radio. This program provides funding to maintain transmitter sites located throughout the state for NOAA weather radio broadcasts.

Homeland Security. This program provides funding for a number of homeland security preparedness and prevention activities through planning and training, equipment acquisitions and exercises:

- **Buffer Zone Protection Program.** Increase preparedness capabilities of jurisdictions responsible for safeguarding critical infrastructure sites and key resources assets, such as chemical facilities and nuclear power plants, through planning and equipment purchases.
- **Transit Security Grant Program.** Protect critical transit infrastructure from terrorism.
- **Port Security Grant.** Protect critical infrastructure from terrorism through training and exercises, enhance maritime domain awareness and risk management capabilities to protect against improvised explosive devices and other non-conventional weapons.
- **Operation Stonegarden.** Enhance law enforcement and border security operations with states bordering Canada.
- **Public Safety Interoperable Communications Grant.** Assist public safety agencies in the acquisition of, deployment of, or training for the use of interoperable communications systems that can utilize or enable interoperability with communications systems that can utilize reallocated public safety spectrum for radio communications.

Minnesota School Safety Center (MnSSC). This program is an essential school safety resource for schools, law enforcement and community partners that provide information, guidance, training and technical assistance on Prevention, Preparedness, Response and Recovery and its endeavors are supported by extensive research and development of best practices for facilitating safe school environments.

CHANGES TO PROGRAM FUNDING OR GUIDELINES:

No changes are anticipated.

FUNDS AT RISK:

None

PROGRAM: Bureau of Criminal Apprehension (BCA)

PROGRAM DESCRIPTION:

Forensic DNA Programs. The goals and objectives of these programs are to improve infrastructure and analysis capacity so that DNA samples can be processed efficiently and cost-effectively and to provide needed support to allow the lab to process backlogged DNA cases that would otherwise not be analyzed in a timely manner.

National Forensic Science Improvement Act (NFSIA). This program provides funding to the forensic science laboratory for improved efficiency and productivity of operations. This funding is available for non-DNA related casework.

COPS Methamphetamine. These funds are provided to reduce methamphetamine use in Minnesota. Funding is used to assist local law enforcement agencies by providing technical assistance and, where local jurisdictions do not have adequate funds, the grant may provide local law enforcement agencies with investigative related equipment and methamphetamine lab clean up supplies and materials.

COPS Child Sexual Predator. These funds will enhance the capabilities of the Internet Crimes Against Children task force through increased investigative resources, training, and equipment that will provide for additional investigations of child sexual predators throughout the state.

Marijuana Eradication. These funds are used in locating and eradicating illicit cannabis plants and in the investigation and prosecution of cases before the courts of the United States and the courts of the state of Minnesota involving controlled substances.

National Highway Traffic Safety Administration NHTSA 164 Repeat DWI Offender. Partially funds an eCharging Service that will allow for routing, temporary retention, filing and printing on demand of all charging

documents (including electronic signature) for all felony, gross misdemeanor and statutory misdemeanor cases including DWI cases. The system will allow for filing forms required to take administrative action to revoke a person's driver license.

Minnesota Justice Information System (MNJIS) – 2008 Congressional Appropriation (COPS). These funds are to implement pilot projects for the Name Event Index Service (NEIS) and the electronic Charging Service (eCharging).

Minnesota Joint Analysis Center (MNJAC). Funding supports coordination of information sharing functions between federal, state, local and tribal law enforcement agencies as well as other public safety agencies and the private sector. MNJAC collects, evaluates, analyzes and disseminates information regarding organized criminal, terrorist and all-hazards activity in the state while complying with state and federal law to ensure the rights and privacy of all.

CHANGES TO PROGRAM FUNDING OR GUIDELINES:

No changes are anticipated.

FUNDS AT RISK:

None

PROGRAM: State Patrol

PROGRAM DESCRIPTION:

Motor Carrier Safety Assistance Program (MCSAP). This is an assistance program for state commercial vehicle enforcement activities, including roadside driver and vehicle inspections, traffic enforcement, motor carrier review audits, public safety data management, and training. The Federal Motor Carrier Safety Administration (FMCSA) may have high priority projects to target, and it allows States to compete for special supplemental research and development projects. Individual grants are requested and approved throughout the year. New Entrant Safety Assurance Program (NESAP) grant establishes requirements to improve the safety performance of new US and Canadian motor carriers. Border Grants ensure that commercial motor vehicles operating within the international border region perform in a safe manner and do not transport contraband materials. Commercial Vehicle Analysis Reporting System (CVARS) ensure that commercial motor vehicle crash data is accurate and is moved from the state to the federal office in a timely manner.

National Highway Traffic Safety Administration (NHTSA) grants. These are grants issued through the DPS Office of Traffic Safety (OTS) and provides funding Operation NightCAP and Drug Recognition Experts. The State Patrol also administers grants to local agencies under operation NightCAP to enforce DWI laws.

Surface Transportation Act - Red-dyed fuel grant. This is a grant issued through the Minnesota Department of Transportation from the Surface Transportation Act funding to facilitate the inspection of fuel used in motor vehicles for on-highway use to ensure proper fuel taxes have been applied.

Federal Transit Authority. This grant provides funding to obtain consultants services to perform a review and analysis of the safety and security of Minnesota's Light Rail Transit (LRT) operations and procedures.

Highway Enforcement of Aggressive Traffic Program (HEAT). This program is funded by NHTSA and administered by the Minnesota Department of Transportation and the Minnesota State Patrol and provides for enhanced speed enforcement saturations on a statewide basis and is a key tool in the Toward Zero Deaths (TZD) effort.

Bullet Proof Vest Partnership (BVP). This program funds up to 50% of the cost of each vest purchased or replaced by the State Patrol for State Troopers.

CHANGES TO PROGRAM FUNDING OR GUIDELINES:

The MCSAP has been authorized from 2005 through 2011 by (Safe, Accountable, Flexible, Efficient Transportation Safety Equity Act: A Legacy for Users (SAFETY LU). Each year the FMCSA requests Congress to allocate the funds that were authorized. Requests are usually approved for an amount lower than requested. Congress has also earmarked certain funds dedicated to certain activities within truck and bus safety. Special projects and dedicated funds have been combined in the basic grant allocations. MCSAP funds have been authorized to increase 10% by 2011.

FUNDS AT RISK:

The status of the MCSAP program for FFY 2009 and beyond is not known for certain pending action by the Congress.

PROGRAM: Driver and Vehicle Services (DVS)

PROGRAM DESCRIPTION:

Commercial Drivers License Information System (CDLIS) Process Improvement. The grants will be used to target technical modifications to the State's database in order to meet CDLIS specifications and pass structured testing, to achieve compliance with the requirements of unresolved elements of the Motor Carrier Safety Improvement Act of 1999 (MCSIA), and to address the findings of the CDL audits.

Commercial Drivers License (CDL) Fraud Prevention. The grant will be used to assist staff in the verification of identity and residency documents while processing Driver's License and Identification applications.

Performance and Registration Information Systems Management (PRISM). The grant will be used by DVS to enable and enhance Minnesota's existing PRISM program by replacing Minnesota's existing Commercial Vehicle Information Exchange Window (CVIEW) carrier and vehicle reporting capabilities with PRISM's pilot architecture.

Social Security Number Verification. The grant objective is to reduce, detect and prevent license fraud and improve traffic safety. Verifications will be performed online that will allow for real-time verifications at the applicant's first point of service.

Facial Characteristic Recognition (FCR). The grant will be used to conduct a one-time facial recognition scrub of all photo images in the current Minnesota database and to hire temporary staff to process facial recognition comparison scrub results and assist in improving data quality of Minnesota driving records.

Crash Data Proponent. The grant objective is to hire a full time employee to coordinate crash data-related projects within DVS to ensure that crash records are meeting the standards related to accuracy, completeness and timeliness.

Real ID Demonstration. The grant will be used to enhance current business processes, further investigate conflicting information within DVS records, and deploy technology to ensure that driver's license data is accurate and secure in order to authenticate an applicant's identity for use in the Minnesota licensing system as well as to share information with other licensing jurisdictions.

CHANGES TO PROGRAM FUNDING OR GUIDELINES:

No changes are anticipated.

FUNDS AT RISK:

None

PROGRAM: Alcohol & Gambling Enforcement Division (AGED)

PROGRAM DESCRIPTION:

Youth and Alcohol Prevention. This program provides assistance to local law enforcement to conduct compliance checks of liquor retailers, investigate and charge adult providers of alcohol to minors, and conduct surveillance of under age drinking at events.

CHANGES TO PROGRAM FUNDING OR GUIDELINES:

No changes are anticipated.

FUNDS AT RISK:

None

PROGRAM: Office of Traffic Safety (OTS)

PROGRAM DESCRIPTION:

The vast majority of programs conducted by the Office of Traffic Safety are designed to reduce the number and severity of traffic crashes that occur in Minnesota by changing driver behavior.

National Highway Traffic Safety Administration NHTSA 402 Traditional: Plan, coordinate, implement, encourage, monitor, and evaluate traffic safety programs designed to change driver behavior; provide grant funds to governmental agencies so they can conduct related programs. Also includes Hazard elimination projects at MnDOT with 164HE funding.

NHTSA 164AL and 164PM Repeat DWI Offender: Support state and local activities to improve operations related to DWI including paid media.

NHTSA 406 Seat Belt Performance Incentive: Funds may be used for any program eligible for 402 activities.

NHTSA 410 Impaired Driving: Support state and local activities related to reducing the incidence of impaired driving.

NHTSA CODES: Support state activities related to integrating crash records with hospital records.

Fatal Accident Reporting System (FARS): Collect, analyze, code, and contribute information on Minnesota's fatal traffic crashes to the national FARS database maintained by NHTSA.

NHTSA 2010 Motorcycle: Support state and local activities related to motorcycle safety.

NHTSA 408 Information Systems: Support state and local activities related to improving traffic crash data collection, analysis, and reporting systems.

Department of Justice, (DOJ), Office of Juvenile Justice & Delinquency Prevention (OJJDP): Support state and local activities related to limiting minors' access to alcohol and upholding underage drinking laws.

CHANGES TO PROGRAM FUNDING OR GUIDELINES:

NHTSA programs are currently provided to states under the guidelines developed in SAFETY LU (Safe, Accountable, Flexible, Efficient Transportation Equity Act: A Legacy for Users). Those basic guidelines describe the hard and soft matching funds required for each program, set the minimum amount of program expenditures that must be for the benefit of local units of government, define what states must do to qualify for each program, and establish the amount of funds potentially available to states under the program. The current congressional authorization for SAFETY LU ends on September 30, 2009.

FUNDS AT RISK:

NHTSA 164AL and 164PM Repeat DWI Offender: Funds are available to DPS because they were transferred from DOT. This transfer will not continue if prescribed sanctions for repeat DWI offenders are enacted.

DOJ/OJJDP: Unlike the majority of NHTSA programs, this program is authorized on a year-to-year basis. Funding beyond FFY2008 is not promised or guaranteed.

All NHTSA Programs: Congress authorizes NHTSA programs as part of the Transportation bill done every five to seven years. The present authorization, referred to as SAFETY-LU, runs out on September 30, 2009. While the FARS, 402 basic and 410 impaired driving programs are long standing and are expected to continue, there is much less certainty regarding the 164 repeat offender transfer funds, the 2010 motorcycle safety funds and the 408 data systems funds. The 406 seat belt incentive funds are a one-time windfall that will be available until they are all expended and will not be available again.

PROGRAM: Office of Pipeline Safety (OPS)

PROGRAM DESCRIPTION:

Pipeline Safety Operations. This program inspects intrastate and interstate pipelines and investigates pipeline failures, incidents and accidents.

One Call Grant. This program is to increase enforcement and education about the Gopher State One Call Law.

State Damage Prevention Grant. This program is to increase enforcement and education about the Gopher State One Call Law.

CHANGES TO PROGRAM FUNDING OR GUIDELINES:

No changes are anticipated.

FUNDS AT RISK:

None

PROGRAM: Office Of Justice Programs (OJP)

PROGRAM DESCRIPTION:

Approximately 35% of the OJP budget is federal grant funds that support a variety of programs including crime victim service, crime victim compensation, law enforcement, criminal and juvenile justice system improvements, juvenile delinquency prevention and intervention and data analysis. Local programs may receive both state and federal funds to support their programs. OJP provides training, technical assistance as well as financial and programmatic monitoring on all grants to ensure program success and appropriate expenditure of funds.

Victims of Crime Act (VOCA), Victim's Compensation Grant is received annually from the U.S. Department of Justice. Funds are used to reimburse crime victims and their family members for financial losses incurred due to a crime involving personal injury or death. The VOCA compensation grant is a match of state spending, and the match level is 60%.

Victims of Crime Act (VOCA) grant is received annually from the U.S. Department of Justice, Office for Victims of Crime. This grant funding is distributed to victim services programs for direct services such as crisis intervention, counseling, transportation and advocacy. The award has decreased 7% over the last two years. VOCA requires a 20% match.

Violence Against Women Act (VAWA) grant is received annually from the U.S. Department of Justice, Office of Victims of Crime. These funds are for projects to improve law enforcement and prosecution strategies and victim services in cases involving violence against women. VAWA requires a 25% match.

Minnesota Department of Health grant has been awarded to OJP over the past several years to support rape prevention programs and services for victims of sexual assault. The funding originates from the U.S. Department

of Health and Human Services. The Minnesota Department of Health is reevaluating the use of this funding beyond this current year.

Family Violence Prevention Services Act (FVPSA) grant is received annually from the U.S. Department of Health and Human Services. Grant funds are for emergency shelter and related assistance for battered women and their children. The amount of the grant has remained at approximately the same level for several years. FVPSA requires a 20% match.

Edward Byrne Justice Assistance Grant Program (JAG), Bureau of Justice Assistance (BJA). These funds may be used to support activities to prevent and control crime and improve the functioning of the criminal justice. This grant program has been reduced by 88% since 2004.

Project Safe Neighborhood (PSN). These funds are **used to support** a comprehensive, strategic approach to reducing gang and gun violence.

Residential Substance Abuse Treatment for State Prisoners (RSAT). These funds are provided for developing and implementing residential substance abuse treatment programs in correctional facilities. The FFY 2008 award is a reduction of 70% since 2005. RSAT requires a 25% match.

Statistical Analysis Center. This \$50,000 annual award is designed to maintain and enhance the state's capacity to address criminal justice issues through collection and analysis of data.

Executive Office of Weed and Seed (EOWS). The purpose of this program is to assist neighborhoods in "weeding out crime" and "seeding" community livability and vitality.

Paul Coverdell Forensics Grant. The purpose of this grant program is to improve forensics laboratory and medical examiner services.

Juvenile Justice Title II. This is an annual formula award to assist states to reach goals established in a Three-Year Plan, to comply with the four core requirements of the federal Juvenile Justice and Delinquency Prevention Act, and to fund a State Advisory Group that advises the Governor on juvenile justice issues. A dollar for dollar match is required for the administrative portion of this award.

Juvenile Justice Title V. The purpose of this program is to fund collaborative, community-based delinquency prevention efforts.

Juvenile Accountability Block Grant (JABG). This is an annual formula award to help states establish programs that promote greater juvenile justice system accountability. Seventy-five percent of this funding must be distributed to local units of government in a formula that weighs crime data and juvenile justice expenditures. Minnesota's JABG funds have been reduced by 73% since FFY 2004. JABG requires a 10% match.

CHANGES TO PROGRAM FUNDING OR GUIDELINES:

The amount of federal funding varies from year to year and most programs have been significantly reduced over the last five years.

Reparations and victims assistance programs rely on the Victims of Crime Act (VOCA) funds which are derived from the amount of fine money collected by the federal government and deposited into the dedicated federal crime victims fund. Although deposits have increased in recent years, Congress has put a cap on the amount that can be spent.

FUNDS AT RISK:

The JAG, PSN, Weed & Seed, and RSAT programs have the highest risk of elimination.

PROGRAM: Emergency Communications Network (ECN)**PROGRAM DESCRIPTION**

Public Safety Interoperable Communications (PSIC). Funds are provided to assist public safety agencies in the acquisition of, deployment of, or training for the use of interoperable communications systems that can utilize or enable interoperability with communications systems. Funding provides grants to assist public safety agencies in the planning and coordination associated with, acquisition of, deployment of, or training for the use of interoperable communications equipment, software and systems.

CHANGES TO PROGRAM FUNDING OR GUIDELINES:

No changes are anticipated.

FUNDS AT RISK:

None

Federal Funds Summary

Federal Program (\$ in Thousands)	Related SFY 2008 Spending	Primary Purpose	SFY 2008 Revenues	SFY 2009 Revenues	Estimated SFY 2010 Revenues	Estimated SFY 2011 Revenues
Financial Services	13	SO	18	13	6	6
Information and Public Education – National Highway Traffic Safety Administration (NHTSA)	0	SO	314	437	444	444
Paid Media	0	SO	1,383	1,860	1,860	1,860
Homeland Security Public Information	0	SO	79	63	63	66
Motorcycle Safety Public Information	0	SO	54	22	0	0
01 Administration & Related	13		1,848	2,395	2,373	2,376
Disaster Assistance Grants	3,761	SO/GPS/GI/ GCBO	22,146	28,249	356	365
Emergency Management Performance (EMPG)	954	SO/GPS	4,002	4,588	4,503	4,503
Hazardous Materials Emergency Preparedness (HMEP)	0	SO/GPS	238	147	444	444
Hazard Mitigation Grants (HMGP)	145	SO/GPS	1,998	4,425	48	52
Pre-Disaster Mitigation	0	GPS	190	627	256	113
National Oceanic and Atmospheric Administration (NOAA) Weather Radio	0	SO	105	34	78	78
Homeland Security Grants	0	SO/GPS	16,088	44,414	32,525	24,937
Minnesota School Safety Center	0	SO	257	491	507	519
02 Homeland Security & Emergency Management	4,860		45,024	82,975	38,717	31,011
Forensic Laboratory DNA Programs	0	SO	572	891	146	0
Analysis, Comparison, Evaluation & Verification (ACEV)	0	SO	2	0	0	0
National Forensic Science Improvement ACT (NFSIA)	0	SO	122	178	36	0

Federal Funds Summary

Federal Program (\$ in Thousands)	Related SFY 2008 Spending	Primary Purpose	SFY 2008 Revenues	SFY 2009 Revenues	Estimated SFY 2010 Revenues	Estimated SFY 2011 Revenues
National Criminal History Improvement Program (NCHIP)	0	SO	163	0	0	0
Community Oriented Policing (COPS)	0	SO	62	432	0	0
COPS Methamphetamine	0	SO	140	321	83	0
COPS Child Sexual Predator	0	SO	0	180	250	70
Marijuana Eradication	0	SO	145	145	145	145
Minnesota Justice Information System (MNJIS) 2005 Congressional Appropriation	0	SO	994	339	0	0
Safe Neighborhood	0	SO	2	0	0	0
National Highway Traffic Safety Administration (NHTSA) DWI Tracking	0	SO	260	566	249	249
Missing Person's DNA	0	SO	11	214	0	0
MNJIS 2008 Congressional Appropriation	0	SO	0	150	72	0
Stalking and Domestic Violence Prevention	0	SO	0	346	0	0
Sex Offender Monitoring, Apprehending, Registering and Tracking (SMART)	23	SO	0	207	0	0
Minnesota Joint Analysis Center (MNJAC)	0	SO	163	250	250	0
03 Bureau of Criminal Apprehension	23		2,636	4,219	1,231	464
Homeland Security Preparedness	0	SO	5	0	0	0
04 Fire Marshal	0		5	0	0	0
Motor Carrier Assistance Program (MCSAP)	2,489	SO/GPS	3,770	3,036	4,141	4,186
National Highway Traffic Safety Administration (NHTSA)	0	SO/GPS/ GCBO	1,846	1,598	2,635	2,633

Federal Funds Summary

Federal Program (\$ in Thousands)	Related SFY 2008 Spending	Primary Purpose	SFY 2008 Revenues	SFY 2009 Revenues	Estimated SFY 2010 Revenues	Estimated SFY 2011 Revenues
Surface Transportation Act –Red-dyed fuel grant	0	SO	62	117	117	117
Federal Transit Authority	0	SO	45	60	60	60
Homeland Security	0	SO	154	16	0	0
Federal Emergency Management (FEMA)	0	SO	249	0	0	0
MNDOT HEAT	0	SO/GPS/ GCBO	1,072	1,072	1,072	1,072
Bullet Proof Vests	0	SO	20	20	20	20
05 State Patrol	2,489		7,218	5,919	8,045	9,088
Commercial Drivers License (CDL)	34	SO	438	1,709	431	0
Performance and Registration Information System (PRISM)	0	SO	0	40	10	0
Social Security Number Verification (SSNV)	2	SO	14	276	100	0
Facial Characteristic Recognition (FCR)	0	SO	0	600	200	0
Accident Records System Upgrade	0	SO	356	91	91	91
Real ID Demonstration	0	SO	0	400	294	0
07 Driver & Vehicle Services	36		808	3,116	1,126	91
Youth & Alcohol	0	SO/GPS	164	224	194	194
10 Alcohol & Gambling Enforcement	0		164	224	194	194
NHTSA 402 & 164HE Traditional	273	SO/GPS	3,499	7,578	7,588	7,597
NHTSA 164AL & 164PM Repeat DWI Offender	0	SO/GPS	5,148	22,646	13,040	13,068
NHTSA 406 Seal Belt Performance Incentive	0	SO/GPS	10	50	3,500	2,050
NHTSA 410 Impaired	0		1,492	1,873	1,890	1,890

Federal Funds Summary

Federal Program (\$ in Thousands)	Related SFY 2008 Spending	Primary Purpose	SFY 2008 Revenues	SFY 2009 Revenues	Estimated SFY 2010 Revenues	Estimated SFY 2011 Revenues
Driving		SO/GPS				
NHTSA CODES	0	SO/GPS	26	8	0	0
Fatal Accident Reporting System (FARS)	0	SO	37	95	95	95
NHTSA 2010 Motorcycle	0	SO/GPS	97	160	160	160
NHTSA 408 Information Systems	0	SO	387	1,175	1,175	1,175
DOJ-OJJDP Under-Age Drinking	0	SO/GPS	306	418	350	350
11 Office of Traffic Safety	273		11,002	34,003	27,798	26,385
Pipeline Safety Operations	989	SO	772	800	700	700
One Call Grant	0	SO	0	150	100	100
State Damage Prevention Grant	0	SO	41	24	35	35
20 Office of Pipeline Safety	989		813	974	835	835
Victims Compensation (VOCA)	0	GI	573	1,420	861	861
Victims Of Crime Assistance (VOCA)	1,462	SO/GPS/ GCBO	6,308	6,870	5,296	5,296
Violence Against Women Act (VAWA)	212	SO/GPS/ GCBO	1,595	3,425	3,626	3,155
MN Department of Health	0	GCBO	110	131	120	120
Family Violence Prevention Services Act (FVPSA)	297	SO/GPS/ GCBO	1,362	1,555	1,528	1,528
Victim Assistance Academy	0	SO/GCBO	57	33	0	0
Edward Byrne Memorial Anti-Drug Grants, Bureau of Justice Assistance (BJA)	0	SO/GPS/ GCBO	5,674	2,104	1,912	1,826
Project Safe Neighborhoods (BJA)	0	SO/GCBO	632	1,255	688	688
Residential Substance Abuse Treatment (RSAT)	4	SO/GPS	189	92	86	82
	0	SO	50	50	50	50

Federal Funds Summary

Federal Program (\$ in Thousands)	Related SFY 2008 Spending	Primary Purpose	SFY 2008 Revenues	SFY 2009 Revenues	Estimated SFY 2010 Revenues	Estimated SFY 2011 Revenues
Statistical Analysis Center						
Executive Office of Weed & Seed (EOWS)	0	SO/GPS	597	450	450	450
Paul Coverdell Forensics	0	GPS	169	196	196	196
Juvenile Justice Title II	100	SO/GCBO	891	820	912	893
Juvenile Justice Title V	0	GPS	59	51	48	48
Juvenile Accountability Block Grant (JABG)	12	SO/GPS	741	788	761	761
21 Office of Justice Programs	2,077		19,007	19,240	16,534	15,954
Homeland Security	0	SO	488	179	0	0
Public Safety Interoperable Communications	0	SO/GPS	0	3,431	2,877	1,440
28 Emergency Communications Network	0		488	3,610	2,877	1,440
DPS Total	10,760		89,013	156,675	99,730	86,838

Key:

Primary Purpose

SO = State Operations

GPS = Grants to Political Subdivision

GI = Grants to Individuals

GCBO = Grants to Community Based Organizations

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↻ Designates that this item is a change item

Agency Purpose

Minnesota statutes direct the Minnesota Public Utilities Commission (PUC) to protect the public interest in the provision of electric, natural gas and telephone services.

The commission's broad policy objectives are

- ◆ to assure safe and reliable gas and electric services at reasonable rates (M.S. Chapters 216. 216A, 216B)
- ◆ to determine the need for and location of large energy facilities (M.S. Chapters 216E, 216F and 216G)
- ◆ to foster effective competition in Minnesota's telecommunications markets (M.S. Chapter 237)

Core Functions

The commission's key service is providing a disciplined decision-making venue to:

- ◆ resolve party-to-party disputes;
- ◆ establish just and reasonable rates and terms of service;
- ◆ approve energy infrastructure that enhances the public interest;
- ◆ establish broad utility and telephone industry policies;
- ◆ provide a public forum for examination of issues and policies pertaining to the utility and telephone industries; and
- ◆ mediate consumer complaints concerning services of telephone or energy utility providers;
- ◆ represent Minnesota's interests in regional and national electric transmission policy forums.

Operations

The commission is a quasi-judicial and legislative body.

- ◆ It uses its quasi-judicial powers when it sets rates and terms of service, or otherwise resolves issues related to an individual company or certain groups of companies.
- ◆ It uses its legislative powers when it sets broad policies that affect all companies in an industry, as when it establishes rules.

In all cases, the commission must make its decisions on record evidence and in accordance with due process, including adherence to a strict code of conduct.

Primary stakeholders include ratepayers and the companies that provide electric, natural gas, and telephone services. In addition, commission stakeholders include a wide variety of interest groups representing the interests of low-income households, seniors, regional rate payer groups, the environment, large users, alternative service providers, including renewable energy providers.

Key Goals

The Commission supports the following Minnesota Milestone statewide goals:

- ◆ Minnesota will have sustainable, strong economic growth
 - ⇒ Growth in gross state product
 - ⇒ Energy efficiency of the economy
- ◆ Minnesotans will conserve natural resources to give future generations a healthy environment and a strong economy:
 - ⇒ Energy Use Per Person
 - ⇒ Renewable Energy Sources

At A Glance

- ◆ **Focus is on cornerstone industries:** Jurisdiction covers the largest providers of electric, natural gas, and telephone services, with revenues totaling over \$ 7 billion
- ◆ **Disciplined decision-making:** Primary output is decision-making dictated by due process. Most cases cleared within 60 to 90 days.
- ◆ **Workload:** Approximately 5,000 filings from 2006 through 2008; i.e., over 6 filings per day.
- ◆ **Agency costs among the lowest:** Commission staff size and budget per capita is one of the lowest of the 50 states
- ◆ **Consumer issues managed:** Continuing outreach efforts and improved information management reduce formal complaints.
- ◆ **Strategic use of technology:** Full implementation of electronic filing; major user-friendly redesign of agency web-page; greater use of database technologies
- ◆ **Regional and nation involvement:** Active involvement in regional and national electric transmission grid issues

⇒ Air Pollutants

- ◆ Government in Minnesota will be cost-efficient, and services will be designed to meet the needs of the people who use them
 - ⇒ Satisfaction with government services
 - ⇒ Price of government

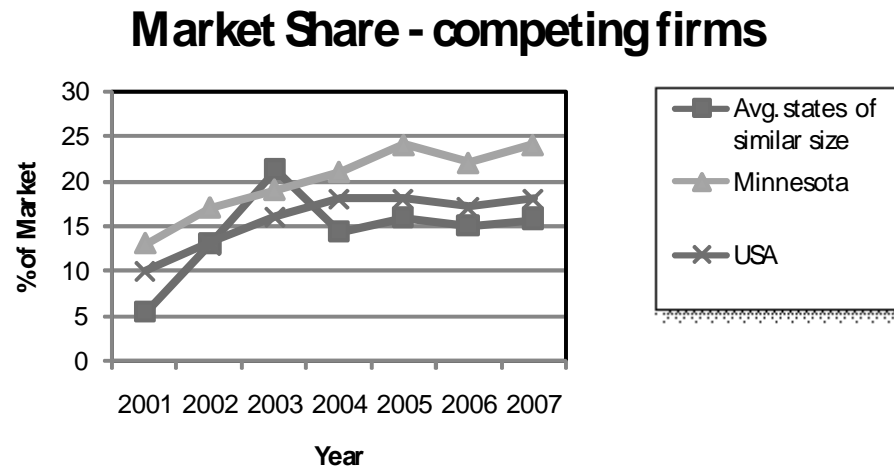
In addition, the Commission supports the following agency goal

- ◆ To create and maintain a regulatory environment that ensures safe, reliable and efficient electric, natural gas and telephone services at fair and reasonable rates

Key Measures

- ◆ **Telephone competitiveness:** An increasing market share among telephone companies competing with the former regulated monopoly companies, like Qwest, is an indicator of the competitive health of the telephone industry in Minnesota. Figure 1 shows that the collective market share of such competing firms in Minnesota nearly doubled from 2001 to 2007, and exceeds states of comparable population size¹ as well as the nation as a whole.

Figure 1



- ◆ **Energy prices:** Energy price trends provide an indication of the Commission's effectiveness in securing reasonable utility rates. For natural gas, which must be totally imported, Minnesota's retail residential rates have consistently been lower than other heating states² as well as the nation as a whole, as seen in Figure 2. Minnesota's average retail electricity rates from 2002 through 2006 have consistently been lower than in states with comparable population size as well as the nation as a whole, keeping Minnesota competitive and promoting economic growth.

¹ Alabama, Colorado, Kentucky, Louisiana, Maryland, Missouri, South Carolina, and Wisconsin.

² Connecticut, Delaware, Illinois, Indiana, Iowa, Kansas, Maine, Massachusetts, Michigan, Nebraska, New Hampshire, New Jersey, New York, North Dakota, Ohio, Pennsylvania, Rhode Island, South Dakota, Vermont, and Wisconsin.

Figure 2

Residential Natural Gas Prices

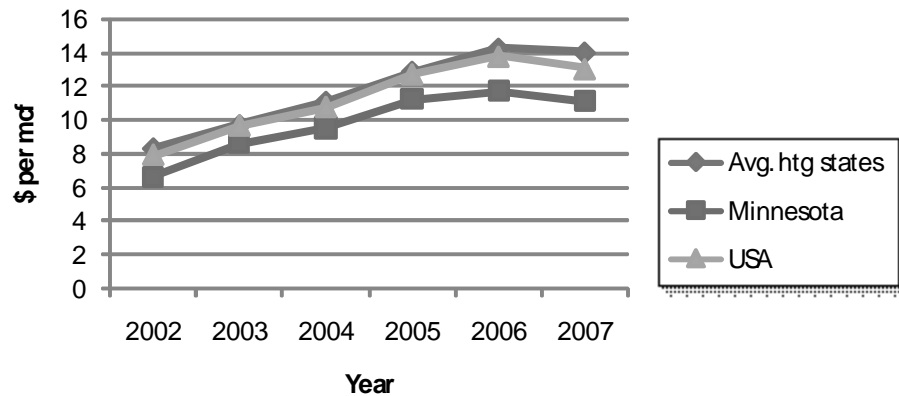
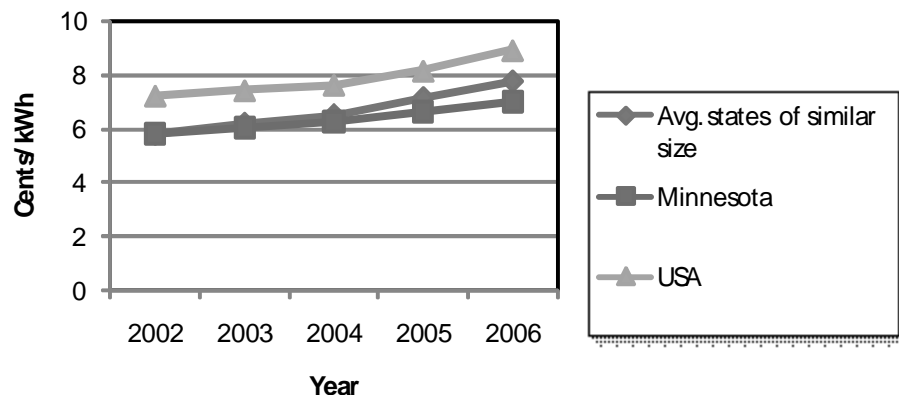


Figure 3

Electricity Prices



- ◆ **Energy efficiency:** The American Council for and Energy Efficient Economy (ACEEE) ranks Minnesota 9th (tied with Rhode Island) in its rating of state energy efficiency policies. The Commission has initiated a proceeding designed to remove regulatory disincentives to achieving energy efficiency and improved accountability for even greater energy efficiency among utilities.
- ◆ **Installed Renewable Electric Generation Capacity:** Minnesota ranks 3rd among states with installed wind generation capacity. The Commission has contributed to this development in various ways: a) coordination of the *2006 Minnesota Wind Integration Study*, b) approval of 12 large wind energy conversion systems since 2005, accounting for 918 MW of capacity, c) approval of various transmission facilities needed to bring the wind resource to load, d) establishment of general permits standards for large wind energy conversion systems less than 25 MW, and e) participation in studies to evaluate the infrastructure implications of renewable energy standards in Minnesota and the Upper Midwest.
- ◆ **Efficient use of staff resources:** The Commission does its work with far fewer employees than commissions in comparably sized states. The average number of employees (FTE) for utility regulatory bodies in states with population size comparable to Minnesota (see footnote 1) is 122. The Commission's staff totals 41 (71 if the staff at the Office of Energy Security who do utility regulatory work are included).

On a staff size per capita basis, Minnesota ranks 48th of the 50 states (42nd, if related OES staff are included).

Budget

100% of the biennial operating budget comes from the general fund. The agency consistently assesses nearly 100% of its expenditures to the companies it regulates; thus returning to the general fund almost 100% of what it spends. Approximately 89% of the operating budget covers salary and rent expenses. The Commission's staff of 46 full-time equivalent employees (including five commissioners) is among the smallest in the United States.

Contact

For more information please visit the commission's web site at the following address: www.puc.state.mn.us. The web site allows access to all documents filed in docketed matters before the commission as well as the commission's monthly calendar, recent filings, orders, notices, agendas for up-coming meetings, staff briefing papers, document reports, links to regulated companies and related agencies.

Agency contact person: Burl Haar

Phone: (651) 201-2222

Fax: (651) 297-7073

<i>Dollars in Thousands</i>					
	Current		Governor Recomm.		Biennium
	FY2008	FY2009	FY2010	FY2011	2010-11
<u>Direct Appropriations by Fund</u>					
General					
Current Appropriation	5,347	5,433	5,433	5,433	10,866
Recommended	5,347	5,433	5,433	5,433	10,866
Change		0	0	0	0
% Biennial Change from 2008-09					0.8%
<u>Expenditures by Fund</u>					
Direct Appropriations					
General	4,701	6,078	5,433	5,433	10,866
Statutory Appropriations					
Miscellaneous Special Revenue	1,975	2,461	3,061	3,261	6,322
Total	6,676	8,539	8,494	8,694	17,188
<u>Expenditures by Category</u>					
Total Compensation	3,746	4,301	4,488	4,486	8,974
Other Operating Expenses	1,384	2,292	1,860	1,862	3,722
Local Assistance	1,546	1,946	2,146	2,346	4,492
Total	6,676	8,539	8,494	8,694	17,188
<u>Expenditures by Program</u>					
Public Utilities Comm	6,676	8,539	8,494	8,694	17,188
Total	6,676	8,539	8,494	8,694	17,188
Full-Time Equivalents (FTE)	43.0	47.2	47.4	45.6	

<i>Dollars in Thousands</i>				
	FY2009	Governor's Recomm.		Biennium
		FY2010	FY2011	2010-11
<i>Fund: GENERAL</i>				
FY 2009 Appropriations	5,433	5,433	5,433	10,866
Subtotal - Forecast Base	5,433	5,433	5,433	10,866
Total Governor's Recommendations	5,433	5,433	5,433	10,866
<i>Fund: MISCELLANEOUS SPECIAL REVENUE</i>				
Planned Statutory Spending	2,461	2,661	2,861	5,522
Change Items				
Contracting with Non-State Entities	0	400	400	800
Total Governor's Recommendations	2,461	3,061	3,261	6,322
<u>Revenue Change Items</u>				
<i>Fund: MISCELLANEOUS SPECIAL REVENUE</i>				
Change Items				
Contracting with Non-State Entities	0	400	400	800

Agency: Public Utilities Commission

Change Item: Contracting with Non-State Entities

Fiscal Impact (\$000s)	FY 2010	FY 2011	FY 2012	FY 2013
Other Fund (Audit Fund)				
Expenditures	\$400	\$400	\$400	\$400
Revenues	400	400	400	400
Net Fiscal Impact	\$0	\$0	\$0	\$0

Recommendation

The Governor recommends Public Utilities Commission be able to contract with non-state entities and be authorized to expend up to \$800 thousand per biennium to be used for technical consulting services when the Commission determines specialized services are needed for audits or investigations of complex utility or telecommunications systems. The change would enable independent audits of company systems or operations when technical complexity may otherwise create significant barriers to a robust and unbiased record.

Background

The Commission seeks funding support to allow it to obtain technical consulting services to conduct technical audits or other specialized investigations requiring skills beyond those of state staff resources. In recent years, when the Commission has faced this need, it has had to cajole the affected company to agree to pay the costs. While one could argue that this payment arrangement is no different than if the Commission had an audit budget of its own and simply assessed the relevant utility for the costs, relying on the "good graces" of the utility creates difficulties. Under these circumstances, it is more difficult to ensure that the consultants do the investigation the Commission wants. Also, there are obvious public perception issues.

The audits or investigations contemplated in this proposal relate to specific and often technical issues requiring specialized knowledge. As a result, it would not be economic at this point for the Commission to try and "staff up" to cover these contingencies. The Commission seeks the flexibility to have an independent audit of the operations or systems of utilities, telephone companies or telecommunications carriers performed when technical complexity may otherwise create significant barriers to a robust and unbiased record. This is increasingly critical as utility service quality issues grow in importance.

The Commission would state the intention to enter into a contract with a non-state entity for a technical audit or specialized investigation. PUC would seek funding from Minnesota Management and Budget (MMB) through cash-flow assistance for the audits or investigations. Those funds would only be used for the Commission's audits and investigations (i.e. it could not be used to cover miscellaneous operating costs). Expenditures made under this authority will be subject to recovery under the Commission's assessment authority and all revenues recovered for these special expenditures will be returned to MMB.

Relationship to Base Budget

This recommendation does not impact PUC's base budget. This authority would be designated for technical investigations or audits approved by order of the Commission. Any funds authorized for such technical investigations could not be used for any other purpose than those ordered by the Commission. All revenues recovered through the Commission's assessments process would be used to returned to MMB.

Key Goals and Measures

This initiative supports the following agency goal:

- ◆ To create and maintain a regulatory environment that ensures safe, reliable and efficient electric and natural gas services at fair and reasonable rates

This proposal also supports the following general Minnesota Milestone statewide goals:

- ◆ Minnesota will have sustainable, strong economic growth
 - ⇒ Growth in gross state product
 - ⇒ Energy efficiency of the economy

- ◆ Minnesotans will conserve natural resources to give future generations a healthy environment and a strong economy:
 - ⇒ Energy Use Per Person
 - ⇒ Renewable Energy Sources
 - ⇒ Air Pollutants
- ◆ Government in Minnesota will be cost-efficient, and services will be designed to meet the needs of the people who use them
 - ⇒ Satisfaction with government services
 - ⇒ Price of government

This change item strengthens the Commission's ability carry out its responsibilities for ensuring safe, reliable and efficient electric and natural gas services at fair and reasonable rates. To accomplish this objective, it is imperative the Commission have the ability to develop robust and unbiased records on often technical issues.

Alternatives Considered

The alternatives are either to convince the affected company to agree to pay for an investigation of its own operations (which is the primary method the Commission has had to use in recent year) or to try to generate the needed funding from budget savings (which the Commission has also done). The first suffers from significant management difficulties and huge perception problems. The second option is no longer an option, given the Commission's work-load and need for resources in other areas, plus it places a significant limit on investigations the Commission can feasibly pursue.

Statutory Change: M.S. 216B.14 (affected; change may not be needed); 216B.62; 237.081 (affected; change may not be needed; & 237.295.

Dollars in Thousands

	Actual FY2008	Budgeted FY2009	Governor's Recomm. FY2010 FY2011		Biennium 2010-11
<u>Non Dedicated Revenue:</u>					
Departmental Earnings:					
General	5,350	6,526	5,881	5,881	11,762
Total Non-Dedicated Receipts	5,350	6,526	5,881	5,881	11,762
<u>Dedicated Receipts:</u>					
Departmental Earnings:					
Miscellaneous Special Revenue	1,102	2,497	2,883	2,883	5,766
Other Revenues:					
Miscellaneous Special Revenue	232	40	40	40	80
Total Dedicated Receipts	1,334	2,537	2,923	2,923	5,846
Agency Total Revenue	6,684	9,063	8,804	8,804	17,608

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↻ Designates that this item is a change item

Agency Purpose

The Minnesota Racing Commission (MRC) is a regulatory agency created in 1983 to supervise and regulate the pari-mutuel horse racing industry in Minnesota.

Core Functions

The Racing Commission:

- ◆ Establishes criteria and standards for licensing of pari-mutuel racetracks and the personnel employed or operating at such facilities.
- ◆ Establishes criteria and standards for security, surveillance, regulation of racing, veterinary services, and law enforcement at licensed racetracks and provides oversight of these functions by Commission staff.
- ◆ Establishes standards and rules in order to protect the health and welfare of the equine athlete.
- ◆ Collects and distributes all taxes and fees related to pari-mutuel horse racing and card playing to the general and breeders' funds.

At A Glance

The Minnesota Racing Commission:

- ◆ Regulates Canterbury Park in Shakopee and Running Aces Harness Park in Columbus
- ◆ Will oversee 91 days of live horseracing, 364 days of out-of-state simulcasting, and two 24/7 card clubs in 2008
- ◆ Will license over 4,100 individuals to work at the two racetracks in 2008
- ◆ Audited a total wagering handle of \$69 million at Canterbury Park in 2007
- ◆ Collected general fund taxes and fines of \$167,700 in FY 2008

Operations

The MRC performs the following general duties:

- ◆ Licenses and conducts background investigations each year of individuals applying to work at the racetracks and card clubs to assure the integrity of the individuals participating in pari-mutuel wagering and card playing in Minnesota and nationally.
- ◆ Registers horses each year to allow owners to participate in the Minnesota Breeders' Fund awards program so that economic stability and growth in related agri-business continues.
- ◆ Conducts pre-race exams of all horses racing each day, which protects equine participants and the betting public as well as supervising all activities affecting the conduct of a racing day to protect all human and equine participants and assure the integrity of pari-mutuel wagering for the betting public.
- ◆ Conducts investigations of any suspected violations of Minnesota's racing and card club laws and rules in order to enforce rules and laws that were established to protect the integrity of the racing and gambling industries in Minnesota and nationally.

During the conduct of its regulatory duties the MRC serves a varied customer base. Administering the Minnesota Breeders' Fund requires interaction with horse owners, breeders, and state-bred programs in other racing jurisdictions. As part of the regulatory and licensing process, MRC staff work with: applicants for occupational licenses, class A, B, C, and D license holders, other racing jurisdictions, various horse racing industry associations, local and state police, and the Alcohol and Gambling Enforcement Division of the Department of Public Safety.

Key Goals

The MRC was established to regulate horse racing and card playing in Minnesota; to ensure the integrity of pari-mutuel wagering and card playing, the safety and welfare of the human and animal participants, and that it is conducted in the public interest thus promoting the breeding industry in Minnesota in order to stimulate agriculture and rural agribusiness.

Key Measures

- ◆ 4,100 licensees met the criteria for licensing contained in statute and rule.
- ◆ Pre-race exams and veterinary monitoring of the horse prior and after each race ensures the safety and welfare of the equine and human participants by limiting the number of breakdowns, which annually is lower at the Minnesota track than the national average.

- ◆ Conducted regulatory oversight, including during the construction phases, of the new standardbred racetrack and card club, Running Aces Harness Park.
- ◆ Initiated information technology project affecting licensing, pari-mutuel auditing and general office procedures, which will result in staff efficiencies and streamlining of regulatory and administration tasks.
- ◆ Using its rulemaking authority, the MRC implemented additional restrictions regarding the use of prohibited substances and medications that directly affect the integrity of racing.
- ◆ On an ongoing basis, reviewed the card club plans of operation for Canterbury Park and Running Aces Harness Park which results in all games at each facility meeting the highest standard for integrity and safety of the public.

Budget

Of the MRC's FY 2008-09 biennial budget, 28% comes from a special revenue fund appropriation, which is funded by racetrack, racing, and occupational license fees, 30% comes from the racetrack as reimbursements for the cost of stewards, veterinarians, and laboratory services, and 42% comes from the breeders' fund tax collections (miscellaneous agency fund) which is distributed back to industry participants (horse owners). Commission staff is comprised of 13.4 full-time equivalent employees and 17 professional/technical service contracts (six stewards, ten veterinarians, and one equine drug testing laboratory).

Contact

Minnesota Racing Commission
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Shakopee, Minnesota 55379
<http://www.mnrace.commission.state.mn.us>

Richard Krueger, Executive Director
Phone: (952) 496-7950
Fax: (952) 496-7954

<i>Dollars in Thousands</i>					
	Current		Governor Recomm.		Biennium
	FY2008	FY2009	FY2010	FY2011	2010-11
<u>Direct Appropriations by Fund</u>					
Miscellaneous Special Revenue					
Current Appropriation	1,130	899	899	899	1,798
Recommended	1,130	899	899	899	1,798
Change		0	0	0	0
% Biennial Change from 2008-09					-11.4%
<u>Expenditures by Fund</u>					
Direct Appropriations					
Miscellaneous Special Revenue	913	899	899	899	1,798
Statutory Appropriations					
Miscellaneous Special Revenue	911	1,097	1,100	1,108	2,208
Miscellaneous Agency	1,474	1,372	1,371	1,371	2,742
Total	3,298	3,368	3,370	3,378	6,748
<u>Expenditures by Category</u>					
Total Compensation	805	910	898	924	1,822
Other Operating Expenses	1,314	1,371	1,385	1,367	2,752
Local Assistance	1,179	1,087	1,087	1,087	2,174
Total	3,298	3,368	3,370	3,378	6,748
<u>Expenditures by Program</u>					
Racing Commission	3,298	3,368	3,370	3,378	6,748
Total	3,298	3,368	3,370	3,378	6,748
Full-Time Equivalents (FTE)	12.2	13.4	13.4	13.4	

RACING COMMISSION

Change Summary

<i>Dollars in Thousands</i>				
	FY2009	Governor's Recomm.		Biennium
		FY2010	FY2011	2010-11
<i>Fund: MISCELLANEOUS SPECIAL REVENUE</i>				
FY 2009 Appropriations	899	899	899	1,798
Subtotal - Forecast Base	899	899	899	1,798
Total Governor's Recommendations	899	899	899	1,798
<i>Fund: MISCELLANEOUS SPECIAL REVENUE</i>				
Planned Statutory Spending	1,097	1,100	1,108	2,208
Total Governor's Recommendations	1,097	1,100	1,108	2,208
<i>Fund: MISCELLANEOUS AGENCY</i>				
Planned Statutory Spending	1,372	1,371	1,371	2,742
Total Governor's Recommendations	1,372	1,371	1,371	2,742
<u>Revenue Change Items</u>				
<i>Fund: MISCELLANEOUS SPECIAL REVENUE</i>				
Change Items				
License Fee Ratification	0	4	4	8

RACING COMMISSION

Change Item: License Fee Ratification

Fiscal Impact (\$000s)	FY 2010	FY 2011	FY 2012	FY 2013
Special Revenue Fund				
Expenditures	\$0	\$0	\$0	\$0
Revenues	4	4	4	4
Net Fiscal Impact	\$(4)	\$(4)	\$(4)	\$(4)

Recommendation

The Governor recommends ratification of the fee increases proposed by the Racing Commission through rule-making. The fee increases are expected to raise \$4,000 per year, which would be added to the dedicated revenue account from which appropriations are made for racing regulation.

Background

The Racing Commission is currently proposing to change by rulemaking (Minn. Rules Chapter 7877.0120, Fees, Subd. 1, License fees) existing Class C occupational license fees for the occupations of pari-mutuel clerk, security officer, and owner/trainer/driver. Minnesota Statutes 240.10 permits the Racing Commission to set occupational license fees by rule, but M.S. 240.03 requires ratification of those fees by the legislature during the following session.

The fee change for pari-mutuel clerks and security officers will treat these occupations consistently with other full and part time employees of the two racing licensees/associations. The owner/trainer/driver proposed change corrects an oversight in the fee schedule now that Minnesota has a harness track for standard bred horses. The fee increase brings the owner/trainer/driver license in line with fees charged to horsemen and women for other breeds. The fees for these occupations have not been adjusted since original promulgation of the fees by the Commission in 1985. These fees are part of the dedicated revenues (special revenue fund) used by the legislature in setting the spending level for the Commission's administrative and regulatory operations.

Relationship to Base Budget

The estimated total increase for these fees is \$4,000 each year based on the same number of individuals licensed for these occupations in the previous year. This represents an increase of less than 1% in projected licensing revenues for the agency.

Key Goals and Measures

The purpose of this change item is to inform the Governor and the legislature of the proposed fee change. With this fee change, the Commission aims to make fees more equitable with those of similar employees and backstretch workers and to modestly increase revenue to defray the costs of regulation and oversight.

Alternatives Considered

None.

Statutory Change: Not Applicable.

RACING COMMISSION

Agency Revenue Summary

Dollars in Thousands

	Actual FY2008	Budgeted FY2009	Governor's Recomm. FY2010 FY2011		Biennium 2010-11
<u>Non Dedicated Revenue:</u>					
Other Revenues:					
General	20	12	12	12	24
Taxes:					
General	96	90	90	90	180
Total Non-Dedicated Receipts	116	102	102	102	204
<u>Dedicated Receipts:</u>					
Departmental Earnings:					
Miscellaneous Special Revenue	743	804	818	818	1,636
Other Revenues:					
Miscellaneous Special Revenue	868	1,036	1,041	1,047	2,088
Miscellaneous Agency	490	634	634	634	1,268
Taxes:					
Miscellaneous Special Revenue	58	60	60	60	120
Miscellaneous Agency	813	739	739	739	1,478
Total Dedicated Receipts	2,972	3,273	3,292	3,298	6,590
Agency Total Revenue	3,088	3,375	3,394	3,400	6,794

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➡ Designates that this item is a change item

MINNESOTA • REVENUE

January 27, 2009

To the 2009 Legislature:

On behalf of Governor Pawlenty, I am pleased to submit the Department of Revenue's recommendation for the 2010-11 biennial budget. This budget consists of \$246,318,000 from the State's General Fund and \$8,482,000 from other funds, a decrease of 1.6 percent from the 2008-09 biennial base budget. This decrease is primarily due to the operating budget reductions recommended by the Governor, offset by funding to complete the Integrated Tax System project that began in FY 2008.

Focus on Core Functions

The Department will continue to focus on its mission of "making the revenue system work well for Minnesota". To advance this mission, the Department carries out these core functions:

- ◆ providing taxpayers with the services and information they need to meet their filing and paying obligations, including forms and instructions and telephone assistance;
- ◆ processing returns and payments, issuing refunds and managing taxpayer accounts;
- ◆ auditing to resolve discrepancies, discourage tax evasion and identify patterns of noncompliance;
- ◆ enforcing the tax laws for those who do not comply voluntarily; and
- ◆ identifying and recommending improvements to the revenue system.

The Governor's budget recommendation ensures that citizens have the services they need to fulfill their tax obligations and have the confidence that the tax system is fair to all citizens.

Major Challenges Ahead

In the 2010-11 biennium, the Department will continue to face five major challenges:

1. replacing the Department's outdated computer systems with a fully functional integrated tax processing system. This includes transitioning 28 tax types to the new system and decommissioning many computer sub-systems and applications;
2. eroding state revenues due to globalization of the economy and changes in technology and demographics, as well as the growing threat of federal preemptions of states' tax authority;
3. aggressive challenges to the state tax laws by businesses and individuals;
4. an aging workforce and the loss of institutional knowledge through retirements; and
5. delivering services to a vastly more diverse population, some of whom have limited English speaking skills.

Operating Budget

The Department will – as it has in the past – direct its funds to improve filing and paying systems for citizens and businesses, increase revenues through expanded compliance, and deliver services at lower costs. This is being achieved by:

1. transforming tax filing and paying from high-cost paper processes to cost-saving electronic transactions that also increase the speed, accuracy and ease of transactions for taxpayers.
2. creating web-based self-service systems to enable taxpayers to get the information they need to file and pay their taxes, monitor the status of refunds or payments, make corrections to their records and view their filing and payment history.
3. continuing to improve existing tax audit and collection efforts to generate added revenues from citizens and businesses that evade or under pay their tax.
4. evaluate changes in the economy, demographics and technology, and develop work plans for adapting to the changing environment.

History of Successful Tax Compliance Activities

Starting with the 2002-03 biennium, the legislature has funded several increased compliance initiatives. Through the 2008-09 biennium, these initiatives have returned an average of over \$6 for every \$1 invested.

The history of these initiatives to date is described below:

The 2002-03 biennium, the Department was appropriated \$9.7 million to generate \$60.1 million through increased tax compliance activities. Those efforts generated \$97.2 million, or \$37.1 million more than expected.

The Department also received \$12.8 million in the 2004-05 biennium to generate an added \$59.8 million. This effort has generated \$92.2 million, or \$32.4 million more than anticipated.

In the 2006-07 biennium, the legislature appropriated \$17.8 million to generate \$90.7 million. This effort has generated \$114.3 million, or \$23.6 million more than anticipated.

In the 2008-09 biennium, the legislature appropriated \$20.5 million to generate \$102.4 million. As of November 30, 2008, this effort has generated \$87.9 million – or 86 percent of the amount anticipated for the biennium.

Budget change items

The Department's budget change items focus on two priorities: modernizing the agency's tax processing systems and improving tax compliance.

Modernize tax processing systems. The Department is requesting \$16.45 million for the 2010-11 biennium to complete the integrated tax processing system that consolidates common functions and better integrates data from all tax systems. This will result in increasing the effectiveness of tax compliance activities and improve the quality and availability of electronic services to the public. This effort will also lessen the risk of the Department's obsolete systems failing, and will mitigate the high costs of maintaining our old systems. The Department is convinced that it must finish this project without delay. Any delays in the project will increase costs significantly to the Department and create confusion for our employees and taxpayers.

Improving Tax Compliance. The Department's effort to complete the integrated tax processing system project goes hand-in-hand with improving tax compliance. With improved quality and accuracy of information from consolidated sources, the department will be more effective in tracing non-compliant taxpayers. Data warehouse capabilities will be improved dramatically. Taxpayer assistance will be done more efficiently and result in better services to our taxpayers.

The Department is prepared to provide any additional information needed and welcomes further public discussions on its budget and, more important, on the challenges it confronts in making "the revenue system work well for Minnesota."

Respectfully



Ward Einess,
Commissioner of Revenue

Agency Purpose

The Department of Revenue's mission is to "make the state's revenue system work well for Minnesota." Its tax information, filing and paying services, and its enforcement activities help ensure that citizens have the information and means to fulfill their tax obligations.

Core Functions

The Department of Revenue oversees Minnesota's revenue system, which is made up of 28 state taxes and property taxes collected by local governments. State taxes include individual income, sales, corporate franchise, petroleum, environmental, gambling, cigarette and tobacco, alcohol, insurance and health care provider taxes.

The department collects approximately \$17.5 billion per year in state taxes, and oversees the uniform application of the property tax laws. Property taxes, which are administered by local governments, raise \$6 billion annually for Minnesota's communities. The department also pays out over \$1 billion in state aid to counties, cities, towns and special taxing districts through 32 different state programs.

The department's six goals are:

- ◆ **Achieve taxpayer compliance:** everyone pays the right amount of taxes, no more, no less;
- ◆ **Citizen satisfaction:** citizens have the services and information they need to meet their obligations and to be informed about the revenue system;
- ◆ **Customer satisfaction:** filing, paying and refund systems for taxpayers are fast, convenient, easy to use, secure and accurate;
- ◆ **Operational excellence:** the revenue system keeps pace with changes in the economy and technology;
- ◆ **Responsible stewardship of information:** taxpayers trust us to protect their data; and
- ◆ **Employee excellence:** employees perform meaningful and challenging work, and have opportunities to learn and grow.

In support of these goals, we carry out the following core functions:

- ◆ interpreting the law and informing taxpayers of their obligations and rights;
- ◆ providing taxpayers with the services and information they need to meet their filing and paying obligations;
- ◆ processing returns and payments, issuing refunds, and managing taxpayer accounts;
- ◆ auditing to resolve discrepancies, discourage tax evasion, and identify levels and patterns of noncompliance;
- ◆ enforcing the tax laws for those who do not comply voluntarily; and
- ◆ identifying and recommending improvements to the revenue system.

Service, Audit and Enforcement Operations

The department has five major business activities that focus on service, audit and enforcement operations. These are:

- ◆ **Individual taxes** which serve 3.6 million individual income taxpayers, 165,000 businesses that withhold income tax, and 711,000 property tax refund applicants.
- ◆ **Business taxes** which serve 277,000 sales tax permit holders and 42,000 corporate franchise taxpayers. This program also administers the S corporation, partnership, fiduciary and estate taxes; petroleum taxes; and special taxes, including alcohol, tobacco, environmental, gambling, insurance, mining and Minnesota Care taxes.

At A Glance

We serve:

- ◆ 3.6 million individual taxpayers
- ◆ 165,000 withholding taxpayers
- ◆ 539,000 taxpayers that remit corporate, sales and use, fiduciary and other taxes
- ◆ 3,300 local units of government

We respond to:

- ◆ Over 635,000 callers
- ◆ 38,000 emails

We process:

- ◆ 2.7 million income tax returns
- ◆ 1.6 million business tax returns
- ◆ 4.9 million tax payments
- ◆ 2.6 million tax refunds

We collect:

- ◆ \$17.5 billion in tax revenues and other revenue sources
- ◆ \$61.3 million from 198,000 offsets against state refunds

- ◆ **Collections** which manages tax and non-tax debt collection on behalf of the department and other clients, including state agencies and other public entities. Services include locating and contacting debtors, billing, monitoring payment plans, locating and evaluating assets, issuing liens and levies, and seizing assets.
- ◆ **Criminal investigations** which probes possible tax crimes and refers cases to prosecutors; trains auditors and collectors to deal with threats from menacing taxpayers and acts as a liaison with local, state and federal law enforcement.
- ◆ **Property Tax** which monitors local assessor performance, ensures uniform application of Minnesota's property tax laws, gathers property tax data and computes state aid payments to local governments.

Tax Compliance Support Operations

The department also has four major business activities that support tax auditing and enforcement operations. These are:

- ◆ **Information technology** activities which include strategic planning for developing and integrating technologies and systems into business operations; computer systems development; software management; and oversight and maintenance of the agency's computer network, systems and equipment.
- ◆ **Tax filing and payment** which processes close to nine million tax returns and payments, and issues 2.6 million refunds annually; it also issues tax identification numbers to businesses, manages taxpayer accounts and ensures the security of taxpayer records.
- ◆ **Appeals and Legal Services and Tax Research** activities include providing legal support to the agency and resolving disputes between the department and taxpayers; forecasting revenue sources and aid expenditures for the state budget, and developing revenue estimates for proposed tax legislation.
- ◆ **Administrative support** which provides mail distribution and receiving services; forms design, public information, website management and printing services; financial management; human resource management; and other administrative functions on behalf of the department. These functions support tax auditing and enforcement operations.

Budget

The department's budget in 2008-2009 totals \$270.2 million. Department staff includes 1,354 full-time equivalent employees. Of the total budget for the biennium, \$254.6 million (94.2%) comes from general fund tax dollars, \$8.3 million (3.1%) comes from dedicated funds and \$7.2 million (2.7%) comes from special revenue funds for administering the Local Option Sales Tax, Revenue Recapture and Cigarette Tax Stamp programs.

Contact

Office of the Commissioner: (651) 296-3403
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Dollars in Thousands

	Current		Governor Recomm.		Biennium
	FY2008	FY2009	FY2010	FY2011	2010-11
<u>Direct Appropriations by Fund</u>					
General					
Current Appropriation	125,291	125,539	125,539	125,539	251,078
Recommended	125,291	125,539	121,042	121,042	242,084
Change		0	(4,497)	(4,497)	(8,994)
% Biennial Change from 2008-09					-3.5%
Health Care Access					
Current Appropriation	1,693	1,734	1,734	1,734	3,468
Recommended	1,693	1,734	1,761	1,749	3,510
Change		0	27	15	42
% Biennial Change from 2008-09					2.4%
Highway Users Tax Distribution					
Current Appropriation	2,139	2,183	2,183	2,183	4,366
Recommended	2,139	2,183	2,183	2,183	4,366
Change		0	0	0	0
% Biennial Change from 2008-09					1%
Environmental					
Current Appropriation	297	303	303	303	606
Recommended	297	303	303	303	606
Change		0	0	0	0
% Biennial Change from 2008-09					1%
<u>Expenditures by Fund</u>					
Direct Appropriations					
General	118,562	132,099	121,042	121,042	242,084
Health Care Access	1,623	1,804	1,761	1,749	3,510
Highway Users Tax Distribution	2,080	2,242	2,183	2,183	4,366
Environmental	270	330	303	303	606
Open Appropriations					
General	1,142	1,900	1,900	1,900	3,800
Statutory Appropriations					
General	0	0	2,117	2,117	4,234
Miscellaneous Special Revenue	4,231	7,568	4,223	4,223	8,446
New Fund	0	0	8,500	8,000	16,500
Total	127,908	145,943	142,029	141,517	283,546
<u>Expenditures by Category</u>					
Total Compensation	91,727	107,156	102,785	102,773	205,558
Other Operating Expenses	35,984	37,822	36,262	35,762	72,024
Capital Outlay & Real Property	1	665	665	665	1,330
Local Assistance	196	300	200	200	400
Other Financial Transactions	0	0	2,117	2,117	4,234
Total	127,908	145,943	142,029	141,517	283,546
<u>Expenditures by Program</u>					
Tax System Management	106,269	119,649	116,049	115,537	231,586
Debt Collection Management	21,639	26,294	25,980	25,980	51,960
Total	127,908	145,943	142,029	141,517	283,546
Full-Time Equivalents (FTE)	1,355.0	1,428.5	1,335.7	1,294.2	

REVENUE DEPT

Change Summary

<i>Dollars in Thousands</i>				
	FY2009	Governor's Recomm.		Biennium
		FY2010	FY2011	2010-11
Fund: GENERAL				
FY 2009 Appropriations	125,539	125,539	125,539	251,078
Technical Adjustments				
One-time Appropriations		(315)	(315)	(630)
Pt Contract Base Reduction		(52)	(52)	(104)
Subtotal - Forecast Base	125,539	125,172	125,172	250,344
Change Items				
Operating Budget Reduction	0	(4,130)	(4,130)	(8,260)
Total Governor's Recommendations	125,539	121,042	121,042	242,084
Fund: HEALTH CARE ACCESS				
FY 2009 Appropriations	1,734	1,734	1,734	3,468
Technical Adjustments				
One-time Appropriations		27	15	42
Subtotal - Forecast Base	1,734	1,761	1,749	3,510
Total Governor's Recommendations	1,734	1,761	1,749	3,510
Fund: HIGHWAY USERS TAX DISTRIBUTION				
FY 2009 Appropriations	2,183	2,183	2,183	4,366
Subtotal - Forecast Base	2,183	2,183	2,183	4,366
Total Governor's Recommendations	2,183	2,183	2,183	4,366
Fund: ENVIRONMENTAL				
FY 2009 Appropriations	303	303	303	606
Subtotal - Forecast Base	303	303	303	606
Total Governor's Recommendations	303	303	303	606
Fund: GENERAL				
Planned Open Spending	1,900	1,900	1,900	3,800
Total Governor's Recommendations	1,900	1,900	1,900	3,800
Fund: GENERAL				
Planned Statutory Spending	0	0	0	0
Change Items				
Completion of Integrated Tax System	0	2,117	2,117	4,234
Total Governor's Recommendations	0	2,117	2,117	4,234
Fund: MISCELLANEOUS SPECIAL REVENUE				
Planned Statutory Spending	7,568	4,223	4,223	8,446
Total Governor's Recommendations	7,568	4,223	4,223	8,446
Fund: NEW FUND				
Planned Statutory Spending	0	0	0	0
Change Items				
Completion of Integrated Tax System	0	8,500	8,000	16,500
Total Governor's Recommendations	0	8,500	8,000	16,500
Revenue Change Items				
Fund: NEW FUND				
Change Items				
Completion of Integrated Tax System	0	16,500	0	16,500

REVENUE DEPT**Change Item: Completion of Integrated Tax System**

Fiscal Impact (\$000s)	FY 2010	FY 2011	FY 2012	FY 2013
General Fund				
Expenditures	\$2,117	\$2,117	\$2,117	\$2,117
Revenues	0	0	0	0
New Fund				
Expenditures	\$8,500	\$8,000	0	0
Revenues	\$16,500	0	0	0
Net Fiscal Impact	(\$5,883)	\$10,117	\$2,117	\$2,117

Recommendation

The Governor recommends that \$16.45 million be appropriated to complete the implementation of “GenTax”, an integrated tax processing software product that consolidates into a single integrated system all tax administration functions, including taxpayer registration, tax return and payment processing, accounting, auditing, and delinquent tax collection and reporting for the 28 tax types administered by the Department of Revenue.

Funding to date for this \$39.9 million, five-year project has included \$12 million from the 2007 legislature, the redirection of \$11 million of agency funds that would otherwise have been spent to maintain existing systems over the course of the project, and \$450,000 from carry-forward funds appropriated to the Commissioner of Finance. The requested \$16.45 million is the amount needed to complete the project. Because the GenTax system is key to the state’s basic IT infrastructure, and is expected to have a lifespan longer than many more transitory systems, the Governor recommends spreading the cost over ten years using lease purchase financing. The lease purchase model also allows for this critical project to be completed even in spite of the budget deficit, reducing the FY 2010–11 general fund cost to \$4.234 million; this amount will be provided by a standing appropriation lasting ten years.

Background

Recognizing the vulnerabilities of mission-critical tax processing systems on which we rely to collect \$17.5 billion in state revenue each year, the Governor asked the 2007 legislature to fund a more modern, stable and integrated tax processing system. At the completion of a competitive bidding process, a contract was awarded to FAST Enterprises for the acquisition and installation of “GenTax”, a comprehensive off-the-shelf tax administration and processing software package. Work on the project began soon thereafter. The department is currently nearing completion of “rollout one” of the project, involving the sales and use tax and special taxes (Motor fuels, Insurance taxes, etc.). Progress has been on -time and on-budget.

Starting in December of 2008, Minnesota’s sales and use taxes, insurance taxes and all “special taxes” will be administered using GenTax. Future rollouts will include the individual income tax, withholding, and businesses taxes. To reap the many benefits of the new system (better customer service, more uniform internal procedures and more consistent and reliable data), and to avoid the costs of running both systems, it is imperative that we complete all four project rollouts in the next biennium.

The original motivation to undertake this ambitious project was based on the following deficiencies:

- ◆ Multiple applications for separate tax types that perform the same business processes.
- ◆ Escalating support to maintain multiple technologies, platforms, and development languages; some of which have been in use since 1968.
- ◆ Numerous aging mission critical systems, which had to be replaced within the next five years (just replacing our obsolescent Supra and FoxPro systems, would cost about \$7 to \$9 million with no gain in functionality or efficiency).
- ◆ Lagging ability to respond to taxpayers needs for services and information.
- ◆ An inability to respond to the needs of department employees for easy access to meaningful, comprehensive information from a single source.
- ◆ Employees needing to learn different systems upon transfer or promotion to another tax type.

- ◆ A growing risk of system disruptions or failures as employees with highly-specialized skills and knowledge of legacy systems retire.
- ◆ A lack of systems, information and analytical tools to more effectively improve tax compliance.

Advantages of an Integrated Tax System

When fully implemented, the project will deliver the following benefits:

- ◆ Accurate, timely and complete information from a single system, and more comprehensive data for making more informed business decisions.
- ◆ Provides citizens and employees with a single source of information; eliminating the need to seek information from multiple sources.
- ◆ Permits taxpayers to directly access tax account information from one source, and the department to greatly expand and enhance services to them.
- ◆ Substantial mitigation of the risk of system failures and disruptions; estimated delivery of the Registration, Processing, Compliance, and Collection modules for 28 tax types will be completed within four years.
- ◆ Enhances our ability to maintain systems and will have built-in capabilities for future enhancements.
- ◆ Provides the same functionality for all the tax types, and easier implementation of tax law changes.
- ◆ Enhances capabilities to detect non-compliance and increases tax collections.
- ◆ Significant post-implementation revenue increases based on the experience of other states that implemented integrated tax systems

Lease Purchase Financing

This change item requests a total of \$16.45 million for development and implementation of the new system during FY 2010 – 11. To reduce the budgetary impact during the current biennium, this proposal spreads the cost over ten years using lease purchase financing. Under a lease purchase arrangement, the state would secure up-front project capital in exchange for regular lease payments. The state would incur an estimated \$50,000 in lease administration expenses, which would be added to the principal on the lease. Including interest at an estimated rate of 5 percent, the lease payments on the total principal of \$16.5 million are estimated to be \$2.117 million per year over 10 years.

Relationship to Base Budget

As noted above, the department is committed to redirecting \$11 million of agency funds toward this project over the next four years. Other funding to date has come from the legislature (\$12 million) and from carry-forward funds (\$450,000) via Commissioner of Finance legislative language (Chapter 148, Section 31). Funding needed for the remainder of the project is \$16.45 million in the 2010-11 biennium.

Key Goals and Measures

The key goals for this system will be:

- ◆ Increased revenue growth
- ◆ Increased number of audits

Two key quantifiable performance measures for this change item:

- ◆ Audit and Enforcement Revenue Growth
- ◆ Number of Audits

Alternatives Considered

Besides purchasing a commercial off-the-shelf product, the department considered in-house development and upgrading the current systems to today's technical standards. The commercial off-the-shelf product was favorable to the in-house development option due to the length of time it would take to build a DOR developed integrated tax system - over 10 years. The option of bringing current systems up to today's technical standards was not favorable because it would cost just as much as a commercial off-the-shelf product integrated tax system and DOR would not gain any efficiencies or new abilities.

REVENUE DEPT

Change Item: Completion of Integrated Tax System

Statutory Change: Not Applicable**Technology Funding Detail***

(dollars in thousands)

*table displays direct project expenditures only, not including debt service and lease costs.

Funding Distribution	FY 2010-11 Biennium		FY 2012-13 Biennium		FY 2014-15 Biennium	
	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015
Personnel	\$	\$	\$	\$	\$	\$
Supplies						
Hardware	\$600	\$600				
Software	\$2,000	\$2,000				
Facilities						
Services	\$5,850	\$5,400				
Training						
Grants						
TOTAL	\$8,450	\$8,000	\$	\$	\$	\$

REVENUE DEPT

Change Item: Operating Budget Reduction

Fiscal Impact (\$000s)	FY 2010	FY 2011	FY 2012	FY 2013
General Fund				
Expenditures	\$(4,130)	\$(4,130)	\$(4,130)	\$(4,130)
Revenues	0	0	0	0
Other Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact	\$(4,130)	\$(4,130)	\$(4,130)	\$(4,130)

Recommendation

The Governor recommends a budget reduction of \$4.130 million in FY 2010 and \$4.130 million in FY 2011 for the Department of Revenue. This equates to a ten percent reduction of the department's compliance support budget.

Background

The proposed reduction will be made in the following areas, none of which directly impact the department's growing emphasis on enforcing tax compliance.

Cuts in services include:

- ◆ Saving office rent by shifting employees from smaller offices to telecommuting arrangements;
- ◆ Eliminating approximately 51 positions through attrition or lay-off;
- ◆ Selectively reducing the following support services: informational and instructional services to taxpayers, employees, local government officials, and tax practitioners; data recording, analysis, and retrieval services; and legal, human resource, payroll, mail, and purchasing services in ways that minimize impacts on tax compliance.
- ◆ Restricting the purchase of information technology to mission-critical needs and the mitigation of risks associated with older equipment and systems, while advancing our highest priority project, the installation of an integrated tax processing system.

Relationship to Base Budget

The apportionment of the Department's budget between voluntary and enforced tax compliance has been shifting over time. Prior to 2002, about 52% of our budget was committed to taxpayer services that support voluntary compliance by citizens and businesses. Voluntary compliance accounts for 90 to 95% of the state's tax revenues. However, increases in funding for enforced compliance (tax auditing and enforcement activities) combined with budget reductions in service and processing activities has reduced the portion of our budget that is devoted to voluntary compliance from 52% to 33%. If these trends continue, the percentage of tax revenues from voluntary compliance could fall, forcing an increase in expenditures for enforced compliance.

Key Goals and Measures

The Department's goal for this operating reduction is to have the least amount of negative impact on our customers, the citizens of Minnesota. The measures the Department will use to capture this information are:

- ◆ Service-level indicators
- ◆ Taxpayer surveys

Alternatives Considered

The agency considered reductions in direct compliance activities, but rejected them because of their negative impacts on revenue collections.

Statutory Change: Not Applicable.

Program Description

The tax system management program provides the infrastructure that enables the revenue system to work well for Minnesota. This infrastructure includes tax information services, filing and paying services and enforcement activities.

Budget Activities

- ◆ Compliance Support
- ◆ Appeals, Legal Services, and Tax Research
- ◆ Property Tax Administration and State Aid
- ◆ Tax Payment and Return Processing
- ◆ Technology Development, Operations, and Support
- ◆ Tax Compliance & Enforcement (Individual and Business Taxes)

Historical Perspective

In this biennium, the agency will continue to face several major challenges that have developed in the wake of sweeping and rapid changes in the economy, the job market, demographics and technology.

Demographic changes

The agency continues to face the challenge of delivering services to a more diverse population, especially to those with limited English speaking skills. To help non-English speakers become full participants in Minnesota's revenue system, the agency must expand its services beyond the specialized outreach programs it now offers.

Eroding state revenues

State revenue systems are challenged by the globalization of commerce, the growth of the digital economy, the aging of the population, the transformation of the telecommunication industry from desk-based to integrated-mobile systems, and the growth in federal preemptions of state tax laws. Responding to these challenges requires a concerted effort to identify key economic, demographic and technological factors faster, to measure their effect on state tax collections, and to develop tax policy options that respond to the changes.

The trend toward globalization and digitalization of the economy is clear. According to Jupiter Research, about 30% of U.S. households made purchases online in 2004; that number is expected to grow to 50% by 2008. Most online purchases escape the state sales tax and contribute to the growing tax gap.

The aging of Minnesota's population will also take its toll on the revenue system. Between 2000 and 2030, the growth rate in the elderly population is expected to climb dramatically. With retirements, come economic shifts: more income is exempt from the income tax and purchasing patterns shift from goods to services. These shifts will reduce state revenues.

Other developments will continue to weaken state revenue systems. In particular, the rapid changes in technology are rendering many of the state's traditional gross receipt taxes on telephone and utility services obsolete.

Increased challenges to state tax laws by taxpayers

More and more, taxpayers are minimizing taxes through questionable tax shelters and challenges to state tax laws. Some tax law and accounting firms solicit clients by offering to reduce or eliminate their taxes through challenges to tax laws and the agency's interpretations.

Increasingly complex tax laws

Minnesota's tax laws have grown increasingly complex. Due to the addition of many credits and deductions, plus policy decisions not to fully conform to federal changes, Minnesota went from a simple one-page tax form in 1988 to a complex two-page form requiring a host of schedules and worksheets. Similarly, the number of sales tax exemptions has almost doubled – from 88 in 1995 to 153 in 2006. Growing complexity increases demand for taxpayer information and support, and results in more difficult and time-consuming audits.

Computer systems overhaul

The agency is currently in the process of replacing more than 142 computer applications and 11 different platforms that are currently used to process 28 different state taxes, with a fully integrated tax processing system. When completed, the new system will consolidate functions common to all tax types and provide better, more accurate and consistent data from all tax types. This will increase productivity, improve quality and availability of electronic services to taxpayers, and eventually increase revenues generated from audits. Most importantly, this effort will eliminate the risks of system failures and the growing costs associated with our current, obsolete systems.

Internet commerce has grown dramatically over the last several years, and citizens expect similar services from government. One of the agency's major challenges is to continue to develop information systems that take advantage of the new technology while maintaining traditional paper-based systems for those who need them.

Steep competition for accountants

The agency continues to grapple with the need to attract and retain entry-level tax accountants in the face of steep competition from private sector employers. This competition was spurred by the passage of the federal Sarbanes Oxley law in 2002 which created tough new record keeping and reporting requirements for public companies. According to the Job Outlook 2005 survey by the National Association of Colleges and Employers, accounting majors are the most sought-after graduates. USA Today also reported that during the last three months of 2004, the demand for accountants grew nearly five times faster than the rate of growth for all other jobs. The Minnesota job market mirrors the national pattern.

The high demand for accountants has resulted in exceedingly high turnover rates, especially among newly-hired employees. Overall, about one out of every three exits the agency within one to three years. This turnover diminishes the agency's ability to generate revenue and improve compliance in two ways. First, studies show that more experienced employees generate dramatically more revenue than their less experienced peers. Secondly, the ongoing hiring, training, and mentoring associated with the turnover of new employees necessarily diverts supervisors and senior employees from performing more complex, high-return audits.

Aging workforce

In the next five years, nearly 250 employees, or approximately one-fifth of the agency's staff, will reach retirement age; replacing their collective experience and knowledge will be extremely difficult. Although the agency has hired younger employees for special projects and new tax enforcement initiatives, retaining them in a competitive and shrinking labor market has been especially challenging.

The agency is pursuing several means to retain employees. These include examining the competitiveness of salaries, improving reward and recognition programs, providing learning and professional growth opportunities, and paying attention to life/work balance issues important to employees.

The threat of workplace disruptions

Due to potential pandemics, terrorist attacks or natural disasters, the agency needs to continually plan for the continuation of critical services or functions and the back-up of essential records in the event of the destruction of facilities or the temporary absence of a major portion of the workforce.

The growing challenges and cost of safeguarding taxpayer information

To properly administer the tax system, the agency must collect, house, and manipulate a massive amount of confidential taxpayer information. This must be done in a way that protects the rights of all taxpayers. Unfortunately, the need to keep up with the ever-changing technology of data security and IRS mandates in this area has forced the agency to expend funds for up-to-date encryption tools and data management methods. This is expected to be a constantly growing concern over the next several years.

Key Program Goals

To help ensure that citizens have the following:

- ◆ The information and means they need to easily and conveniently fulfill their tax filing and paying obligations.
- ◆ The confidence that everyone is paying the proper amount of taxes, no more or no less.

REVENUE DEPT	
Program: TAX SYSTEM MANAGEMENT	Narrative

- ◆ Accurate, impartial and complete information to make informed decisions about the structure and operation of the state revenue system.

REVENUE DEPT

Program: TAX SYSTEM MANAGEMENT

Program Summary

Dollars in Thousands					
	Current		Governor Recomm.		Biennium
	FY2008	FY2009	FY2010	FY2011	2010-11
<u>Direct Appropriations by Fund</u>					
General					
Current Appropriation	104,969	101,853	101,853	101,853	203,706
Technical Adjustments					
One-time Appropriations			(315)	(315)	(630)
Pt Contract Base Reduction			(52)	(52)	(104)
Subtotal - Forecast Base	104,969	101,853	101,486	101,486	202,972
Governor's Recommendations					
Operating Budget Reduction		0	(4,130)	(4,130)	(8,260)
Total	104,969	101,853	97,356	97,356	194,712
Health Care Access					
Current Appropriation	1,693	1,734	1,734	1,734	3,468
Technical Adjustments					
One-time Appropriations			27	15	42
Subtotal - Forecast Base	1,693	1,734	1,761	1,749	3,510
Total	1,693	1,734	1,761	1,749	3,510
Highway Users Tax Distribution					
Current Appropriation	2,139	2,183	2,183	2,183	4,366
Subtotal - Forecast Base	2,139	2,183	2,183	2,183	4,366
Total	2,139	2,183	2,183	2,183	4,366
Environmental					
Current Appropriation	297	303	303	303	606
Subtotal - Forecast Base	297	303	303	303	606
Total	297	303	303	303	606
<u>Expenditures by Fund</u>					
Direct Appropriations					
General	98,459	108,194	97,356	97,356	194,712
Health Care Access	1,623	1,804	1,761	1,749	3,510
Highway Users Tax Distribution	2,080	2,242	2,183	2,183	4,366
Environmental	270	330	303	303	606
Statutory Appropriations					
General	0	0	2,117	2,117	4,234
Miscellaneous Special Revenue	3,837	7,079	3,829	3,829	7,658
New Fund	0	0	8,500	8,000	16,500
Total	106,269	119,649	116,049	115,537	231,586
<u>Expenditures by Category</u>					
Total Compensation	73,169	85,884	81,255	81,243	162,498
Other Operating Expenses	32,903	33,465	32,477	31,977	64,454
Capital Outlay & Real Property	1	0	0	0	0
Local Assistance	196	300	200	200	400
Other Financial Transactions	0	0	2,117	2,117	4,234
Total	106,269	119,649	116,049	115,537	231,586

REVENUE DEPT

Program: TAX SYSTEM MANAGEMENT

Program Summary

<i>Dollars in Thousands</i>					
	Current		Governor Recomm.		Biennium
	FY2008	FY2009	FY2010	FY2011	2010-11
<u>Expenditures by Activity</u>					
Compliance Support	3,965	4,452	3,701	3,701	7,402
Appeals, Legal Serv & Tax Res	4,747	5,413	4,802	4,802	9,604
Tax Payment& Return Processing	13,519	14,185	11,829	11,829	23,658
Tax Compliance & Enforcement	53,576	70,718	64,955	64,943	129,898
Tech Development & Support	27,144	21,195	27,578	27,078	54,656
Property Tax Admin & State Aid	3,318	3,686	3,184	3,184	6,368
Total	106,269	119,649	116,049	115,537	231,586
<i>Full-Time Equivalents (FTE)</i>	1,060.4	1,116.9	1,033.5	1,001.0	

REVENUE DEPT

Program: TAX SYSTEM MANAGEMENT

Activity: COMPLIANCE SUPPORT

Narrative

Activity Description

This activity provides overall direction to the agency. Its services include human resource management, facilities and contracts management, budget planning, financial and performance reporting, tax policy development, and tax publication and informational services for taxpayers and employees.

Population Served

This activity serves the state's 3.6 million individual income tax filers and 647,000 registered businesses, the Department's nearly 1,400 employees, and state policymakers, including the Governor and legislature.

Services Provided

The compliance support activity includes six major categories of services:

Human resource management serves department managers, supervisors, and employees in staffing, recruitment, and selection; job classification; labor relations; policy administration and consultation; performance evaluation; compensation and benefits administration; personnel transactions; personnel records; workforce planning; and employee training and development.

Facilities management services include building security, office space planning, and general building services.

Financial reporting and contract management services include coordinating the Department's biennial budget and annual spending plans; monitoring annual budget plans; preparing financial reports; overseeing all budget and accounting functions for the Department's operating and property tax aids and credits budget; ensuring that adequate financial controls are in place; and conducting internal audits to ensure the integrity of internal financial and operating systems. Services also include the development of performance measures for the agency's activities; preparation of financial reports; transferring of funds to other agencies or funds; equipment, supplies and professional and technical service procurement; and negotiation of leases for the Department's facilities.

Tax forms and informational services activities include forms and instruction design for individual and business taxes; website design, maintenance and oversight; publication and report design and editing; printing coordination for all of the Department's publications, including forms and instructions; media relations; and internal communications.

Management leadership activities provide direction to the agency's work units through business planning, which includes the development of the agency's strategic plan, strategic information systems management plan, biennial budget, division business plans, and annual spending plans. It ensures that the agency's resources, support systems and training systems are aligned with the direction set through the business planning process. It also monitors agency performance through the development and use of performance measurements.

Tax policy support activities include developing policies for all tax types; identifying obstacles in taxpayer compliance with tax laws; and identifying unclear, ambiguous or conflicting provisions of tax laws. This service area also develops proposals to improve tax law understandability, fairness, ease of compliance and administration.

Activity at a Glance

- ◆ More than 300 tax forms and instruction booklets written and designed
- ◆ 15 million pieces printed and mailed
- ◆ 183,000 forms and instructions for individual income tax downloaded from website in April 2008
- ◆ 12,000 pages of information available on website
- ◆ Over 1,000 cases resolved each year by the Taxpayer's Advocate Office
- ◆ Manages facilities for nearly 1,400 employees in 17 locations
- ◆ Manages 107 contracts amounting to over \$16 million

REVENUE DEPT

Program: TAX SYSTEM MANAGEMENT

Activity: COMPLIANCE SUPPORT

Narrative

Historical Perspective

This activity provides informational services to taxpayers and policy makers and support to tax compliance functions within the agency. Specifically, it faces the following challenges:

- ◆ an increasing exodus of experienced, knowledgeable workers;
- ◆ a more linguistic and culturally diverse population;
- ◆ higher service expectations;
- ◆ the growing erosion of the state tax structure; and
- ◆ the threat of workplace disruptions

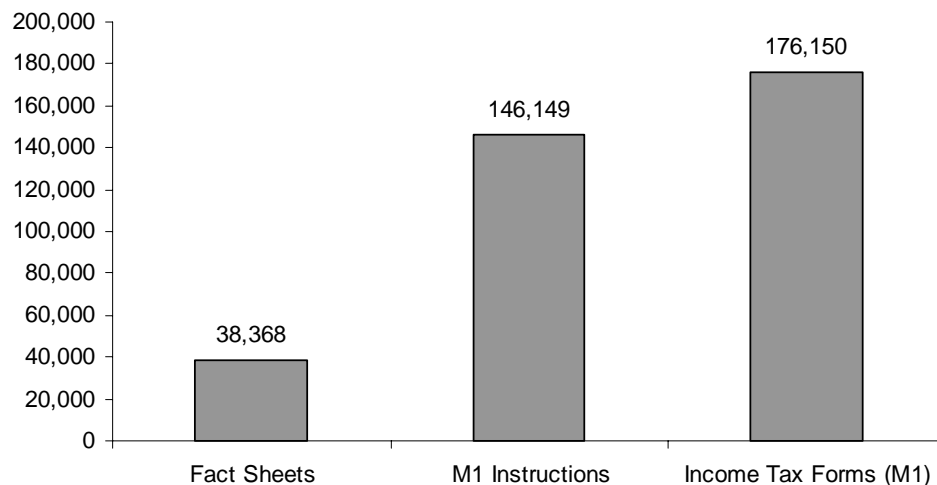
Key Activity Goals

- ◆ Citizens have the services and information they need to meet their obligations and to be informed about the revenue system.
- ◆ Employees perform meaningful and challenging work, and have opportunities to learn and grow.

Key Activity Measures

Taxpayers are relying heavily on the Department's website to obtain income tax forms, instructions and fact sheets.

Website Downloads for Income Tax
FY 2008



Activity Funding

The compliance support budget activity constitutes 3.0% of the department's budget. Of the total budget for the biennium for the administrative support budget activity, \$8.0 million (97.1%) comes from general fund tax dollars, \$163,000 (2.1%) comes from dedicated funds and \$68,000 (0.8%) comes from special revenue funds for administering the Local Option Sales Tax and the Revenue Recapture program.

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REVENUE DEPT

Program: TAX SYSTEM MANAGEMENT

Activity: COMPLIANCE SUPPORT

Budget Activity Summary

<i>Dollars in Thousands</i>					
	Current		Governor's Recomm.		Biennium
	FY2008	FY2009	FY2010	FY2011	2010-11
<u>Expenditures by Fund</u>					
Direct Appropriations					
General	3,813	4,278	3,543	3,543	7,086
Health Care Access	73	90	83	83	166
Statutory Appropriations					
Miscellaneous Special Revenue	79	84	75	75	150
Total	3,965	4,452	3,701	3,701	7,402
<u>Expenditures by Category</u>					
Total Compensation	3,352	3,622	3,328	3,328	6,656
Other Operating Expenses	613	830	373	373	746
Total	3,965	4,452	3,701	3,701	7,402
Full-Time Equivalents (FTE)	43.6	45.6	36.2	35.0	

REVENUE DEPT

Program: TAX SYSTEM MANAGEMENT

Activity: APPEALS, LEGAL SERVICES & TAX RESEARCH

Narrative

Activity Description

This activity includes legal, legislative, tax appeal, and tax research services.

Population Served

Taxpayers, tax administrators, legislators and their staff, tax professionals, public policymakers, local elected officials, state agencies, local governments, nonprofit organizations, businesses, and professional and trade associations.

Services Provided

Legal Services

- ◆ Provides in-house legal counsel and conducts legal analysis and research of tax laws and policies.
- ◆ Provides updated information on law changes and court decisions to taxpayers, business trade organizations, and tax practitioner groups.
- ◆ Works with legislators, legislative staff, taxpayers, and practitioner groups in drafting legislation, interpreting tax laws, and providing expert testimony at hearings.
- ◆ Drafts rules and revenue notices that announce the Department's interpretation of tax laws.
- ◆ Provides support to the Attorney General's staff in tax litigation.
- ◆ Monitors federal tax changes that affect Minnesota's tax system.
- ◆ Negotiates and oversees state tax agreements with tribal governments.

Appeal Services

- ◆ Resolves taxpayer disputes over tax audit assessments and denials of tax refunds and provides an independent, impartial work unit that offers taxpayers an informal and inexpensive alternative to litigation in resolving disputes.

Tax Research Services

- ◆ Forecasts revenues from various taxes and property tax aids and credits for the state's November and February forecasts.
- ◆ Develops the state's official revenue estimates and analyses for proposed state tax legislation and the impact of federal law changes.
- ◆ Prepares legislatively mandated studies and reports, including the *Minnesota Tax Incidence Study* and the *Minnesota Tax Expenditure Budget*.
- ◆ Develops databases and tax simulation models for use by the legislature and the executive branch for revenue forecasting and for evaluating the effect of tax proposals.
- ◆ Assists in measuring tax compliance and identifying data sources for detecting noncompliance.
- ◆ Disseminates economic and tax information to legislative staff, administration officials, executive branch officials, businesses, associations, nonprofit groups, all of the agency's divisions, and the public.
- ◆ Maintains an in-house library for tax research and the study of tax laws.

Historical Perspective

This activity continues to face high demand for its services due to the growing complexity of tax laws, the fast pace of state and federal tax law changes, increased challenges to tax laws, expanded compliance activities in all major tax types and numerous law proposals that require revenue estimates, drafts of legislation, and legal analysis.

Activity at a Glance

In FY 2008, this activity:

- ◆ Prepared seven revenue notices and spent over 4,400 hours on preparing or analyzing legislative bills and over 9,900 hours providing legal advice to the agency
- ◆ Completed about 1754 administrative appeals
- ◆ Developed approximately 300 formal revenue estimates

REVENUE DEPT

Program: TAX SYSTEM MANAGEMENT

Activity: APPEALS, LEGAL SERVICES & TAX RESEARCH

Narrative

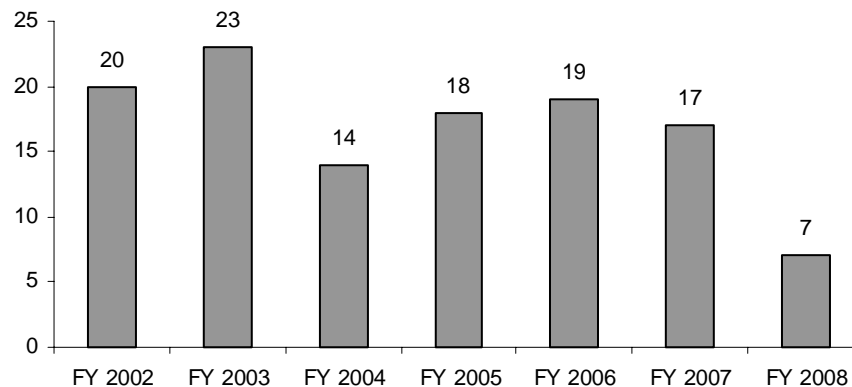
Key Activity Goals

- ◆ Citizens have the services and information they need to meet their obligations and to be informed about the revenue system.

Key Activity Measures

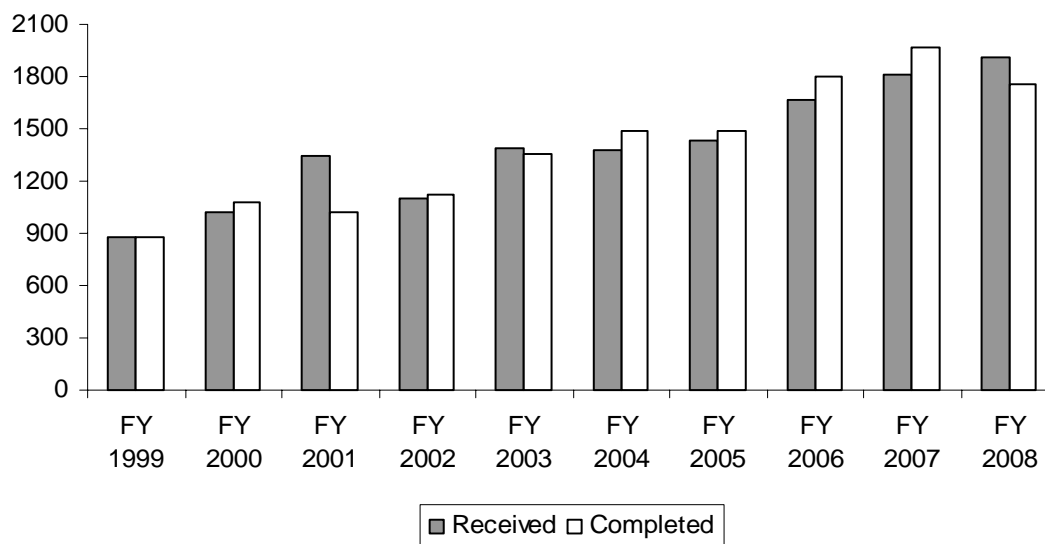
Legal: The department publishes revenue notices which advise taxpayers on how tax laws will be administered. Revenue notices are one measure of the legal counsel provided by legal staff.

Revenue Notices Published



Appeals: The number of administrative appeals continues to increase as a result of the Department's expanded compliance activities and the increased complexity of tax laws.

Administrative Appeals Received and Completed



REVENUE DEPT

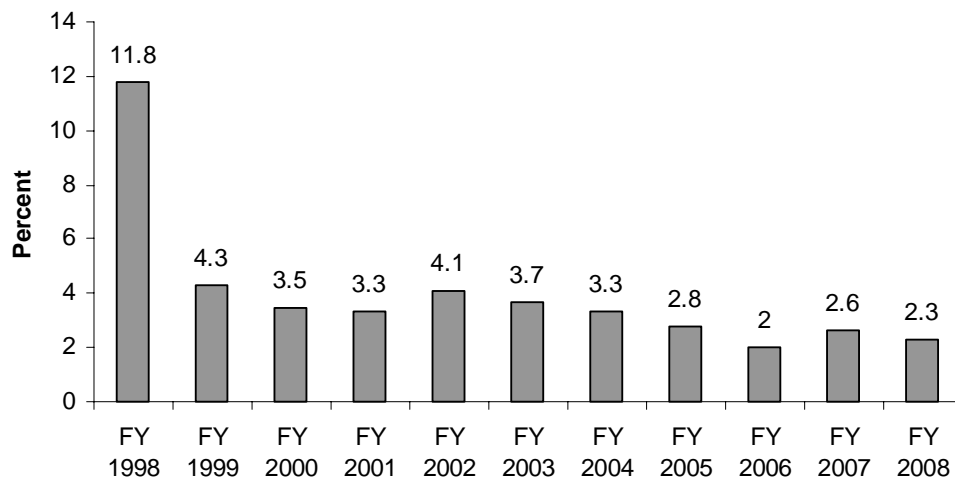
Program: TAX SYSTEM MANAGEMENT

Activity: APPEALS, LEGAL SERVICES & TAX RESEARCH

Narrative

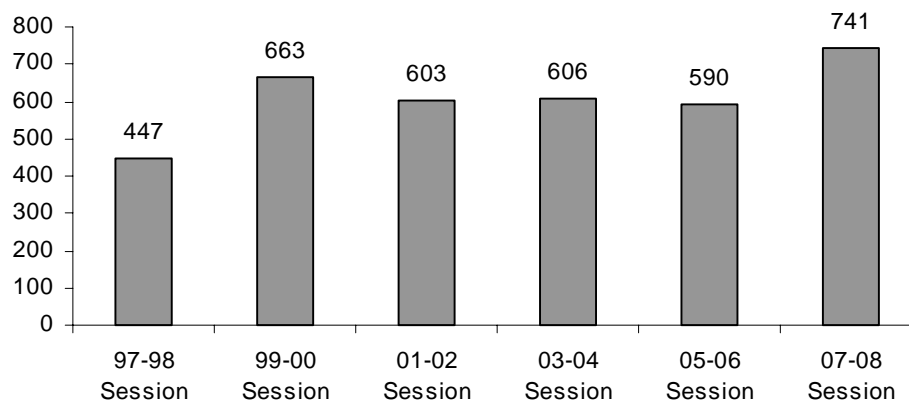
Taxpayers are becoming more assertive in challenging state tax laws. However, this activity attempts to resolve many of these challenges through a low-cost dispute resolution process rather than a formal, higher cost litigation process. The number of cases that are subsequently appealed to tax court is used to measure the effectiveness of the taxpayer dispute resolution process.

Percent of Administrative Appeals
Subsequently Appealed to Tax Court



Research: The number of bill analyses prepared by the Research Division in connection with tax legislation has remained at a high level. This activity is the largest resource management issue for the division.

Bill Analysis Provided to Tax Committees by Legislative
Session



REVENUE DEPT

Program: TAX SYSTEM MANAGEMENT

Activity: APPEALS, LEGAL SERVICES & TAX RESEARCH

Narrative

Activity Funding

This activity's biennial budget is \$9.8 million, or about 3.6% of the department's total budget. Of the total budget for the biennium for the legal and research budget activity, \$9.4 million (95.8%) comes from general fund tax dollars, \$338,000 (3.4%) comes from dedicated funds and \$ 76,000 (0.8%) comes from special revenue funds for administering the Local Option Sales Tax program.

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REVENUE DEPT

Program: TAX SYSTEM MANAGEMENT

Activity: APPEALS, LEGAL SERV & TAX RES

Budget Activity Summary

<i>Dollars in Thousands</i>					
	Current		Governor's Recomm.		Biennium
	FY2008	FY2009	FY2010	FY2011	2010-11
<u>Expenditures by Fund</u>					
Direct Appropriations					
General	4,514	5,120	4,513	4,513	9,026
Health Care Access	163	173	172	172	344
Statutory Appropriations					
Miscellaneous Special Revenue	70	120	117	117	234
Total	4,747	5,413	4,802	4,802	9,604
<u>Expenditures by Category</u>					
Total Compensation	3,999	4,684	4,427	4,427	8,854
Other Operating Expenses	747	729	375	375	750
Capital Outlay & Real Property	1	0	0	0	0
Total	4,747	5,413	4,802	4,802	9,604
Full-Time Equivalents (FTE)	47.6	50.2	46.1	44.6	

Activity Description

This activity processes all state electronic and paper filed tax returns and payments; issues tax refunds; and manages taxpayer records. It also establishes tax accounts for new businesses, updates taxpayer records for changes, including address changes, and offsets income tax refunds for tax and non-tax debts owed to state agencies and local units of government.

Population Served

- ◆ 3.6 million individual income taxpayers who file 2.7 million individual income tax returns
- ◆ 165,000 employers and 806 third-party bulk filers who remit income tax withholding payments
- ◆ 711,000 property tax refund applicants
- ◆ 277,000 businesses that collect and remit sales and use tax
- ◆ 42,000 corporations and 149,000 S corporations and partnerships that pay corporate franchise and income taxes
- ◆ 50,000 fiduciary income taxpayers
- ◆ 1,800 estate taxpayers who pay and submit \$116 million in estate taxes
- ◆ 641 petroleum product distributors who pay \$652 million in gasoline, special and aviation fuel taxes and various fees
- ◆ 48 cigarette and 77 tobacco distributors who remit \$425 million in cigarette and tobacco taxes and fees
- ◆ 81 wine and liquor distributors, 188 brewers and beer importers, and 16 alcohol commercial carriers, who pay approximately \$73 million in liquor, wine and beer taxes
- ◆ 1,459 insurance companies who pay \$282 million in gross premium taxes
- ◆ 8,485 hospitals, health care providers and prescription drug wholesalers who collect approximately \$658 million in health care taxes
- ◆ 1,309 organizations that conduct lawful gambling and 13 gambling equipment distributors who collect approximately \$44 million in lawful gambling taxes
- ◆ 6,000 hazardous waste generators; 4,000 water quality and 2,250 air quality permit holders and 800 solid waste management services who collect approximately \$68 million in solid waste taxes and fees
- ◆ 6 mining companies that pay approximately \$85.6 million in taconite production taxes and \$11.5 million in taconite and iron ore occupation taxes
- ◆ 190 dry cleaning facilities that pay dry cleaner taxes and five solvent distributors who pay approximately \$225,000 in dry cleaner fees
- ◆ 87 counties that remit approximately \$200 million in deed and mortgage registry taxes
- ◆ 993 state and county agencies whose debts are collected through revenue recapture

Activity at a Glance

- ◆ Processes 2.7 million income tax returns annually
- ◆ Processes over 1.6 million business tax returns
- ◆ Processes 4.9 million payments
- ◆ Issues 2.6 million refunds
- ◆ Registered 34,000 new businesses in FY2008
- ◆ Receives and sorts over 4.2 million pieces of incoming mail annually

Services Provided

This activity processes all electronic and paper state tax returns and payments. Services include:

- ◆ receiving and sorting over 4.2 million pieces of incoming mail annually
- ◆ scanning and imaging paper-filed individual income tax returns and correspondence
- ◆ recording and depositing tax payments
- ◆ verifying tax return accuracy
- ◆ auditing returns that exceed normal thresholds for credits, deductions and exemptions
- ◆ issuing refunds to individuals and businesses
- ◆ receiving and acknowledging electronic tax returns and payments
- ◆ offsetting refunds for tax and non-tax debt owed to government entities

REVENUE DEPT

Program: TAX SYSTEM MANAGEMENT

Activity: TAX PAYMENT & RETURN PROCESSING

Narrative

- ◆ issuing tax identification numbers to new businesses
- ◆ recording address and name changes to individual and business tax accounts
- ◆ procuring and dispensing cigarette tax stamps

Historical Perspective

This activity continues to transform individual income tax and business tax filing and payment transactions from paper to electronic media. This activity now has in place:

- ◆ electronic filing systems for sales and use tax, withheld income taxes, corporate franchise tax, S-Corporation tax, fiduciary tax, partnerships, MinnesotaCare tax, and motor fuel taxes; and the ability to accept payment for all tax types, including estimated individual income taxes;
- ◆ a web-based business registration system;
- ◆ a modernized individual income tax computer system that is regularly adding features that permit taxpayers to serve themselves; and
- ◆ scannable individual income tax and property tax forms, which has eliminated the need for storage of paper returns.

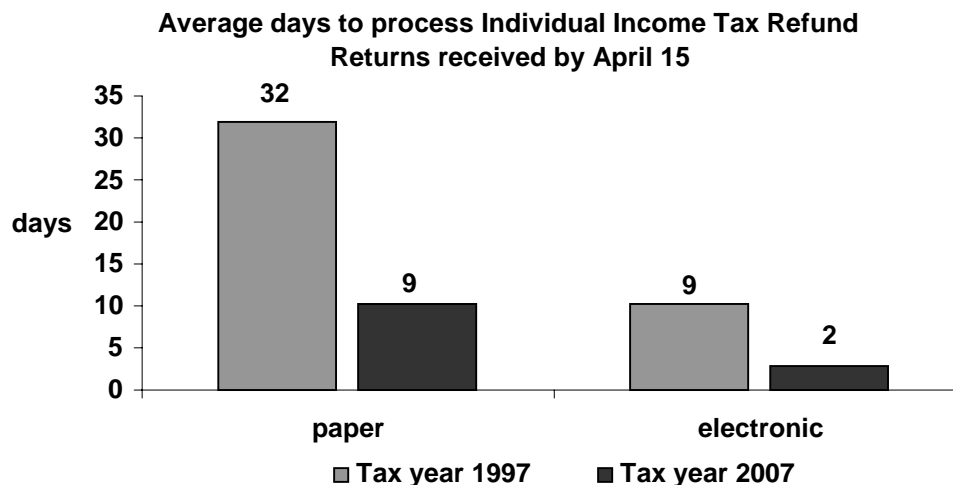
In 2007, over 1.74 million individual income tax returns were filed electronically, and over 1.2 million tax refunds were issued within five days. Over 3.9 million business tax filing and payment transactions were processed electronically in FY 2008.

Key Activity Goals

- ◆ Increase the speed, accuracy, convenience, and ease of tax filing and payment.
- ◆ Increase e-services for citizens.

Key Activity Measures

Average days to process individual income tax refund returns calculated from the date the return is received to the date the refund is issued.



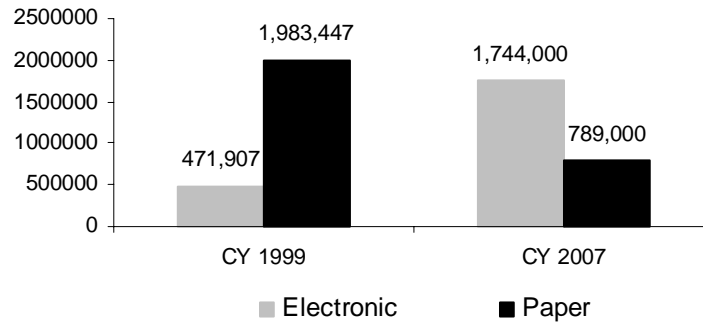
REVENUE DEPT

Program: TAX SYSTEM MANAGEMENT

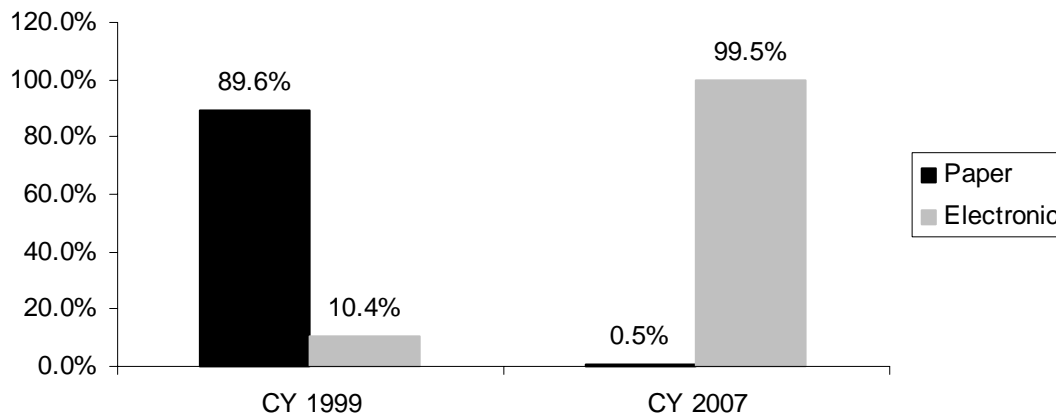
Activity: TAX PAYMENT & RETURN PROCESSING

Narrative

**Individual Income Tax
Paper vs Electronic Returns**



**Business Tax - Paper vs Electronic
For Sales & Use and Withholding Tax**



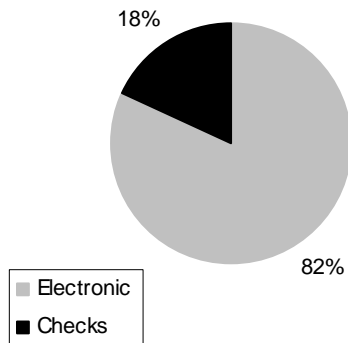
REVENUE DEPT

Program: TAX SYSTEM MANAGEMENT

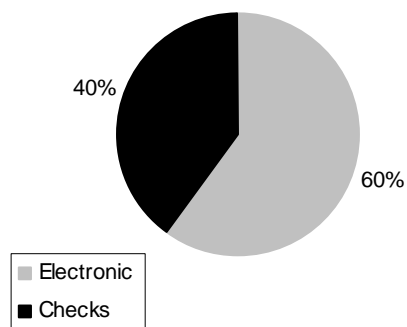
Activity: TAX PAYMENT & RETURN PROCESSING

Narrative

Taxpayer Payments by Dollars FY 2008



Taxpayer Payments by Type FY 2008



Activity Funding

This activity's biennial budget is \$28.3 million, or about 10.5% of the department's total budget. Of the total budget for the biennium for the Tax Filing and Payments budget activity, \$27.6 million (97.8%) comes from general fund tax dollars, \$123,000 (0.4%) comes from dedicated funding, and \$503,000 (1.8%) comes from special revenue funds for administering the Local Option Sales Tax and Revenue Recapture program.

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REVENUE DEPT

Program: TAX SYSTEM MANAGEMENT

Activity: TAX PAYMENT& RETURN PROCESSING

Budget Activity Summary

<i>Dollars in Thousands</i>					
	Current		Governor's Recomm.		Biennium
	FY2008	FY2009	FY2010	FY2011	2010-11
<u>Expenditures by Fund</u>					
Direct Appropriations					
General	13,160	13,792	11,515	11,515	23,030
Health Care Access	27	96	62	62	124
Statutory Appropriations					
Miscellaneous Special Revenue	332	297	252	252	504
Total	13,519	14,185	11,829	11,829	23,658
<u>Expenditures by Category</u>					
Total Compensation	11,349	11,943	10,535	10,535	21,070
Other Operating Expenses	2,170	2,242	1,294	1,294	2,588
Total	13,519	14,185	11,829	11,829	23,658
Full-Time Equivalents (FTE)	206.7	208.6	168.4	162.4	

REVENUE DEPT

Program: TAX SYSTEM MANAGEMENT

Activity: TAX COMPLIANCE & ENFORCEMENT

Narrative

Activity Description

The compliance activity administers and enforces Minnesota's 28 individual and business taxes. These taxes raise \$17.5 billion annually, which amounts to 62.4% of the state's total revenue.

Population Served

- ◆ 3.6 million individual income taxpayers
- ◆ 711,000 homeowner and renter property tax refund applicants
- ◆ 8,000 professional tax preparers
- ◆ 277,000 businesses that collect and remit sales and use tax
- ◆ 50,000 fiduciary and 1,800 estate taxpayers
- ◆ 165,000 employers that withhold tax and 806 third-party bulk withholding filers
- ◆ 42,000 corporations, 95,000 S corporations, and 54,000 partnerships
- ◆ 700 petroleum product distributors
- ◆ 48 cigarette and 77 tobacco distributors
- ◆ 81 wine and liquor distributors; 188 brewers and beer importers, and 16 alcohol commercial carriers
- ◆ 1,459 insurance companies
- ◆ 8,485 hospitals, health care providers, and prescription drug wholesalers
- ◆ 1,309 organizations that conduct lawful gambling, and 13 gambling equipment distributors
- ◆ 6,000 hazardous waste generators and 800 solid waste management service providers
- ◆ 6 iron ore mining companies
- ◆ 195 dry cleaning facilities
- ◆ 4,500 unrelated business income tax (UBIT) filers
- ◆ 87 county treasurers and recorders
- ◆ County attorneys and other law enforcement agencies
- ◆ 674 individuals who file and pay consumer use tax
- ◆ 2,677 individuals and businesses who file sales and use tax refund claims

Activity at a Glance

- ◆ Respond to over 635,000 phone calls
- ◆ Perform 115,800 tax audits
- ◆ Perform 102,000 pre-audit adjustments
- ◆ Provide tax forms, instructions, and other information to more than 4 million taxpayers
- ◆ Respond to 38,000 e-mail inquiries

This activity also administers local option sales and use tax on behalf of 19 cities, two counties and one metro-wide transit tax.

Services Provided

This activity ensures that individuals and businesses pay the proper amount of tax by:

- ◆ informing taxpayers of their obligations and rights;
- ◆ providing paper and web-based forms and instructions;
- ◆ offering online access to free electronic income tax filing for low and modest income taxpayers, students, senior citizens, and members of the armed forces;
- ◆ responding to email, written and telephone inquiries;
- ◆ conducting audits to identify and resolve tax filing and payment discrepancies, identifying non-residents and non-filers, detecting tax evasion, and measuring levels of compliance;
- ◆ interpreting laws and making recommendations for law changes; and
- ◆ providing training courses and seminars to tax preparers and businesses.

Historical Perspective

The agency continues to rely on two landmark studies that measured the gap between the amount of tax paid and the amount that should have been paid. The first of the two studies, conducted in 2002, revealed a sales tax gap of about \$500 million; that is expected to grow to \$700 million by 2007. In 2004, the agency, in consultation with the State Demographer's Office and the Internal Revenue Service (IRS), conducted a study of the individual income tax, which revealed a gap of about \$604 million. The agency continues to monitor trends in this area, but because the tax gap is not expected to change dramatically from year to year (except for the impact of our legislative compliance initiatives) the frequency of these costly studies will be reduced.

To help mitigate a state budget shortfall, the legislature appropriated \$12.8 million to the agency in 2004-05 biennium to generate \$59.8 million through stepped-up tax auditing and enforcement activities. Those efforts generated \$92.2 million, or \$32.4 million more than expected. The agency also received \$17.8 million in the 2006-07 biennium to generate an added \$90.7 million. This effort generated \$114.3 million, or \$23.6 million more than anticipated. In the 2008-09 biennium, the legislature appropriated funds for two separate initiatives; one provided \$20.47 million to generate \$102.4 million, the other provided \$7 million for a return of \$21 million. As of 7-31-2008, these efforts have generated \$68.6 million – or about \$20.1 million ahead of the \$48.5 million that the agency had expected to generate by this date. The fact that these expanded tax auditing and enforcement initiatives have yielded much more revenue than expected is further evidence of the substantial gap between the amount of tax paid and the amount that should be paid.

The increase in appropriations for stepped-up tax enforcement activities has been partially offset by decreased funding in all other agency activities, including those activities that provide direct support services to tax enforcement activities. Prior to 2002, about 48% of the agency's budget was devoted to tax enforcement, and the remaining 52% to tax processing and taxpayer services that promote voluntary compliance. As added funds have been appropriated for tax enforcement activities and funding decreases imposed on processing and service activities, the portion of the agency's budget now devoted to tax enforcement activities constitutes 67%, with the remaining 33% allotted to processing, education and service activities.

Although expanded tax compliance activities are generating substantial revenue, uncovering tax avoidance remains a difficult task. Here are some reasons why:

- ◆ As businesses move from paper to electronic records and transactions, the agency's employees need more training to enable them to understand and access various computer systems to ensure the accuracy of the systems, as well as the transactions.
- ◆ As taxpayers convert to electronic records, they are reducing the types of information included in the records. Therefore, less data is available for employees to review; increasing the difficulty of auditing taxpayer records.
- ◆ Consolidations and mergers among businesses have resulted in the merging of computer systems, making it more difficult to identify transactions and determine who is responsible for paying the tax.
- ◆ Globalization of commerce increases the number of transactions that cross state and national borders. As more transactions are made through mail-order firms and the Internet, it is more difficult and expensive for the activity to identify them and determine who is responsible for paying the taxes.
- ◆ Significant growth in the state's economy has increased the number of retail businesses from 178,000 in 1995 to 277,000 in 2007 – or 56%. This growth limits the activity's ability to redirect resources from taxpayer support services to more direct tax enforcement activities. This growth has also increased the number of applications for capital equipment sales tax refunds that must be processed and audited.
- ◆ Sales and use tax laws have not kept pace with changes in technology. In the past, products such as musical recordings, software programs and books solely existed in the form of tangible personal property. Today

REVENUE DEPT

Program: TAX SYSTEM MANAGEMENT

Activity: TAX COMPLIANCE & ENFORCEMENT

Narrative

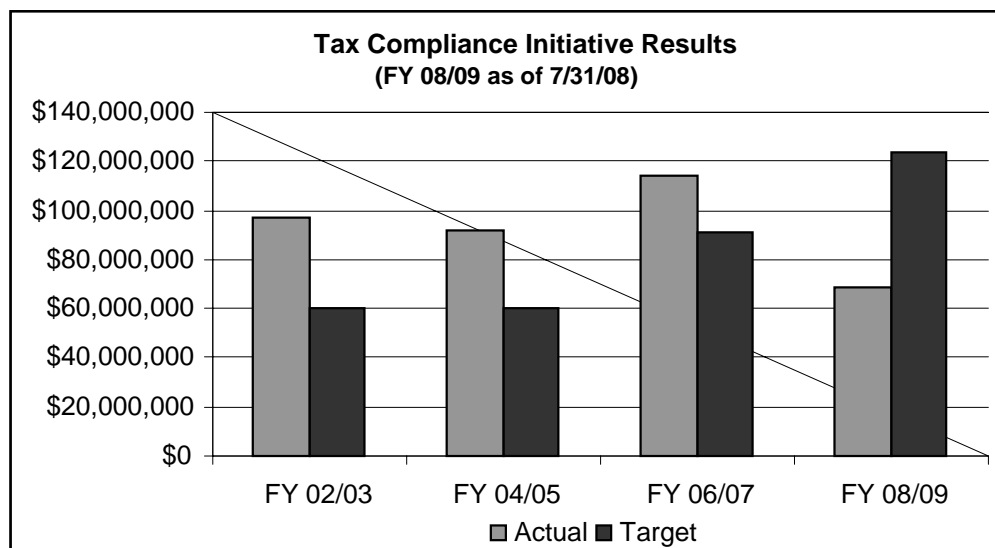
these products are delivered electronically to customers, making it difficult for the agency to determine the taxability of the sale. Only a few court decisions have been rendered to guide the agency.

- ◆ Individual income tax does not completely conform to the federal income tax which leads to complex forms and additional steps.

Key Activity Goals

- ◆ Improve compliance with the tax system.
- ◆ Everyone pays the right amount, no more, no less.

Key Activity Measures



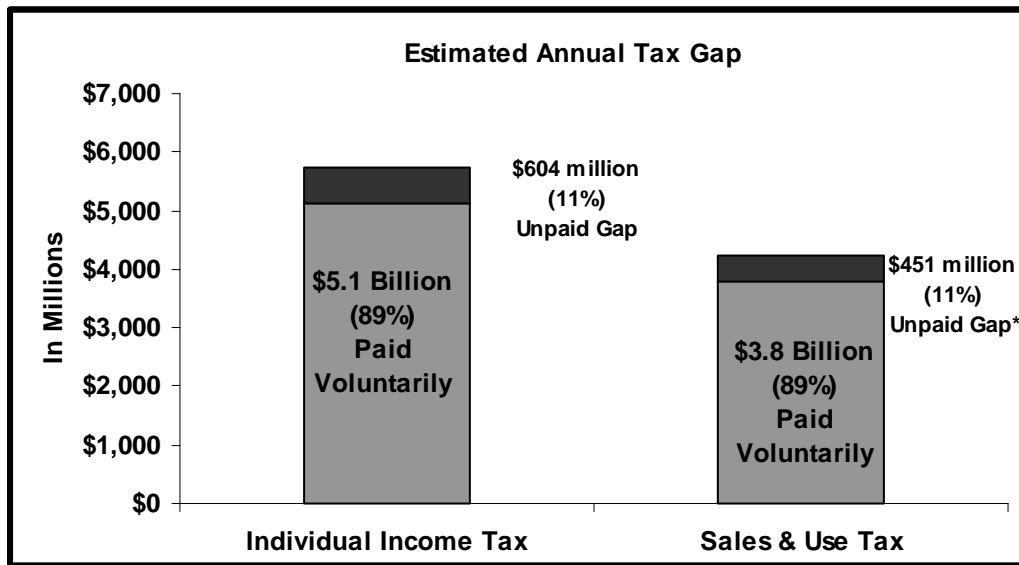
The dollars collected have exceeded our targeted goals during each biennium; \$37.1 million over target for FY 2002-03, \$32.4 million over for FY 2004-05 and \$23.6 million over for FY 2006-07 biennium. As of 7-31-08 \$68.6 million has been generated for FY 2008-09, \$20.1 million ahead of forecasted revenue by this date.

REVENUE DEPT

Program: TAX SYSTEM MANAGEMENT

Activity: TAX COMPLIANCE & ENFORCEMENT

Narrative



** Individual income tax statistics are for tax year 1999

** Sales & Use tax statistics are for calendar year 2000 and include motor vehicle sales tax

Source:

Minnesota Department of Revenue, *Individual Income Tax Gap: Tax Year 1999* (6-7-2004).
American Economics Group, Inc., *Minnesota Sales and Use Tax Gap Project: Final Report*
(Prepared for the Minnesota Department of Revenue, November 19, 2002).

Activity Funding

This activity's biennial budget is \$135.1 million, or about 50.0% of the department's total budget. Of the total budget for the biennium for the tax compliance budget activity, \$123.4 million (91.4%) comes from general fund tax dollars, \$7.5 million (5.5%) comes from dedicated funds, and \$4.2 million (3.1%) comes from special revenue funds for administering the Local Option Sales Tax, Revenue Recapture and Cigarette Stamp account activities.

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REVENUE DEPT

Program: TAX SYSTEM MANAGEMENT

Activity: TAX COMPLIANCE & ENFORCEMENT

Budget Activity Summary

<i>Dollars in Thousands</i>					
	Current		Governor's Recomm.		Biennium
	FY2008	FY2009	FY2010	FY2011	2010-11
<u>Expenditures by Fund</u>					
Direct Appropriations					
General	48,616	61,143	58,535	58,535	117,070
Health Care Access	1,313	1,398	1,397	1,385	2,782
Highway Users Tax Distribution	2,021	2,183	2,124	2,124	4,248
Environmental	253	313	286	286	572
Statutory Appropriations					
Miscellaneous Special Revenue	1,373	5,681	2,613	2,613	5,226
Total	53,576	70,718	64,955	64,943	129,898
<u>Expenditures by Category</u>					
Total Compensation	43,672	53,340	51,192	51,180	102,372
Other Operating Expenses	9,708	17,078	13,563	13,563	27,126
Local Assistance	196	300	200	200	400
Total	53,576	70,718	64,955	64,943	129,898
Full-Time Equivalents (FTE)	641.6	692.1	669.5	649.4	

Activity Description

This activity oversees the development and maintenance of computer systems for all major state taxes administered by the department. It maintains 129 business computer applications, and 212 software tools running on nine different platforms or operating systems that serve more than 1,354 employees. It is responsible for strategic planning for integrating technologies and systems into the agency's business operations; computer systems development; information security and data privacy; continuity of operations; emergency planning; and for managing day-to-day maintenance of the agency's computer infrastructure, including the overall network, operating systems and equipment.

Activity at a Glance

- ◆ 1,354 employees served in 17 different office locations
- ◆ 129 business computer applications, and 212 software tools running on 9 different platforms or operating systems
- ◆ Most agency provided service and information for citizens is available on-line or by other electronic means
- ◆ over four million electronic filing and payment transactions

Population Served

This activity serves policymakers, citizens and businesses that interact with or are served by our tax systems, local units of government, other state agencies, and the department's 1,354 employees.

Services Provided

The information technology activity is responsible for:

- ◆ strategic planning for aligning technologies and systems with the agency's business needs;
- ◆ systems planning, development, implementation and maintenance of computer applications;
- ◆ ensuring the security of all computer applications and privacy of data;
- ◆ ensuring that department information systems and networks are efficient, reliable, accessible and responsive;
- ◆ directing, coordinating and maintaining the continuity of operations (business continuation) and emergency response plans for the department;
- ◆ leadership of the agency business systems planning team, which is the department's process for aligning and integrating business needs with computer operations and systems;
- ◆ establishing and maintaining standards for computer architecture and technology; and
- ◆ monitoring investments in computer applications, projects and systems.

Historical Perspective

Since the 1990s, the department has been transforming its tax processing from mainframe systems that supported internal, paper-based procedures to electronic filing and paying systems. For taxpayers, these new systems mean faster, easier, and more convenient and accurate filing and paying. To achieve this transformation, the department shifted funds from other activities in order to invest in technology. However, past funding reductions have reduced this activity's budget by about \$2 million (7%). Yet, the demands for technology have increased as we have added compliance personnel to meet our compliance commitments.

To strengthen compliance, enhance taxpayer service and help to address our constrained technology budget, Department of Revenue (DOR) was able to secure from the legislature the initial funding for a comprehensive Integrated Tax system. With this initial \$12 million appropriation and significant internal resource commitments, DOR has begun to implement a proven Commercial-Off-The-Shelf (COTS) software product designed for tax and revenue operations. This initial funding has been used to cover the first two years of a five-year, \$40 million effort.

Key Activity Goals

- ◆ Increase e-services for citizens.
- ◆ Keep the revenue system in pace with changes in the economy and in technology.
- ◆ Make sure that taxpayers trust us to protect their data.

REVENUE DEPT

Program: TAX SYSTEM MANAGEMENT

Activity: TECHNOLOGY DEVELOPMENT & SUPPORT

Narrative

Key Activity Measures

To measure its success in implementing information technology applications, this activity uses a self-assessment process developed by the Pawlenty Administration for evaluating effectiveness in four major categories, including the overall use and management of technology.

Using a scale from one to five, the agency graded itself according to the criteria in the following four categories in the *Government Reform through Technology* area. (A grade of one is considered “below minimum standards” while a grade of five is deemed “world class excellence.” The criteria associated with a specific score appear immediately after the grade.)

Electronic Government Services – **Grade: 4** – We lead the nation in Individual Income tax electronic filings and have a 99% e-file adoption rate for sales and withholding taxes. Most of our core services for citizens, businesses, and governmental groups are available on-line.

Enterprise Orientation – **Grade: 4** – For the past two years we have been the most significant player in the Office of Enterprise Technology’s data center consolidation initiative. The department has a standing team in place that promotes sharing and collaboration initiatives. Additionally, we actively lead or participate in the exploration of shared service opportunities with state agencies and other partners.

Customer Focus – **Grade: 4** – We develop strategic business technology and process improvement plans in collaboration with our customers. We approach the management of our agency and our projects from a collaborative perspective and have successfully used a shared approach on our projects. We have defined and consistently used processes for gathering business partner/customer (user) feedback. We continue to have many successes on the delivery of service within our agency and in collaboration with others.

Strategy and Standards – **Grade: 5** – Internally, we develop and support strategies and standards designed to meet agency business needs. We also collaborate with the Office of Enterprise Technology in support of state-wide technology standards. We provide leadership and are recognized by our peers in the development and advocacy of architectural direction and standards for the greater good of the state enterprise.

Activity Funding

This activity’s biennial budget is \$35.4 million, or about 13.1% of the department’s total budget. The sources of the activity’s total biennial budget are: \$33.6 million (95.0%) from general fund tax dollars, \$245,000 (.6%) from dedicated funds and \$ 1.5 million (4.4%) from special revenue funds for administering the Local Option Sales Tax and the Revenue Recapture program.

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REVENUE DEPT

Program: TAX SYSTEM MANAGEMENT

Activity: TECH DEVELOPMENT & SUPPORT

Budget Activity Summary

<i>Dollars in Thousands</i>					
	Current		Governor's Recomm.		Biennium
	FY2008	FY2009	FY2010	FY2011	2010-11
<u>Expenditures by Fund</u>					
Direct Appropriations					
General	25,198	20,292	16,066	16,066	32,132
Health Care Access	47	47	47	47	94
Highway Users Tax Distribution	59	59	59	59	118
Environmental	17	17	17	17	34
Statutory Appropriations					
General	0	0	2,117	2,117	4,234
Miscellaneous Special Revenue	1,823	780	772	772	1,544
New Fund	0	0	8,500	8,000	16,500
Total	27,144	21,195	27,578	27,078	54,656
<u>Expenditures by Category</u>					
Total Compensation	8,015	9,231	8,878	8,878	17,756
Other Operating Expenses	19,129	11,964	16,583	16,083	32,666
Other Financial Transactions	0	0	2,117	2,117	4,234
Total	27,144	21,195	27,578	27,078	54,656
Full-Time Equivalents (FTE)	84.1	83.8	81.6	79.0	

REVENUE DEPT

Program: TAX SYSTEM MANAGEMENT

Activity: PROPERTY TAX ADMIN & STATE AID

Narrative

Activity Description

This activity ensures the uniform application of Minnesota's property tax laws, oversees the performance of local assessors, provides information to taxpayers and policymakers about the property tax system, and computes and disburses state aid to local governments.

Population Served

This activity serves 3,000 individual taxing jurisdictions and over 2.6 million property taxpayers each year. It also serves state policymakers and state agencies such as the departments of Education, Human Services, Economic Development, Agriculture and Corrections.

Services Provided

These activities cover two major programs: State and local property tax administration (valuation, classification, and tax calculations) and state aids to local governments.

Activity at a Glance

- ◆ Administers over \$1 billion in state aids to local governments and property tax credit programs
- ◆ Oversees the statewide property tax levy, which raised over \$700 million payable in 2008
- ◆ Provides compliance and assistance to local government officials who assess and calculate property taxes for 2.6 million parcels of property and generate over \$7 billion in tax revenue.
- ◆ Responds to 15,000 phone and 21,000 email inquiries from taxpayers and administrators

Local property tax administration activities include:

- ◆ Assisting county and local assessors in the complete and accurate identification of taxable property, its proper classification and valuation, and equalization of assessments among taxing districts.
- ◆ Providing information to individual taxpayers, legislators and local government officials about the property tax system.
- ◆ Providing support to the State Board of Assessors, which is responsible for assessor education and licensing.
- ◆ Conducting annual assessment-to-sales ratio studies to measure assessment levels, ensure their uniformity, and determine the basis for state aid payments to school districts and cities.
- ◆ Staffing the State Board of Equalization which is responsible for monitoring assessment levels for accuracy and uniformity and for issuing corrective orders when necessary.
- ◆ Assisting and monitoring local governments in implementing the annual Truth in Taxation process.
- ◆ Educating county auditors and treasurers on requirements and procedures for tax computation and collection, and providing consultation as requested.
- ◆ Estimating the value of railroads, public utilities, and airlight properties on a statewide basis.

State aids to local governments activities include:

- ◆ Collecting and maintaining assessment and levy information from all local taxing authorities each year.
- ◆ Determining state aid and credit reimbursement payments for each county, city, town, and special taxing district under a variety of statutory formulas, including County Program Aid, Local Government Aid (LGA), Market Value Homestead Credit Reimbursement Aid, and many other smaller programs.
- ◆ Setting the statewide general fund property tax rates for business and cabin properties.
- ◆ Making aid payments by statutory deadlines each year.
- ◆ Issuing state deeds for tax-forfeited property.

Historical Perspective

The activity's role in overseeing the performance of county and city assessors has taken on greater importance in recent years. As part of the property tax reform, the 2001 Legislature adopted a statewide property tax levy. This levy is imposed on properties that are classified and valued by a host of county and city assessors. The levy raises about \$700 million annually in state funds, and has become an important component in the overall state revenue system. As a consequence the activity's role in ensuring business properties are correctly classified and valued has taken on critical importance.

REVENUE DEPT

Program: TAX SYSTEM MANAGEMENT

Activity: PROPERTY TAX ADMIN & STATE AID

Narrative

This activity's ability to gather property tax information quickly and efficiently is hampered by the failure of the division and local governments to invest in new technologies and computer systems. However, the division is in the process of aggressively modernizing business processes and computer systems that should result in the timelier gathering of property data and will lay the groundwork for improving property tax administration.

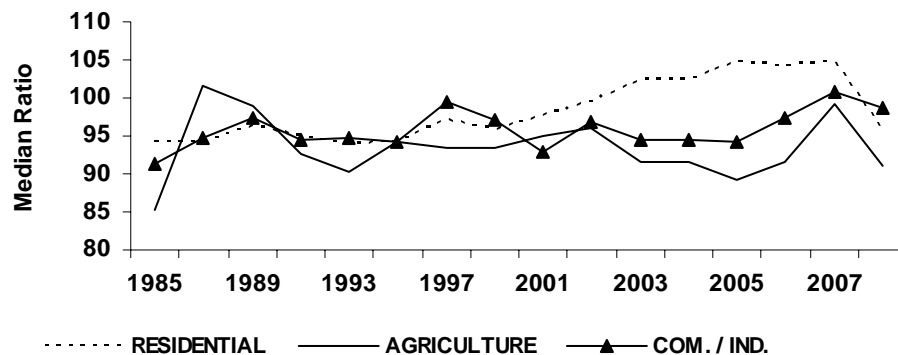
Key Activity Goals

- ◆ Property values are fair and equitable and classifications are applied uniformly throughout the state.

Key Activity Measures

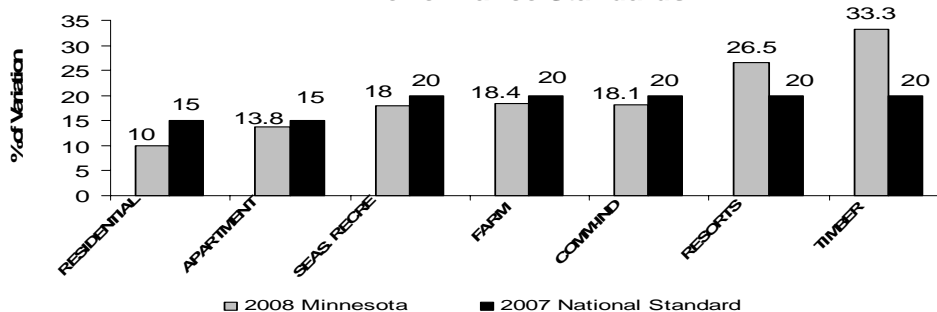
The key measure for this activity is the assessment-to-sales ratio study. In valuing a property, assessors seek to estimate a value that is as close as possible to what the property would sell for in the current market. The division conducts an annual study for each of the state's 87 counties that compare the selling price of all properties sold with the assessor's estimated market value of the property. The following table shows that Minnesota assessors have been estimating the value of residential, farm and commercial property at about 98% of the selling price.

Equalization Results



Using the sales ratio data, the following measure shows the degree of variation in individual assessments from the average for the various classes of property in Minnesota, and compares it to the national standard established by the International Association of Assessing Officers. Overall, Minnesota assessors are fairly close to the national standard on farm property, and actually beat the standard on residential and apartment properties. Commercial-industrial and timber sales are difficult to estimate because the value tends to differ according to the type and use of the property. With few resort properties (defined as commercial seasonal properties) in the state, the small sample size makes it difficult to accurately measure assessed value against actual sales.

National Assessment Performance Standards vs Minnesota Performance Standards



REVENUE DEPT**Program: TAX SYSTEM MANAGEMENT****Activity: PROPERTY TAX ADMIN & STATE AID**

Narrative

Administration of Local Government Aids: The following table identifies the amount of payments made to local government for a variety of aid programs.

**Aids and Credits Paid to Local Government Units
(Dollars in Thousands)**

Payments to Cities, Counties, Towns and Special Jurisdictions	2007	2008 Preliminary*	2009 Budgeted*
Local Government Aid	\$484,558	\$484,558	\$484,148
County Program Aid (incl. Court Aid Adj, Transition Aid)	205,847	205,383	204,919
Residential Homestead MV Credit	213,030	218,581	212,674
Agricultural Homestead MV Credit	19,248	19,321	19,263
DNR-PILT	19,657	20,338	21,017
Disparity Reduction Aid	10,328	10,208	10,974
Supplemental Taconite Aid Reimbursement	5,160	5,205	5,257
Border City Credit (DRC)	4,176	4,332	4,711
Indian Casino County Aid	668	644	644
Public Defender Costs	500	500	500
Disaster Credit/Revenue	0	75	522
Enterprise Zone Credit	0	0	0
Sub Total	\$963,172	\$969,145	\$964,629
 Payment to Schools			
Residential Hmstd MV Credit-School	\$59,817	\$56,909	\$52,785
Agricultural Hmstd MV Credit - School	5,567	5,752	5,658
Disparity Reduction Aid-School	7,997	8,058	8,640
Border City Credit (DRC) - School	782	817	883
Disaster Credit/Rev - School	0	21	147
Enterprise Zone Credit - School	0	0	0
Sub Total	\$74,163	\$71,557	\$68,113
 Pension Related Payments (payments made to jurisdiction or pension plan)			
Police, Fire, & Ins. Sur. Aid	\$82,284	\$85,165	\$91,207
PERA Rate Increase Aid	14,560	14,534	14,534
Sub Total	96,844	99,699	105,741
 TOTAL	\$1,134,179	\$1,140,401	\$1,138,483

REVENUE DEPT

Program: TAX SYSTEM MANAGEMENT

Activity: PROPERTY TAX ADMIN & STATE AID

Narrative

Activity Funding

This activity's biennial budget is \$6.8 million, or about 2.5% of the department's total budget. Of this total, \$6.8 million (100%) comes from the general fund.

Contact

Gordon Folkman

Director, Property Tax Division

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Phone: (651) 556-6104

REVENUE DEPT

Program: TAX SYSTEM MANAGEMENT

Activity: PROPERTY TAX ADMIN & STATE AID

Budget Activity Summary

<i>Dollars in Thousands</i>					
	Current		Governor's Recomm.		Biennium
	FY2008	FY2009	FY2010	FY2011	2010-11
<u>Expenditures by Fund</u>					
Direct Appropriations					
General	3,158	3,569	3,184	3,184	6,368
Statutory Appropriations					
Miscellaneous Special Revenue	160	117	0	0	0
Total	3,318	3,686	3,184	3,184	6,368
<u>Expenditures by Category</u>					
Total Compensation	2,782	3,064	2,895	2,895	5,790
Other Operating Expenses	536	622	289	289	578
Total	3,318	3,686	3,184	3,184	6,368
Full-Time Equivalents (FTE)	36.8	36.6	31.7	30.6	

Program Description

The Department's Debt Collection Management activities are carried out by the Collections Division. The division collects both tax and non-tax debt owed to various state agencies and boards by individuals and corporations. Overall, the division manages a tax debt portfolio of \$459 million and non-tax debt of \$131 million in FY 2008. It collected a total of nearly \$226 million in tax debt and \$22 million in non-tax debt.

The Collection division has collected non-tax debt on behalf of other agencies since 1994, when legislation created a centralized debt collection service within the Department of Revenue. Some agencies use the Department of Revenue's collection service for all debt; some refer selected debts and others do not refer any of their debts. Of the current inventory, 38% of the debtors also have tax debt with the Department of Revenue or have at least two debts with different agencies.

Once the division exhausts all measures to collect a debt, it can refer the amount to a private for-profit collection agency for further action. However, the division retains the right to recall a case from an agency if circumstances warrant. Currently, the division contracts three private collection agencies, which receive a percentage of the total dollars they collect: 20% for first referrals, 25% for second referrals and 30% for litigated cases. In FY 2008, these agencies collected \$5.2 million, of which \$2.4 million constituted delinquent taxes.

Budget Activities Included:

- ◆ Collection

Population Served

Taxpayers, tax administrators, legislators and staff, tax professionals, public policymakers, local elected officials, state agencies, local governments and other public entities.

Services Provided

This activity collects 171 types of fees, fines, taxes, and payments for:

- ◆ **Thirty-five State Agencies:** including the departments of Administration, Agriculture, Corrections, Commerce, Employment & Economic Development, Health, Human Rights, Human Services, Labor and Industry, Military Affairs, Natural Resources, Public Safety, Revenue, Transportation, Veterans Affairs, and the Pollution Control Agency.
- ◆ **Four State Boards:** the State Campaign Finance Disclosure Board, Minnesota Client Security Board, Iron Range Resource Rehabilitation Board, and the State Veterans Home Board.
- ◆ **Two Public Employee Retirement Associations:** the Minnesota State Retirement System and the Public Employees Retirement Association.
- ◆ **Six Independent State Government Entities:** the Attorney General's Office, the Secretary of State's Office, the Minnesota Indian Affairs Council, the Minnesota Office of Higher Education, the Minnesota State Lottery, and the Minnesota State Colleges and Universities system.

Services include locating debtors, billing, contacting debtors by phone, arranging and receiving payment, monitoring payment plans, locating and evaluating assets, issuing liens and levies, and seizing assets. Other services to agencies include consulting on effective debt management and productive collection practices, and evaluation of the potential for debt collection.

Program at a Glance

- ◆ Managed an average of 120,604 delinquent tax debt cases and an average of \$459 million in delinquent tax debt in FY 2008
- ◆ Managed an average of 36,275 delinquent non-tax debt cases and an average of \$131 million in delinquent non-tax debt in FY 2008
- ◆ Collected \$226 million in delinquent tax debt in FY 2008

Historical Perspective

This activity has always been responsible for collecting delinquent taxes owed to the Department of Revenue. Starting in 1994, its responsibilities were expanded to include the collection of debt owed to other state agencies and boards. Today, of the total \$247.6 million collected during FY 2008 by this activity, approximately \$21.9 million was collected on behalf of non-tax debt clients. The collection costs for non-tax debt are recovered through fees assessed against the debtors. Currently, the fee is 15%, with an additional 10% charged if legal action is required to collect the debt.

The average tax debt portfolio managed by this activity has climbed from \$439 million in FY 2005 to about \$459 million in FY 2008. About \$113 million of the \$459 million is being collected through payment plans or is considered uncollectible. Uncollectible debt includes bankruptcies, amounts owed by deceased debtors, debts in which the statute of limitations has expired, or debts in which all collection efforts have been exhausted. The activity collected about \$226 million of the \$459 million tax debt managed during FY 2008 – up from \$181 million collected in FY 2005.

Other factors that have contributed to the rise in the tax debt portfolio include increased financial pressures on individuals and businesses due to the transition from a local to a global economy, an increase in bankruptcy filings, and expanded tax auditing activities undertaken by the agency.

This activity has been able to make significant gains on debt collection as a result of several developments, including the appropriation of added funds by the legislature to expand collection activities, law changes to streamline the collection process, the automation of manually intensive processes, the expansion of databases, and reorganization to improve work processes.

Key Program Goals

- ◆ Collect the correct amount of debt and promote future compliance at the lowest cost to the public.

Key Program Measures**FY 2008**

Total dollars collected	\$ 247.6 Million
Tax collections	\$ 197.4 Million
Non-tax collections	\$ 21.9 Million
2008 Tax Compliance Init.	\$ 28.3 Million

Total cases closed	184,445
Tax cases	157,000
Non-tax cases	27,445

Program Funding

This activity's biennial budget is \$46.6 million, or about 17.3% of the department's total budget. Of the total budget for the biennium for the Collection budget activity, \$45.9 million (98.3%) comes from general fund tax dollars, and \$790,000 (1.7%) comes from special revenue funds for administering the Local Option Sales Tax and the Revenue Recapture program.

Contact

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Director, Collections
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Phone: (651) 556-6366

REVENUE DEPT

Program: DEBT COLLECTION MANAGEMENT

Program Summary

Dollars in Thousands					
	Current		Governor Recomm.		Biennium
	FY2008	FY2009	FY2010	FY2011	2010-11
<u>Direct Appropriations by Fund</u>					
General					
Current Appropriation	20,322	23,686	23,686	23,686	47,372
Subtotal - Forecast Base	20,322	23,686	23,686	23,686	47,372
Total	20,322	23,686	23,686	23,686	47,372
<u>Expenditures by Fund</u>					
Direct Appropriations					
General	20,103	23,905	23,686	23,686	47,372
Open Appropriations					
General	1,142	1,900	1,900	1,900	3,800
Statutory Appropriations					
Miscellaneous Special Revenue	394	489	394	394	788
Total	21,639	26,294	25,980	25,980	51,960
<u>Expenditures by Category</u>					
Total Compensation	18,558	21,272	21,530	21,530	43,060
Other Operating Expenses	3,081	4,357	3,785	3,785	7,570
Capital Outlay & Real Property	0	665	665	665	1,330
Total	21,639	26,294	25,980	25,980	51,960
<u>Expenditures by Activity</u>					
Collection	21,639	26,294	25,980	25,980	51,960
Total	21,639	26,294	25,980	25,980	51,960
Full-Time Equivalents (FTE)	294.6	311.6	302.2	293.2	

REVENUE DEPT

Program: DEBT COLLECTION MANAGEMENT

Activity: Collection

Narrative

Activity Description

This activity manages the collection of delinquent tax and non-tax debts on behalf of state agencies and other public entities.

Population Served

Taxpayers, tax administrators, legislators and staff, tax professionals, public policymakers, local elected officials, state agencies, local governments and other public entities.

Services Provided

This activity collects 171 types of fees, fines, taxes, and payments for:

- ◆ **35 State Agencies:** including the departments of Administration, Agriculture, Corrections, Commerce, Employment & Economic Development, Health, Human Rights, Human Services, Labor and Industry, Military Affairs, Natural Resources, Public Safety, Revenue, Transportation, Veterans Affairs, and the Pollution Control Agency;
- ◆ **Four State Boards:** the State Campaign Finance Disclosure Board, Minnesota Client Security Board, Iron Range Resource and Rehabilitation Board, and the State Veterans Home Board;
- ◆ **Two Public Employee Retirement Associations:** the Minnesota State Retirement System and the Public Employees Retirement Association;
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Activity at a Glance

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- ◆ Collected \$226 million in delinquent tax debt in FY 2008

REVENUE DEPT

Program: DEBT COLLECTION MANAGEMENT

Activity: Collection

Narrative

Factors that have contributed to the rise in the tax debt portfolio include increased financial pressures on individuals and businesses due to the transition from a local to a global economy, an increase in bankruptcy filings, and expanded tax auditing activities undertaken by the agency. This activity has also been able to make significant gains on debt collection as a result of several developments, including the appropriation of added funds by the legislature to expand collection activities, law changes to streamline the collection process, the automation of manually intensive processes, the expansion of databases, and reorganization to improve work processes.

Key Activity Goals

- ◆ Collect the correct amount of debt and promote future compliance at the lowest cost to the public.

Key Activity Measures

FY 2008

Total dollars collected	\$ 247.6 Million
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Activity Funding

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Contact

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Phone: (651) 556-6366

REVENUE DEPT

Program: DEBT COLLECTION MANAGEMENT

Activity: COLLECTION

Budget Activity Summary

<i>Dollars in Thousands</i>					
	Current		Governor's Recomm.		Biennium
	FY2008	FY2009	FY2010	FY2011	2010-11
<u>Expenditures by Fund</u>					
Direct Appropriations					
General	20,103	23,905	23,686	23,686	47,372
Open Appropriations					
General	1,142	1,900	1,900	1,900	3,800
Statutory Appropriations					
Miscellaneous Special Revenue	394	489	394	394	788
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Total Compensation	18,558	21,272	21,530	21,530	43,060
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Capital Outlay & Real Property	0	665	665	665	1,330
Total	21,639	26,294	25,980	25,980	51,960
Full-Time Equivalents (FTE)	294.6	311.6	302.2	293.2	

REVENUE DEPT

Agency Revenue Summary

Dollars in Thousands

	Actual FY2008	Budgeted FY2009	Governor's Recomm. FY2010 FY2011		Biennium 2010-11
<u>Non Dedicated Revenue:</u>					
Other Revenues:					
General	637	632	632	632	1,264
Total Non-Dedicated Receipts	637	632	632	632	1,264
<u>Dedicated Receipts:</u>					
Departmental Earnings:					
Miscellaneous Special Revenue	661	570	570	570	1,140
New Fund	0	0	16,500	0	16,500
Other Revenues:					
Miscellaneous Special Revenue	4,044	3,653	3,653	3,653	7,306
Total Dedicated Receipts	4,705	4,223	20,723	4,223	24,946
Agency Total Revenue	5,342	4,855	21,355	4,855	26,210

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Agency Purpose

The mission of the Science Museum of Minnesota (SMM) is to “Turn on the science: realizing the potential of policymakers, educators and individuals to achieve full civic and economic participation in the world.” SMM is Minnesota’s largest statewide resource in science and math education for children, teachers and families and a trusted source of science research and public information on the issues of science that impact the quality of our lives.

As Minnesota’s only broad-based science museum, SMM is a natural partner with the state to advance student interest and achievement in science, technology, engineering and math; to care for objects and artifacts that represent our natural and cultural heritage; to generate scientific research that supports good management and policy decisions about our lakes and rivers; and to advance science literacy as a key strategy for driving the state’s continued economic development.

SMM works hand-in-hand with the Department of Education (MDE), Pollution Control Agency (PCA), Department of Natural Resources (DNR) and thousands of community-based organizations, schools and leading businesses to advance our mutual goals.

Core Functions

- ◆ To advance science as an essential literacy.
- ◆ To advance preK-12 student achievement in science and math regionally and nationally.
- ◆ To provide public officials, business and civic leaders with basic research that supports effective policy decisions in the areas of science and math education and our natural resources.
- ◆ To bring to Minnesota world class exhibits and films.
- ◆ To protect and interpret the 1.75 million objects and artifacts in our permanent collections.

Operations

- ◆ SMM is best known for operating the exhibits, films and public programs at its flagship museum on Kellogg Boulevard in St. Paul. Areas of focus include current science across all topics; physics and technology; the environment; human body; paleontology; and anthropology. SMM also operates the Lee and Rose Warner Nature Center in Washington County.
- ◆ SMM attracts and serves Minnesotans from all counties in the state: 54% from the suburbs, 24% in Minneapolis/St. Paul, and 22% from greater Minnesota.
- ◆ SMM serves students and teachers from across the state, in public, private and home school settings.
 - ⇒ 140,000 students visited on field trips in FY 2008. SMM provides teachers with pre- and post-visit classroom activities and specialized tours.
 - ⇒ 85,000 students participated in outreach programs in classrooms across the state. Programs include hour-long assemblies, five-day residencies on special themes, and teacher materials.
 - ⇒ 1,500 teachers participated in workshops and institutes at the museum and across the state.
 - ⇒ 29,000 students are reached each year through after-school, weekend and summer programs.

At A Glance

Highlights

- ◆ 1.2 million people served annually
 - ⇒ 900,000 visitors
 - ⇒ 260,000 school children (field trips and outreach programs)
 - ⇒ 100 inner city students in the Youth Science Center (330 contact hours/student/year)
- ◆ Visitors and program participants from every county in the state.
- ◆ 1,500 teachers around the state served in workshops and institutes;
- ◆ 1.75 million objects and artifacts in the collections cared for in trust for the state; and
- ◆ 250 FT and 500 PT employees and 1,400 active volunteers (donating 60,000 hours of service)
- ◆ 32,000 member households

Impact:

- ◆ **Science education.** Formal K-12 programs for district science coordinators and science/math teachers, including the Science House teacher resource center. Classes and camps serve 28,000 students in after school and weekend programs.
- ◆ **Science research/collections.** Repository for Minnesota archaeology, biology and other natural history collections.
- ◆ **Partners.** University of Minnesota, MNSCU, tribal colleges, 100+ social service or community based organizations, museums across the US.
- ◆ **Tourism.** The largest audience among the state’s museums/zoos, from every county of the state and the five-state region. Special exhibits like Body Worlds, Pompeii and Star Wars draw tourists from all 50 states and Canada.

- ◆ SMM conducts science research at the St. Croix Watershed Research Station in Washington County, focused on the degradation of surface and groundwater, and conducts laboratory and field research in paleontology. SMM operates the Warner Nature Center, serving 16,000 people in Washington County.
- ◆ SMM is a valued partner with the University of Minnesota on the National Center for Earth-Surface Dynamics; the Center for Fluid Power Research; the Lewis L. Stokes Alliance for Minority Participation (LSAMP).
- ◆ SMM is a national and international leader in the science museum field. We receive more competitive grants from the National Science Foundation (NSF) than any other museum. We partner with dozens of U.S. museums on multi-year education and exhibit initiatives, including a five-year \$20M NSF funded project to advance the understanding of nanotechnology.

Key Goals

The mission of the Science Museum links directly with these themes in the Minnesota Milestones vision: (1) protect and enjoy the natural world; (2) citizens will be good thinkers, creative, always learning, and with the skills to compete internationally. The goals we support include:

- ◆ Minnesotans will excel in basic and challenging academic skills and knowledge;
- ◆ Minnesota's workforce will have the education and training to make the state a leader in the global economy;
- ◆ Minnesotans will conserve natural resources to give future generations a healthy environment and a strong economy;
- ◆ Minnesotans will improve the quality of the air, water and earth.
- ◆ Minnesota will restore and maintain healthy ecosystems that support diverse plants and wildlife.

SMM is also deeply engaged with the MDE to support Science, Technology, Engineering and Math (STEM) education priorities through teacher professional development, review of the state science standards, and by bringing together legislative and business leaders.

Key Measures

- ◆ Performance against annual budgeted attendance, program and budget goals.
- ◆ Progress against our five-year strategic plan.
- ◆ Number of publications in peer-reviewed journals, books and monographs.
- ◆ Peer-reviewed federal grants we bring into Minnesota.
- ◆ Caliber and longevity of our community and national partners.

Budget

FY 2009 budget: \$37 million (\$27.5 million in unrestricted funds; \$9.5 million in one-time restricted grants)

Sources of \$27.5 million in unrestricted funds (74% of total)

- ◆ \$21.7 million in earned revenues (admissions, membership, sponsorship, class fees, film/exhibit sales)
- ◆ \$2.6 million in private contributions
- ◆ \$1.25 million in state operating support
- ◆ \$2 million in investment income

Sources of \$9.5 million in one-time restricted grants (for exhibits, research or educational projects)

- ◆ \$5.5 million in public funds
- ◆ \$4 million in private funds

Contact

Science Museum of Minnesota
120 West Kellogg Boulevard, St. Paul, Minnesota 55102
<http://www.smm.org>
Kathleen Wilson, Vice President, External Relations
(651) 221-9499; kwilson@smm.org

<i>Dollars in Thousands</i>					
	Current		Governor Recomm.		Biennium
	FY2008	FY2009	FY2010	FY2011	2010-11
<u>Direct Appropriations by Fund</u>					
Environment & Natural Resource					
Current Appropriation	374	0	0	0	0
Recommended	374	0	0	0	0
Change		0	0	0	0
% Biennial Change from 2008-09					-100%
General					
Current Appropriation	1,250	1,250	1,250	1,250	2,500
Recommended	1,250	1,250	1,187	1,187	2,374
Change		0	(63)	(63)	(126)
% Biennial Change from 2008-09					-5%
<u>Expenditures by Fund</u>					
Direct Appropriations					
General	1,250	1,250	1,187	1,187	2,374
Total	1,250	1,250	1,187	1,187	2,374
<u>Expenditures by Category</u>					
Local Assistance	1,250	1,250	1,187	1,187	2,374
Total	1,250	1,250	1,187	1,187	2,374
<u>Expenditures by Program</u>					
Science Museum Of Minn	1,250	1,250	1,187	1,187	2,374
Total	1,250	1,250	1,187	1,187	2,374

SCIENCE MUSEUM

Change Summary

<i>Dollars in Thousands</i>				
	FY2009	Governor's Recomm.		Biennium
		FY2010	FY2011	2010-11
<i>Fund: ENVIRONMENT & NATURAL RESOURCE</i>				
FY 2009 Appropriations	0	0	0	0
Subtotal - Forecast Base	0	0	0	0
Total Governor's Recommendations	0	0	0	0
<i>Fund: GENERAL</i>				
FY 2009 Appropriations	1,250	1,250	1,250	2,500
Subtotal - Forecast Base	1,250	1,250	1,250	2,500
Change Items				
Operating Budget Reduction	0	(63)	(63)	(126)
Total Governor's Recommendations	1,250	1,187	1,187	2,374

SCIENCE MUSEUM

Change Item: Operating Budget Reduction

Fiscal Impact (\$000s)	FY 2010	FY 2011	FY 2012	FY 2013
General Fund				
Expenditures	\$(63)	\$(63)	\$(63)	\$(63)
Revenues	0	0	0	0
Other Fund				
Expenditures				
Revenues	0	0	0	0
Net Fiscal Impact	\$(63)	\$(63)	\$(63)	\$(63)

Recommendation

The Governor recommends a reduction of \$63,000 in FY 2010 and \$63,000 in FY 2011 to the Science Museum general fund appropriation. The Governor intends that the Science Museum should focus its operating funds on maintaining its highest priority services. In addition, the Governor intends to provide as much flexibility as possible to the agency for the implementation of these reductions.

Background

This proposal is an approximate 0.1% reduction of the Science Museum's \$37 million budget in FY 2009. The Science Museum's FY 2009 general fund appropriation is \$1.25 million. The Governor is proposing to reduce the Science Museum's general fund appropriation during the FY 2010-11 biennium.

Relationship to Base Budget

This proposal represents a 5% base level reduction to the general fund appropriation, but it amounts to approximately 0.1% of the Science Museum's overall budget.

Key Goals and Measures

The budget submitted for Science Museum seeks to safeguard core activities and reduce administrative overhead. The agency will manage budget reductions through various service level reductions or eliminations, staffing decreases, and/or operating expense reductions. The resulting budget will focus on new ways to operate the department's core functions.

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January 27, 2009

To the 2009 Legislature:

I respectfully submit for your consideration the Governor's FY 2010-11 budget proposals for the Secretary of State. The Governor respects the separation of powers and the desire of constitutional officers and officials in the judicial and legislative branches to independently present their budget requests directly to the legislature without specific recommendations from the Governor. However, since the Governor is required by law to submit a balanced budget to the legislature, it is necessary to identify funding for those offices as part of preparing a complete budget.

The Governor's general recommendations for the legislative and judicial branches and other constitutional officers reflect his concern with the magnitude of the projected budget shortfall and the desire to protect core government functions. As with the executive branch, the Governor suggests that these offices and institutions individually redesign their operations to increase efficiencies while minimizing the disruption of public services as much as possible.

For the Secretary of State, the Governor recommends \$11.808 million in general fund appropriations for the FY 2010-11 biennium, which reflects a 5.0% reduction in appropriations from the agency's forecast budget. This is consistent with recommendations for other constitutional officers. The Governor makes no other recommendations on agency requests for the FY 2010-11 biennium.

Sincerely,

A handwritten signature in dark ink that reads "Tom J. Hanson". The signature is written in a cursive, slightly slanted style.

Tom J. Hanson
Commissioner

Agency Purpose

The Office of the Secretary of State serves the people of Minnesota by administering fair and honest elections; promoting citizen participation in government; facilitating commerce; and preserving for history the records entrusted to the office.

Core Functions

The core functions of the office are:

- ◆ the administration of elections;
- ◆ the recording of documents regarding corporations, non-profit associations and other business-related loans;
- ◆ the filing and preservation of the official documents of the state;
- ◆ the filing of Notary Registrations; and
- ◆ administration of Minnesota's address confidentiality program

At A Glance

- ◆ Approximate business filings in databases: 2.3 million
- ◆ Registered voters in databases: 3.1 million
- ◆ Web inquiries and transactions: 560 million
- ◆ General elections support:
 - ⇒ 2,000 township elections every year
 - ⇒ 900 city elections on a two-year cycle
 - ⇒ 300 school district elections on a two-year cycle
 - ⇒ 90 state and county elections on a two-year cycle
 - ⇒ 200 other elections on a two-year cycle

Operations

The Secretary of State is the keeper of the Great Seal of the state of Minnesota used to certify the authenticity of a wide variety of official documents. These include gubernatorial proclamations, appointments, oaths and executive orders, enrolled acts of the Minnesota Legislature, rules and some municipal documents. The Office of the Secretary of State works in close partnership with county auditors, county recorders and municipal and township officials in the administration of business filings and oversight of elections.

The Office of the Secretary of State's **Business Center** registers a variety of for-profit and not-for-profit organizations, including corporations, assumed business names, banks, insurance companies, limited liability companies, limited liability partnerships, and limited partnerships. Other business-related filings include notary filings, trade and service marks, auctioneer's licenses, and legal newspaper registrations, among others. The Office of the Secretary of State also accepts service of process on businesses under certain specific circumstances. It also maintains a statewide computerized network with county recorders so that the public may search Uniform Commercial Code records throughout the state from any filing office. The office is in the process of conducting a major rewrite of its business computer software that will enable businesses around the state to electronically file most documents with the office and complete on-line searches of the business databases.

The **Elections Center** is responsible for administration of Minnesota election laws. In this capacity, the Secretary of State operates the statewide voter registration system and prepares the official roster of voters for every election conducted in Minnesota. Other election activities include certifying voting systems, conducting administrative recounts, accepting filings by candidates for federal and state offices, training local election officials, and creating materials for use in training election judges. The Secretary of State provides information to voters on registration, elections, absentee ballots, polling place locations, candidates and election results via individual contact, outreach and maintaining a website. Recent upgrades to the Office's computer systems have enabled all citizens to locate their polling places and precinct caucus locations on-line. The Office is in the process of working with the United States Postal Service to automatically update a voter's address whenever they move within or outside of the state. Such updates will eliminate the need for voters to re-register to vote every time they move. The office conducts extensive outreach to help register individuals to vote and encourage all citizens to exercise their right to vote. Last year, the office honored our nations' veterans by encouraging everyone to cast their vote in honor of a veteran and write tributes to their veterans for posting on the office's website. The Secretary of State chairs the state canvassing board, which certifies the results of state elections.

The Secretary of State administers the **Open Appointments** process and publishes the *Minnesota Legislative Manual*, a compendium of federal, state, and county government information.

The Secretary of State administers the **Safe at Home** address confidentiality program for survivors of domestic violence, sexual assault, stalking, and others who fear for their safety

Key Program Goals

Goal 1: Increase in number of registered voters

Goal 2: Consistent, timely transaction processing (of filings received by mail)

Goal 3: Increase in the availability of information and services via the web

Key Measures

◆ Voter Registration

Measurement 1: Number of citizens registered to vote as entered in SVRS (statewide voter registration system)

FY 2003	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008
2,911,000	2,916,000	2,925,000	3,084,000	3,091,000	3,103,000

◆ Facilitate Commerce – Business Center Filings

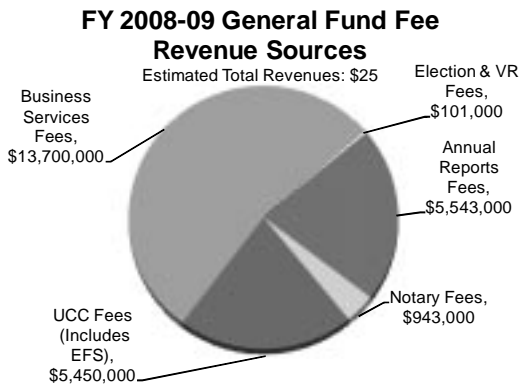
Measurement 2: Average number of business days from receipt of business filing to entry into database.

	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008
Bus filings	3 days	2 days	2 days	1 day	1 day	1 day
UCC filings	2 days	2 days	1 day	1 day	1 day	1 day

◆ Access to Information and Services

Measurement 3: Number of Direct Access client accounts, served via online filing

	FY 2003	FY 2004	FY 2005	FY2006	FY2007	FY2008
No. of Business Services web filings	N/A	N/A	85,000	100,000	125,000	185,000
No. of UCC searches by name	90,000	105,000	120,000	135,000	150,000	165,000
No. of database look- ups by filing number	50,000	60,000	70,000	80,000	90,000	100,000
No. of UCC web filings	10,000	30,000	60,000	70,000	80,000	85,000



Budget

During the FY 2008-09 biennium, the Secretary of State projects collecting approximately \$26 million in fees. These fees are deposited into the state general fund. The legislature returns approximately \$6 million annually from the state general fund to the Secretary of State to cover the office's operating budget. The remaining fees of approximately \$14 million over the two year biennium remain in the state general fund. In addition to the fees deposited in the general fund, the office has a revolving fund of approximately \$1 million each fiscal year for general operations. For the 2008-09 biennium, the legislature approved a temporary technology surcharge fee to initiate a rewrite of our Business Center software applications, which will enable most business service transactions to be completed on-line.

The Minnesota legislature has received federal funds from the Help America Vote Act (HAVA) for election related expenses. These funds have been transferred to the Office of the Secretary of State to carry out activities required under HAVA (P.L. 107-252). This federal law sets national standards and imposes new requirements for the conduct of federal elections that are to be implemented. As a testament to Minnesota's national leadership in elections, with voter participation consistently leading the nation, the Office of the Secretary of State is a popular laboratory for piloting election improvements that can be shared with the nation. In the past biennium, Minnesota has received federal and private foundation grants to promote improved collection and analysis of elections results, semi-automated updating of voter registrations in conjunction with the United States Postal Service National Change of Address form, and improved civic education and voter participation. None of these projects could be contemplated without the support from non-state sources, but they will all result in better public service to Minnesotans.

Contact

Secretary of State
180 State Office Building
100 Reverend Dr. Martin Luther King Jr. Boulevard
Saint Paul, Minnesota 55155

Website: www.sos.state.mn.us
Minnesota Relay Service; TTY: (800) 627-3529

Mark Ritchie, Secretary of State
Phone: (651) 296-2803
Fax: (651) 297-7067

<i>Dollars in Thousands</i>					
	Current		Governor Recomm.		Biennium
	FY2008	FY2009	FY2010	FY2011	2010-11
<u>Direct Appropriations by Fund</u>					
General					
Current Appropriation	6,175	6,302	6,302	6,302	12,604
Recommended	6,175	6,302	5,818	5,990	11,808
Change		0	(484)	(312)	(796)
% Biennial Change from 2008-09					-5.4%
<u>Expenditures by Fund</u>					
Carry Forward					
Miscellaneous Special Revenue	41	0	0	0	0
Direct Appropriations					
General	5,414	6,714	5,818	5,990	11,808
Statutory Appropriations					
General	0	3	3	3	6
Miscellaneous Special Revenue	3,024	8,519	3,190	2,500	5,690
Federal	0	2,000	0	0	0
Gift	54	345	0	0	0
Total	8,533	17,581	9,011	8,493	17,504
<u>Expenditures by Category</u>					
Total Compensation	5,327	6,350	6,082	5,871	11,953
Other Operating Expenses	3,027	8,505	2,929	2,622	5,551
Local Assistance	179	2,726	0	0	0
Total	8,533	17,581	9,011	8,493	17,504
<u>Expenditures by Program</u>					
Secretary Of State	8,533	17,581	9,011	8,493	17,504
Total	8,533	17,581	9,011	8,493	17,504
Full-Time Equivalents (FTE)	74.3	73.9	76.4	72.4	

<i>Dollars in Thousands</i>				
	FY2009	Governor's Recomm.		Biennium
		FY2010	FY2011	2010-11
Fund: GENERAL				
FY 2009 Appropriations	6,302	6,302	6,302	12,604
Technical Adjustments				
Biennial Appropriations		(173)	(1)	(174)
Subtotal - Forecast Base	6,302	6,129	6,301	12,430
Change Items				
Operating Budget Reduction	0	(311)	(311)	(622)
Total Governor's Recommendations	6,302	5,818	5,990	11,808
Fund: GENERAL				
Planned Statutory Spending	3	3	3	6
Total Governor's Recommendations	3	3	3	6
Fund: MISCELLANEOUS SPECIAL REVENUE				
Planned Statutory Spending	8,519	3,190	2,500	5,690
Total Governor's Recommendations	8,519	3,190	2,500	5,690
Fund: FEDERAL				
Planned Statutory Spending	2,000	0	0	0
Total Governor's Recommendations	2,000	0	0	0
Fund: GIFT				
Planned Statutory Spending	345	0	0	0
Total Governor's Recommendations	345	0	0	0

SECRETARY OF STATE

Program: SECRETARY OF STATE

Change Item: Operating Budget Reduction

Fiscal Impact (\$000s)	FY 2010	FY 2011	FY 2012	FY 2013
General Fund				
Expenditures	(\$311)	(\$311)	(\$311)	(\$311)
Revenues	0	0	0	0
Other Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact	(\$311)	(\$311)	(\$311)	(\$311)

Recommendation

The Governor recommends general fund operating budget reductions of \$311,000 in FY 2010 and \$311,000 in FY 2011 for the Secretary of State's office. The reductions are necessary to balance the budget in the general fund.

Background

The Governor respects the separation of powers and the desire of constitutional officers and officials in the judicial and legislative branches to present their budget requests independently to the legislature without specific recommendations from the Governor. However, since the Governor is required by law to submit a balanced budget to the legislature, it is necessary to identify funding for those offices as part of preparing a complete balanced budget.

As with similar agencies in the executive branch, the Governor suggests that the Secretary of State's office receive a reduction of 5% to direct appropriated funds to help address the budget deficit. While the Governor recommends a total amount for the decrease, he respects the Secretary of State's authority to decide whether to adopt the reduction and to determine how to distribute it among its divisions. For the purposes of producing a complete budget presentation, however, the expenditure reduction was distributed proportionally across the divisions of the Secretary of State's office.

The Governor makes no recommendations regarding any specific initiatives that may be put forward by the Secretary of State.

Relationship to Base Budget

This proposal represents a 5% base level reduction to the Secretary of State's general fund budget.

Statutory Change: Not Applicable

Dollars in Thousands

	Actual FY2008	Budgeted FY2009	Governor's Recomm. FY2010 FY2011		Biennium 2010-11
<u>Non Dedicated Revenue:</u>					
Departmental Earnings:					
General	12,686	13,069	14,035	13,359	27,394
Other Revenues:					
General	2	2	2	2	4
Total Non-Dedicated Receipts	12,688	13,071	14,037	13,361	27,398
<u>Dedicated Receipts:</u>					
Departmental Earnings:					
General	3	3	3	3	6
Miscellaneous Special Revenue	2,520	2,576	1,490	1,500	2,990
Grants:					
Miscellaneous Special Revenue	42	2,100	200	0	200
Federal	0	2,000	0	0	0
Gift	103	296	0	0	0
Other Revenues:					
Miscellaneous Special Revenue	253	165	200	0	200
Total Dedicated Receipts	2,921	7,140	1,893	1,503	3,396
Agency Total Revenue	15,609	20,211	15,930	14,864	30,794

Federal Funds Summary

Federal Program (\$ in Thousands)	Related SFY 2008 Spending	Primary Purpose	SFY 2008 Revenues	SFY 2009 Revenues	Estimated SFY 2010 Revenues	Estimated SFY 2011 Revenues
Help America Vote Act & HHS Grants	1477	SO & GPS	42	2100	200	0
Elections Data Collection	0	SO	0	2000	0	0
Optical Scan Equipment Grants	0	GPS	0	0	0	0
Agency Total	1477		42	4100	200	0

Key:

Primary Purpose

SO = State Operations

GPS = Grants to Political Subdivision

GI = Grants to Individuals

GCBO = Grants to Community Based Organizations

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↻ Designates that this item is a change item

Agency Purpose

With public safety as its first priority, the Minnesota Sentencing Guidelines Commission maintains and modifies the Sentencing Guidelines that govern all felony sentences in the state, in order to support the development of policy and practice in keeping with Minnesota's sentencing goals: public safety, proportionality, avoidance of unfair disparity, rational use of correctional resources, and transparency.

In doing its work, the Commission gathers input from a variety of sources:

- ◆ the Minnesota Legislature and Governor, who make changes in penal statutes that must be incorporated into the Guidelines;
- ◆ trial judges, who implement the Guidelines when they impose felony sentences;
- ◆ appellate courts, whose decisions concerning sentencing may necessitate Guidelines changes;
- ◆ corrections officers and administrators who carry out sentences;
- ◆ prosecutors and defense attorneys, who seek just outcomes for their respective clients;
- ◆ law enforcement officers, who are most aware of trends in criminal conduct and enforcement strategies; and,
- ◆ citizens, including crime victims, who provide input from those who do not work within the criminal justice system.

The Commission strives to maintain a sentencing system that balances public safety concerns with consistent and proportional sentences.

Core Functions

The Commission maintains the Guidelines and processes data needed as a foundation for sentencing policy and practice by performing the following tasks:

- ◆ annually revising the sentencing guidelines to capture changes in the law;
- ◆ collecting, cleaning, and storing data on all felony sentences;
- ◆ training practitioners to use the guidelines in their daily work;
- ◆ answering practitioners' questions on how to apply the guidelines in specific cases;
- ◆ providing legislators with fiscal impact notes on proposed and enacted criminal laws;
- ◆ evaluating outcomes of changes in sentencing policy;
- ◆ working on CriMNet and other integrated statewide criminal justice data systems;
- ◆ doing research and providing reports, as requested by the legislature, other policy-makers, and – to the extent resources allow – by the public;
- ◆ proposing changes in sentencing for legislative consideration; and,
- ◆ providing education on sentencing law and policy.

At A Glance

The Sentencing Guidelines Commission is an 11-member body created by the legislature to develop Minnesota's Guidelines, a set of rules that judges must apply in felony sentencing. Three of the members are judges appointed by the Supreme Court; the remainder are appointed by the Governor and includes the Commissioner of Corrections, a peace officer, a prosecutor, a defense attorney, a probation officer and public citizens, one of whom must be a crime victim.

The Commission employs a full-time staff to maintain the guidelines, train criminal justice professionals, collect and analyze data, and respond to the public's questions regarding sentencing. In 2007, the agency began to provide the legislature with data on the racial impact of proposed criminal laws; Minnesota was the first state in the nation to give lawmakers this information.

In 1981, when the guidelines went into effect, 5,500 felons were sentenced. In 2006, 16,446 felons were sentenced. Sentencing lengths have increased dramatically and the sentencing guidelines have become far more complex, due to statutory enhancements and mandatory minimums. First-degree criminal sexual conduct is one offense for which sentence lengths have increased greatly over time. Since the Guidelines went into effect, the presumptive sentence has increased by over 100 months for an offender with no criminal history. In 1981, the presumptive sentence for this offense was 43 months; in 2000, the Legislature imposed a presumptive sentence of 144 months.

Operations

The Commission employs 7.75 full-time employees to perform the core functions set out above. In fiscal 2007, the staff:

- ◆ reviewed 19,594 electronic worksheets, collecting and processing data on felony sentences;
- ◆ responded to 69 data requests;
- ◆ answered 2,566 telephone questions from practitioners regarding application of the guidelines in specific cases;
- ◆ prepared 36 fiscal notes on proposed bills for the governor and legislature, twice as many are typically prepared in a budget year;
- ◆ provided 130 hours of training throughout Minnesota;
- ◆ prepared and published the annual revision of the sentencing guidelines;
- ◆ prepared materials for public hearings, as well as timely notices of public meetings and hearings.
- ◆ The Commission prepared an annual report for the legislature, summarizing the year's activities and setting out proposed changes in the guidelines. It routinely prepares statistical reports on various sentencing issues.
- ◆ The Commission completed four studies requested by the legislature concerning subjects outside of the agency's core sentencing responsibilities.

Key Goals

The Guidelines Commission supports the Minnesota Milestone goal of cost-efficient government by providing services designed to meet the needs of the people who use them. By providing up-to-date, accurate data for legislators and other policy-makers to use when deciding how to spend public safety dollars and by encouraging measurement of results for programs intended to reduce crime, it also promotes cost-efficiency in other agencies and government sectors.

Key Measures

- ◆ The Commission delivers its Annual Report to the legislature at the beginning of each session.
- ◆ The Commission delivers research/reports requested by the legislature in a timely manner.
- ◆ All fiscal notes are delivered to legislative decision-makers within the specified time limits.
- ◆ Guidelines questions from practitioners are answered immediately.
- ◆ Each year's guidelines are published electronically and on paper, so as to be available for use on August 1.

Budget

The Commission is funded through a \$1.213 million general fund appropriation for the biennium. There are 7.75 FTEs.

Contact

Minnesota Sentencing Guidelines Commission
525 Park Street, Suite #220
Saint Paul, Minnesota 55103
(651) 296-0144

Further information, including meeting dates and times, information on public hearings, email address, and previously issued reports, may be found on the World-Wide Web at:
<http://www.msgc.state.mn.us>

<i>Dollars in Thousands</i>					
	Current		Governor Recomm.		Biennium
	FY2008	FY2009	FY2010	FY2011	2010-11
<u>Direct Appropriations by Fund</u>					
General					
Current Appropriation	704	609	609	609	1,218
Recommended	704	609	579	579	1,158
Change		0	(30)	(30)	(60)
% Biennial Change from 2008-09					-11.8%
<u>Expenditures by Fund</u>					
Carry Forward					
Miscellaneous Special Revenue	3	0	0	0	0
Direct Appropriations					
General	611	672	579	579	1,158
Statutory Appropriations					
Gift	0	36	0	0	0
Total	614	708	579	579	1,158
<u>Expenditures by Category</u>					
Total Compensation	519	547	492	492	984
Other Operating Expenses	95	161	87	87	174
Total	614	708	579	579	1,158
<u>Expenditures by Program</u>					
Mn Sentencing Guideline Com	614	708	579	579	1,158
Total	614	708	579	579	1,158
Full-Time Equivalents (FTE)	8.3	6.9	6.5	6.5	

<i>Dollars in Thousands</i>				
	FY2009	Governor's Recomm.		Biennium
		FY2010	FY2011	2010-11
Fund: GENERAL				
FY 2009 Appropriations	609	609	609	1,218
Subtotal - Forecast Base	609	609	609	1,218
Change Items				
Operating Budget Reduction	0	(30)	(30)	(60)
Total Governor's Recommendations	609	579	579	1,158
Fund: GIFT				
Planned Statutory Spending	36	0	0	0
Total Governor's Recommendations	36	0	0	0

SENTENCING GUIDELINES COMM

Change Item: Operating Budget Reduction

Fiscal Impact (\$000s)	FY 2010	FY 2011	FY 2012	FY 2013
General Fund				
Expenditures	\$(30)	\$(30)	\$(30)	\$(30)
Revenues	0	0	0	0
Other Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact	\$(30)	\$(30)	\$(30)	\$(30)

Recommendation

The Governor recommends a reduction of \$30,000 in FY 2010 and \$30,000 in FY 2011 to the Minnesota Sentencing Guidelines Commission's general fund operating budget. The Governor intends that the agency should focus its funding on maintaining its highest priority services. In addition, the Governor intends to provide as much flexibility as possible to the agency for implementation of these reductions.

Background

The operating budget of \$1.158 million recommended for the biennium includes funding for activities such as maintaining the sentencing guidelines to reflect changes in the law, compiling accurate data on felony sentencing, and providing fiscal impact analysis on proposed and enacted changes in criminal law. Other activities, such as doing research and reports on criminal justice issues may be affected by this reduction.

Relationship to Base Budget

This proposal represents a 5% base level reduction to the general fund budget.

Key Goals and Measures

This change item may affect the following agency goals and performance measures:

- ◆ Timeliness of reporting accurate, up-to-date information to decision-makers; and
- ◆ Scope of research and reports provided to the legislature and others.

The budget submitted for this agency seeks to safeguard core activities and reduce administrative overhead. The agency will manage budget reductions through various service level reductions or eliminations, staffing decreases, and/or operating expense reductions.

Statutory Change: None

Dollars in Thousands

	Actual FY2008	Budgeted FY2009	Governor's Recomm. FY2010 FY2011		Biennium 2010-11
<u>Non Dedicated Revenue:</u>					
Other Revenues:					
General	6	0	0	0	0
Total Non-Dedicated Receipts	6	0	0	0	0
<u>Dedicated Receipts:</u>					
Other Revenues:					
Gift	26	0	0	0	0
Total Dedicated Receipts	26	0	0	0	0
Agency Total Revenue	32	0	0	0	0

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↻ Designates that this item is a change item

Agency Purpose

The Board of Social Work was established in 1987 and is mandated by Minnesota Statutes 214 and 148D.001-148D.290 to promote and protect the public health, safety, and welfare through the licensure and regulation of persons who practice social work in this state. The Board's mission is to *ensure residents of Minnesota quality social work services by establishing and enforcing professional standards*. The Board's vision is to *protect the public through licensure of qualified social workers and to provide timely and impartial resolution of complaints against social workers*.

Core Functions

The Board accomplishes its regulatory mission by:

- ◆ setting and administering minimum educational, supervision, and examination requirements for initial licensure as a social worker, and setting and administering requirements for renewal of licensure;
- ◆ setting and enforcing standards of ethical practice; and responding to inquiries, complaints and reports regarding applicants, licensees, temporary license holders, and unlicensed practitioners;
- ◆ investigating complaints of alleged violations of statutes, holding educational and disciplinary conferences, and taking legal action when appropriate against licensees who fail to meet minimum standards of practice;
- ◆ approving continuing education providers; and
- ◆ providing information about licensure and standards of practice, through public education outreach efforts, the Board's website, online license verification services, brochures, and telephone and email inquiries.

Operations

- ◆ The Board benefits and affects the public safety by ensuring minimum standards of competence and ethical practice of persons licensed as social workers, by enforcing the Board's Social Work Practice Act, 148D.
- ◆ The Board consists of 10 social work licensees, and five public members appointed by the governor.
- ◆ The Board normally meets six times per year, although additional Board committees meet as needed.
- ◆ The Board does not provide any direct social work services to consumers or clients, but provides regulatory services of social workers, to ensure public protection to the residents of Minnesota.
- ◆ The Board provides services to the general public, social work applicants and licensees, and stakeholder groups including academic programs, employers, supervisors, other state and local agencies, and state and national professional social work associations.
- ◆ Current issues affecting the Board are posted on the Board's website.

Key Goals

The Board strives to achieve key goals, including initiatives that will 1) ensure and promote public protection through standards for practice, 2) meet the diverse needs of the residents of Minnesota, and 3) maintain a cost-effective, efficient operation to meet its mandate, while providing excellent customer service.

- ◆ The Board is conducting a study to promote greater access to persons licensed as social workers for consumers from diverse and underserved groups. A Board committee is working with stakeholder and community groups to comply with the 2007 Legislative mandate to "study and make recommendations to the legislature by 12-15-08, on how to increase the numbers of licensed social workers serving underserved communities and culturally and ethnically diverse communities, and also explore alternative paths to licensure that does not include a standardized examination."
- ◆ The Board is implementing its Strategic Plan, with emphasis on promoting licensure and providing leadership through public information and outreach, increasing the number and quality of diverse licensed social workers, streamlining operations, increasing online services, reviewing Board governance operations, promoting ongoing education of Board members and promoting diversity.
- ◆ The Board is implementing increased clinical and other licensing standards, in response to directives from the legislature to the Department of Human Services (DHS). DHS was charged to "evaluate qualifications of all licensed mental health professionals...". DHS Task Force recommendations established a baseline of clinical

At A Glance

Statistics For the Period 7-1-2007 – 6-30-2008

Total new licenses issued:	925
Total licenses renewed:	4,525
Total licensees:	10,314
Total new complaints received:	121
Total complaints resolved:	111
Staff FTE:	10.6

standards for coursework, supervised practice, and the report "Baseline of Competency: Common Licensing Standards for Mental Health Professionals" (A Report to the Minnesota Legislature – 1-15-2007).

- ◆ The Board is implementing a regular review of its compliance process, to ensure effective and timely resolution of complaints against licensees and their practice, and increasing methods to report pertinent data.

Key Measures

- ◆ Public Protection – The Board's website offers services to the public including 24,535 online verifications since 2006; viewing disciplinary orders; information on the complaint process; obtaining forms and information regarding how to file a complaint; viewing individual licensee disciplinary history; and a compliance video.
- ◆ Complaint Resolution – The Board is mandated to receive, investigate and resolve complaints against licensees and their practice. During FY 2007, 107 new complaints were received, and 94 complaints were resolved. During FY 2008, 121 new complaints were received, and 111 complaints were resolved. Complaints received increased 16% percent from FY 2006 to FY 2007, and increased 13% from FY 2007 to FY 2008. Complaints are generally resolved within two to four months. Complex cases may take longer.
- ◆ Licensing Services – The Board received 1,231 applications for licensure during FY 2006; 1,333 during FY 2007; and 1,418 during FY 2008. The Board granted 748 new licenses during FY 2006, an increase of 9% from the previous fiscal year, for a total of 8,552 current status licensees; 881 during FY 2007, an increase of 18% from the previous fiscal year, for a total of 9,389 current status licensees; and 925 during FY 2008, an increase of 5% from the previous fiscal year, for a total of 10,314 current status licensees. The Board renewed 3,945 licenses during FY 2007; and 4,604 licenses during FY 2008. The Board received and processed 1,010 supervision plan forms during FY 2007; and 1,141 during FY 08. The Board received and processed 1,686 supervision verification forms during FY 2007; and 1,719 during FY 08. The Board received and processed 266 continuing education provider applications during FY 2007; and 255 during FY 2008.
- ◆ Online Services – The Board offers online services to applicants and licensees including license verifications, address changes, license renewals and license application services, and license requirement information. Online license renewal services have increased from 4% to 67% since 2004. Online licensure application services have increased from 45% to 69% since mid-2006.
- ◆ Public Education – The Board provides information regarding licensing requirements and standards of practice to the public and stakeholder groups. Board members and staff provided approximately 26 public education programs during FY 2008 at state and national conferences, and presentations to bachelors and masters social work academic programs throughout the state.

Budget

The Board expects to collect \$2.020 million in FY 2008-09, which is deposited as non-dedicated revenue into the state government special revenue fund. All revenue is collected from fees charged to applicants, licensees, and providers of continuing education programs. Total direct and indirect expenditures for FY 2008-09 are estimated to be \$2.559 million, which includes 10.6 FTE employees. The Board receives a direct appropriation for direct expenditures including salaries, rent and other operating expenditures. Indirect expenditures include costs for services received by the Attorney General's Office, Health Professional Services Program, Office of Mental Health Program and the Administrative Services Unit. The Board is responsible to collect sufficient revenue to cover both direct and indirect expenditures.

Contact

Minnesota Board of Social Work
2829 University Avenue Southeast, Suite 340
Minneapolis, Minnesota 55414-3239

Website:	www.socialwork.state.mn.us	Email:	social.work@state.mn.us
Phone:	(612) 617-2100	Fax:	(612) 617-2103
Toll-Free:	(888) 234-1320	TTY:	(651) 297-5353 or (800) 627-3529

Executive Director: Kate Zacher-Pate, LSW

<i>Dollars in Thousands</i>					
	Current		Governor Recomm.		Biennium
	FY2008	FY2009	FY2010	FY2011	2010-11
<u>Direct Appropriations by Fund</u>					
State Government Spec Revenue					
Current Appropriation	997	1,022	1,022	1,022	2,044
Recommended	997	1,022	921	921	1,842
Change		0	(101)	(101)	(202)
% Biennial Change from 2008-09					-8.8%
<u>Expenditures by Fund</u>					
Carry Forward					
State Government Spec Revenue	55	251	0	0	0
Direct Appropriations					
State Government Spec Revenue	824	1,195	921	921	1,842
Open Appropriations					
State Government Spec Revenue	12	18	18	18	36
Statutory Appropriations					
Miscellaneous Special Revenue	10	24	12	12	24
Total	901	1,488	951	951	1,902
<u>Expenditures by Category</u>					
Total Compensation	703	746	696	692	1,388
Other Operating Expenses	198	742	255	259	514
Total	901	1,488	951	951	1,902
<u>Expenditures by Program</u>					
Social Work, Board Of	901	1,488	951	951	1,902
Total	901	1,488	951	951	1,902
Full-Time Equivalents (FTE)	10.8	11.0	10.1	9.7	

SOCIAL WORK BOARD

Change Summary

<i>Dollars in Thousands</i>				
	FY2009	Governor's Recomm.		Biennium
		FY2010	FY2011	2010-11
<i>Fund: STATE GOVERNMENT SPEC REVENUE</i>				
FY 2009 Appropriations	1,022	1,022	1,022	2,044
Technical Adjustments				
Program/agency Sunset		(101)	(101)	(202)
Subtotal - Forecast Base	1,022	921	921	1,842
Total Governor's Recommendations	1,022	921	921	1,842
<i>Fund: STATE GOVERNMENT SPEC REVENUE</i>				
Planned Open Spending	18	18	18	36
Total Governor's Recommendations	18	18	18	36
<i>Fund: STATE GOVERNMENT SPEC REVENUE</i>				
Planned Statutory Spending	251	0	0	0
Total Governor's Recommendations	251	0	0	0
<i>Fund: MISCELLANEOUS SPECIAL REVENUE</i>				
Planned Statutory Spending	24	12	12	24
Total Governor's Recommendations	24	12	12	24
<u>Revenue Change Items</u>				
<i>Fund: STATE GOVERNMENT SPEC REVENUE</i>				
Change Items				
Fee Reduction and Changes	0	(351)	(351)	(702)

SOCIAL WORK BOARD

Change Item: Fee Reduction and Changes

Fiscal Impact (\$000s)	FY 2010	FY 2011	FY 2012	FY 2013
General Fund				
Expenditures	\$0	\$0	\$0	\$0
Revenues	0	0	0	0
State Government Special Revenue Fund				
Expenditures	0	0	0	0
Revenues	(351)	(351)	(351)	(351)
Net Fiscal Impact	\$351	\$351	\$351	\$351

Recommendation

The Governor recommends that the Board of Social Work fees be reduced in the amounts of \$351,000 in FY 2010 and \$351,000 in FY 2011. A temporary fee reduction has been in effect since 1/01/2006, and it is scheduled to sunset 1/30/2009. The recommended decrease consists of 1) both the continuation of 1/01/2006, fee reduction of \$259,000, and 2) an additional reduction of 10% or \$91,000. The Board's fees should be changed:

- ♦ to reflect reduced expenditures for the Attorney General's Office and other items in the Board's operations budget, implemented over the last two biennia; and
- ♦ to comply with the M.S. 16A.1285, subd. 2 requirement that revenues must be set at a level that neither significantly over recovers nor under recovers all costs in providing the services.

Background

The Board of Social Work, like the other health-related licensing boards, is a fee-supported agency that receives no general fund dollars. While the legislature approves the Board's appropriation levels, the fees assessed to the various licensees of the agency cover all of the agency's direct and indirect expenditures.

The Board's revenues are derived entirely from applicants, licensees, license verifications and other miscellaneous services. After a necessary fee increase in FY 2001, revenues did not drop off as anticipated. The Board's surplus continued to increase. After careful analysis in FY 2004, the Board determined that the only effective way to reduce the accumulating surplus was to reduce fees. The Board proposed a fee reduction during the 2005 legislative session which was enacted. The temporary fee reduction of 18.87% took effect 1/01/2006 and will sunset 1/30/2009. Without action by the legislature to approve a fee reduction during the 2009 session, the Board's fees will revert back to the higher fees in effect prior to 1/01/2006.

Even with the 2006 temporary fee reduction, the Board's revenues have exceeded expenditures, and the Board's accumulating surplus has increased for a number of reasons. The number of licensees and applicants continues to gradually increase, creating additional revenues. Expenditures have decreased in licensure, compliance and administrative operations due to effective fiscal management, increased usage of online services, and continued streamlining of operations and processes. In addition, the Board has reduced expenditures for the Attorney General. The decrease in expenditures has resulted in the over recovery of fees, even with reduced fees.

Relationship to Base Budget

The recommended changes will gradually reduce the Board's accumulated surplus, but not have an impact on the Board's expenditures. The Board's ability to offer services to licensees, applicants and Minnesota residents will not be jeopardized.

In Total:

Estimated Revenue (complete details can be obtained from the Board)	
7/1/2009 – if fees revert back to the higher rate (sunset of 1/12/2006 fee reduction)	\$1,310,000
7/1/2009 – if fees remain at the current reduced rate (effective 1/1/2006)	\$1,051,000
7/1/2009 – if fees are reduced an additional 10% (based on 1/1/2006 rates) as proposed	\$ 959,000

SOCIAL WORK BOARD

Change Item: Fee Reduction and Changes

The \$351,000 yearly decrease consists of 1) both the continuation of 1/01/2006, fee reduction in the amount of approximately \$259,000, and 2) and a further fee reduction of 10%, in the amount of approximately \$91,000.

The table listed below identifies:

- ◆ A list of all fees that will be changing – the name and current statute;
- ◆ The current amount of all fees that will be changing;
- ◆ The current anticipated revenue collected each fiscal year;
- ◆ The proposed percent of the fee change;
- ◆ The proposed amount of each fee;
- ◆ The total number anticipated to pay under the proposed changes;
- ◆ The new proposed anticipated revenue; and
- ◆ The difference in revenue.

CURRENT FEE INFORMATION Rate as of 1/1/2006				PROPOSED NEW FEE INFORMATION 10% Reduction of 1/1/2006 Rate				
Fee Name	Statute	Current Fee Amount	Current FY 2008-09 Anticipated Revenue Budget each year	Proposed % of the Fee Change - Reduction	Proposed New Fee Amount	Number Paying under new proposals	Proposed FY 2010-11 Anticipated Revenue Budget each year	Difference in Revenue anticipated to be collected
Endorsement Application (6980)	MS 148D.180	\$85.00	\$8,500	0%	No Change Remain \$85.00	100	\$8,500	\$0
Initial License Charge – LSW Level (6992)	MS 148D.180	\$90.00	\$35,100	10%	\$81.00	390	\$31,590	\$(3,510)
Initial License Charge – LGSW Level (6993)	MS 148D.180	\$160.00	\$40,000	10%	\$144.00	250	\$36,000	\$(4,000)
Initial License Charge – LISW Level (6994)	MS 148D.180	\$240.00	\$3,600	10%	\$216.00	15	\$3,240	\$(360)
Initial License Charge – LICSW Level (6995)	MS 148D.180	\$265.00	\$26,500	10%	\$238.50	100	\$23,850	\$(2,650)
Emeritus Charge (6998)	MS 148D.180	\$43.20	\$1,944	0%	No Change Remain \$43.20	45	\$1,944	\$0
LSW Temporary Leave (6997)	MS 148D.180	\$90.00	\$2,700	10%	\$81.00	30	\$2,430	\$(270)
LGSW Temporary Leave (6988)	MS 148D.180	\$160.00	\$1,600	10%	\$144.00	10	\$1,440	\$(160)
LISW Temporary Leave (6987)	MS 148D.180	\$240.00	\$0	10%	\$216.00	0	\$0	\$(0)
LICSW Temporary Leave (6986)	MS 148D.180	\$265.00	\$3,975	10%	\$238.50	15	\$3,578	\$(397.50)
License Renewal Charge – LSW Level (6996)	MS 148D.180	\$90.00	\$200,070	10%	\$81.00	2,223	\$180,063	\$(20,007)
License Renewal Charge – LGSW Level (7001)	MS 148D.180	\$160.00	\$75,200	10%	\$144.00	470	\$67,680	\$(7,520)
License Renewal Charge – LISW Level (7002)	MS 148D.180	\$240.00	\$72,000	10%	\$216.00	300	\$64,800	\$(7,200)

SOCIAL WORK BOARD

Change Item: Fee Reduction and Changes

CURRENT FEE INFORMATION Rate as of 1/1/2006				PROPOSED NEW FEE INFORMATION 10% Reduction of 1/1/2006 Rate				
Fee Name	Statute	Current Fee Amount	Current FY 2008-09 Anticipated Revenue Budget each year	Proposed % of the Fee Change - Reduction	Proposed New Fee Amount	Number Paying under new proposals	Proposed FY 2010-11 Anticipated Revenue Budget each year	Difference in Revenue anticipated to be collected
License Renewal Charge – LICSW Level (7003)	MS 148D.180	\$265.00	\$400,150	10%	\$238.50	1,510	\$360,135	\$(40,015)
LSW License Late Renewal Fee (7006)	MS 148D.180	\$30.00	\$3,600	32%	\$20.25	120	\$2,430	\$(1,170)
LGSW License Late Renewal Fee (7007)	MS 148D.180	\$53.33	\$1,120	32%	\$36.00	21	\$756	\$(363.93)
LISW License Late Renewal Fee (7008)	MS 148D.180	\$80.00	\$400	32%	\$54.00	5	\$270	\$(130)
LICSW License Late Renewal Fee (7009)	MS 148D.180	\$88.33	\$4,505	32%	\$59.63	51	\$3,041.13	\$(1,464)
Supervision Plan Late Fee	MS 148D.180	\$40.00	\$2,000	0%	No change Remains \$40.00	50	\$2,000	\$0
LSW Reactivation from Temporary Leave (6972)	MS 148D.180	\$90.00	\$3,150	10%	\$81.00	35	\$2,835	\$(315)
LGSW Reactivation from Temporary Leave (6970)	MS 148D.180	\$160.00	\$1,600	10%	\$144.00	10	\$1,440	\$(160)
LISW Reactivation from Temporary Leave (6974)	MS 148D.180	\$240.00	\$480	10%	\$216.00	2	\$432	\$(48)
LICSW Reactivation from Temporary Leave (6976)	MS 148D.180	\$265.00	\$1,325	10%	\$238.50	5	\$1,192.50	\$(133)
LSW Reactivation from Expiration (6971)	MS 148D.180	\$135.00	\$5,130	10%	\$121.50	38	\$4,617	\$(513)
LGSW Reactivation from Expiration (6977)	MS 148D.180	\$240.00	\$3,120	10%	\$216.00	13	\$2,808	\$(312)
LISW Reactivation from Expiration (6973)	MS 148D.180	\$360.00	\$1,800	10%	\$324.00	5	\$1,620	\$(180)
LICSW Reactivation from Expiration (6975)	MS 148D.180	\$397.50	\$7,950	10%	\$357.75	20	\$7,155	\$(795)
Total			\$907,519				\$815,846	\$(91,673)

Key Goals and Measures

The Board will monitor revenues and expenditures closely to ensure that deficit spending does not occur in the near future. The Board will also monitor and assess the phased reduction of the surplus to ensure that the budget could absorb an unanticipated expense, such as a contested case hearing.

The fee reduction will fulfill broader goals and measures which include compliance with the Board's mandate to simplify, streamline and cut costs. This strategy also ensures compliance with state policy that revenues should closely match expenditures.

SOCIAL WORK BOARD

Change Item: Fee Reduction and Changes

The recommended fee change will allow the Board to remain fiscally responsible while continuing to fulfill its mission of ensuring public protection to the residents of Minnesota.

Alternatives Considered

Without a change in fees, the Board would not be able to comply with state law that requires that revenues should closely match expenditures. If fees were to revert back to the increased rates in effect prior to 1/01/2006, revenues would increase significantly and would greatly exceed expenditures. Other options, such a rebate on fees already paid, would be difficult to structure and implement.

Statutory Change: M.S. 48D.180

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➡ Designates that this item is a change item



January 27, 2009

To the 2009 Legislature:

I respectfully submit for your consideration the Governor's FY 2010-11 budget proposals for the State Auditor. The Governor respects the separation of powers and the desire of constitutional officers and officials in the judicial and legislative branches to independently present their budget requests directly to the legislature without specific recommendations from the Governor. However, since the Governor is required by law to submit a balanced budget to the legislature, it is necessary to identify funding for those offices as part of preparing a complete budget.

The Governor's general recommendations for the legislative and judicial branches and other constitutional officers reflect his concern with the magnitude of the projected budget shortfall and the desire to protect core government functions. As with the executive branch, the Governor suggests that these offices and institutions individually redesign their operations to increase efficiencies while minimizing the disruption of public services as much as possible.

For the State Auditor, the Governor recommends \$18.212 million in general fund appropriations for the FY 2010-11 biennium, which reflects a 0.8% reduction in appropriations from the agency's forecast budget. The reduction is equivalent to 5.0% of the State Auditor's budget excluding its audit practice which recovers all expenditures through fees. The Governor makes no other recommendations on agency requests for the FY 2010-11 biennium.

Sincerely,

A handwritten signature in dark ink that reads "Tom J. Hanson". The signature is written in a cursive, slightly slanted style.

Tom J. Hanson
Commissioner

Agency Purpose

The State Auditor is a constitutional officer elected to a four-year term in the statewide general election. The Office of the State Auditor is charged with overseeing more than \$20 billion spent annually by local governments in Minnesota.

Core Functions

The Office of the State Auditor oversees more than \$20 billion spent annually by local governments. The eight divisions of the Office of the State Auditor accomplish this by performing audits of local government financial statements and by reviewing documents, data, reports, and complaints reported to the Office. The financial information collected from local governments is analyzed and is the basis of statutory reports issued by the Office.

Operations

The Office of the State Auditor is organized into eight divisions: Audit Practice, Government Information, JOBZ, Legal/Special Investigations, Operations Management, Pension, Tax Increment Financing, and the Constitutional Office. There are approximately 120 employees of the Office of the State Auditor in seven offices, three worksites, and numerous client sites across the state. Their duties include reviewing financial documents of local government entities; issuing reports on local government finances; issuing reports on the condition of local governments' revenues and expenditures; identifying issues of legal noncompliance and recommending changes in local government accounting practices and procedures; overseeing approximately 2,100 TIF districts administered by 449 development authorities statewide; offering trainings and workshops on a broad variety of issues to local government officials across the state; and investigating allegations of unlawful use of public funds and property.

Budget

The Office of the State Auditor is funded by the general fund but generates significant non-dedicated receipts. The FY 2008-09 biennial budget for the office is almost \$20 million in direct and statutory general funds. During the same period, the office anticipates returning more than 80% of this amount in revenues and offsets to the general fund.

Minnesota Statute (M.S.) 6.58 requires that audit costs of the State Auditor's Office be recovered. This non-dedicated revenue is received through audit fees charged for the audits of local governments conducted by audit staff. In addition, other sources of revenue offset the appropriations of the office:

- ◆ The review of single audit reports by the Audit Practice Division is financed by reimbursements to the general fund through the statewide indirect cost process.
- ◆ The Pension Division is supported in part through reductions to aid distributions made by the Minnesota Department of Revenue for peace officers and fire state aids, pursuant to M.S. 69.021, subd. 5.
- ◆ The budgets for the Government Information and JOBZ Divisions for fiscal year 2008 were dollar-for-dollar reductions to Local Government Aid. During the 2008 legislative session, M.S. 477A.014 subds. 4 and 5 were repealed. Therefore, there will be no reduction in local government aid for fiscal years 2009 and beyond.
- ◆ The Tax Increment Financing Division is funded by 0.36% of tax increment distributed to authorities that administer tax increment financing districts.
- ◆ The Office also generates miscellaneous revenue by conducting training seminars and workshops.

At A Glance

- ◆ Oversees finances of approximately 3,300 local governments
- ◆ Completes approximately 150 financial and compliance audits and reviews approximately 400 single audit reports each year
- ◆ Responds to inquiries on issues of legal compliance from the public, local government officials and employees, and policymakers
- ◆ Reviews investment and financial reporting of approximately 730 local public pension plans
- ◆ Maintains financial reporting databases on local governmental entities
- ◆ Reviews expenditures of the estimated 2,100 tax increment financing (TIF) districts
- ◆ The State Auditor serves on six state boards

Contact

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<i>Dollars in Thousands</i>					
	Current		Governor Recomm.		Biennium
	FY2008	FY2009	FY2010	FY2011	2010-11
<u>Direct Appropriations by Fund</u>					
General					
Current Appropriation	9,234	9,178	9,178	9,178	18,356
Recommended	9,234	9,178	9,106	9,106	18,212
Change		0	(72)	(72)	(144)
% Biennial Change from 2008-09					-1.1%
<u>Expenditures by Fund</u>					
Carry Forward					
Miscellaneous Special Revenue	41	159	0	0	0
Direct Appropriations					
General	8,197	10,215	9,106	9,106	18,212
Statutory Appropriations					
General	642	646	659	673	1,332
Miscellaneous Special Revenue	64	64	64	64	128
Total	8,944	11,084	9,829	9,843	19,672
<u>Expenditures by Category</u>					
Total Compensation	7,848	9,811	8,643	8,649	17,292
Other Operating Expenses	1,096	1,273	1,186	1,194	2,380
Total	8,944	11,084	9,829	9,843	19,672
<u>Expenditures by Program</u>					
State Auditor	8,944	11,084	9,829	9,843	19,672
Total	8,944	11,084	9,829	9,843	19,672
Full-Time Equivalents (FTE)	106.2	108.3	111.3	111.3	

<i>Dollars in Thousands</i>				
	FY2009	Governor's Recomm.		Biennium
		FY2010	FY2011	2010-11
<i>Fund: GENERAL</i>				
FY 2009 Appropriations	9,178	9,178	9,178	18,356
Subtotal - Forecast Base	9,178	9,178	9,178	18,356
Change Items				
Operating Budget Reduction	0	(72)	(72)	(144)
Total Governor's Recommendations	9,178	9,106	9,106	18,212
<i>Fund: GENERAL</i>				
Planned Statutory Spending	646	659	673	1,332
Total Governor's Recommendations	646	659	673	1,332
<i>Fund: MISCELLANEOUS SPECIAL REVENUE</i>				
Planned Statutory Spending	223	64	64	128
Total Governor's Recommendations	223	64	64	128

STATE AUDITOR

Change Item: Operating Budget Reduction

Fiscal Impact (\$000s)	FY 2010	FY 2011	FY 2012	FY 2013
General Fund				
Expenditures	\$(72)	\$(72)	\$(72)	\$(72)
Revenues	0	0	0	0
Other Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact	\$(72)	\$(72)	\$(72)	\$(72)

Recommendation

The Governor recommends operating budget reductions for the State Auditor of \$72,000 in FY 2010 and \$72,000 in FY 2011 in the general fund. These reductions are necessary to balance the budget in the general fund.

Background

The Governor respects the separation of powers and the desire of constitutional officers and officials in the judicial and legislative branches to present their budget requests independently to the legislature without specific recommendations from the Governor. However, since the Governor is required by law to submit a balanced budget to the legislature, it is necessary to identify funding for those offices as part of preparing a complete balanced budget.

As with similar agencies in the executive branch, the Governor suggests that the State Auditor's office receive a reduction of 5% to direct appropriated funds to help address the budget deficit. While the Governor recommends a total amount for the decrease, he respects the State Auditor's authority to decide whether to adopt the reduction and to determine how to distribute it among its divisions. For the purposes of producing a complete budget presentation, however, the expenditure reduction was distributed proportionally across the divisions of the State Auditor's office.

The Governor makes no recommendations regarding any specific initiatives that may be put forward by the State Auditor.

Relationship to Base Budget

This proposal represents a 5% base level reduction to the State Auditor's general fund budget, excluding the audit practice which recovers all of its expenses through fees.

Statutory Change: Not Applicable

Program Description

The Office of the State Auditor is charged with overseeing more than \$20 billion spent annually by local governments in Minnesota. The eight divisions of the Office of the State Auditor accomplish this by performing professional-level audits and reviews of local government financial statements, documents, data, reports, and complaints submitted to or gathered by the Office; issuing reports on local government finances; identifying issues of legal non-compliance and recommending changes in local government accounting practices and procedures; investigating allegations of unlawful use of public funds and property; and offering trainings and workshops on a broad variety of issues to local government officials and employees across the state.

Budget Activities

This program's budget activities are carried out by eight operational divisions:

- ◆ **The Constitutional Office** includes the State Auditor and provides senior-level management for the Office of the State Auditor (OSA), overseeing all the Office's divisions. The Constitutional Office supports the State Auditor's service on six state boards. The Constitutional Office provides outreach to local government officials to improve their financial operations to safeguard public funds.
- ◆ **Audit Practice** plays a primary role in the ability of the Office of the State Auditor to perform its oversight functions by examining the accounting systems of local governments. The division performs financial and legal compliance audits of local governments. The audit determines if the entity has adequate controls to safeguard their assets and whether the entity's financial statements are fairly presented. In addition, the division audits for compliance with the Minnesota Legal Compliance Audit Guide for Local Government and additional relevant Minnesota law.
- ◆ **Government Information** monitors financial information for approximately 3,300 local governments. The division proscribes the chart of accounts and reporting requirements for 855 cities and 1,788 towns. It collects, verifies, and analyzes financial information for counties, cities, towns, and special districts. The division compiles local government financial data and issues 10 to 12 annual reports, special studies, or Best Practices Reviews. The division certifies cities to receive Local Government Aid from the state.
- ◆ **Legal/Special Investigations** provides legal expertise to all of the divisions of the Office of the State Auditor. The division provides legal compliance information and training to local government officials and employees and to other interested parties, such as private sector accountants. It investigates allegations of theft or misuse of public funds and responds to inquiries from the public, local government officials and employees, and policymakers on issues related to local government finance. The division maintains and revises the Minnesota Legal Compliance Audit Guide for Local Government, which proscribes the minimum procedures and audit scope for local government audits. It also issues Statements of Position, which provide legal compliance guidance to local government officials and employees, and other interested parties.
- ◆ **Operations Management** provides support services in accounting, facilities management, technology, and human resources for the Office of the State Auditor. The division provides accounting support, which includes maintaining the budget, processing payroll, preparing purchase orders, paying invoices, billing clients, and receiving payments. The division also provides facilities management support which includes tracking furniture and equipment inventory, coordinating leases, and maintenance of office space for seven locations. In addition, the division provides technology support which includes network equipment and personal computer installation and maintenance, database design and administration, and website development and maintenance. Finally, the division provides human resource services, which include all personnel issues.
- ◆ **Pension** monitors financial, actuarial and investment reporting for approximately 730 local public pension plans. Its objective is to ensure compliance with state statutes governing the administration of plans covering approximately 20,000 members. The division annually issues financial and investment performance reports.
- ◆ **Tax Increment Financing (TIF)** oversees development authorities' compliance with the TIF Act. In addition, the division issues an annual TIF Legislative Report which is available to policymakers, local governments and the public. The Division promotes legal compliance and accountability of local governments' uses of TIF, through financial reviews, training and workshops, and newsletters. It collects and analyzes for accuracy and completeness financial information related to uses of tax increment reported annually by local units of government. The division also responds to inquiries from local government officials and the public regarding TIF.
- ◆ **JOBZ** will annually audit the creation and operation of all job opportunity building zones (JOBZ) and business subsidy agreements entered into under the JOBZ Act.

STATE AUDITOR

Program: STATE AUDITOR

Program Summary

<i>Dollars in Thousands</i>					
	Current		Governor Recomm.		Biennium
	FY2008	FY2009	FY2010	FY2011	2010-11
<u>Direct Appropriations by Fund</u>					
General					
Current Appropriation	9,234	9,178	9,178	9,178	18,356
Subtotal - Forecast Base	9,234	9,178	9,178	9,178	18,356
Governor's Recommendations					
Operating Budget Reduction		0	(72)	(72)	(144)
Total	9,234	9,178	9,106	9,106	18,212
<u>Expenditures by Fund</u>					
Carry Forward					
Miscellaneous Special Revenue	41	159	0	0	0
Direct Appropriations					
General	8,197	10,215	9,106	9,106	18,212
Statutory Appropriations					
General	642	646	659	673	1,332
Miscellaneous Special Revenue	64	64	64	64	128
Total	8,944	11,084	9,829	9,843	19,672
<u>Expenditures by Category</u>					
Total Compensation	7,848	9,811	8,643	8,649	17,292
Other Operating Expenses	1,096	1,273	1,186	1,194	2,380
Total	8,944	11,084	9,829	9,843	19,672
<u>Expenditures by Activity</u>					
Audit Practice	5,976	6,895	6,538	6,488	13,026
Legal/Special Investigations	503	591	510	524	1,034
Government Information	455	661	508	524	1,032
Pension	377	523	428	443	871
Operations Management	746	1,003	770	770	1,540
Constitutional Office	245	395	260	265	525
Tax Increment Financing	642	646	659	673	1,332
Jobz	0	370	156	156	312
Total	8,944	11,084	9,829	9,843	19,672
Full-Time Equivalents (FTE)	106.2	108.3	111.3	111.3	

STATE AUDITOR

Program: STATE AUDITOR

Activity: AUDIT PRACTICE

Narrative

Activity Description

The Audit Practice Division plays a primary role in the ability of the Office of the State Auditor to perform its oversight functions by examining the accounting systems of local governments. The division performs financial and legal compliance audits of local governments. The audit determines if the entity has adequate controls to safeguard their assets and whether the entity's financial statements are fairly presented. In addition, the division audits for compliance with the Minnesota Legal Compliance Audit Guide for Local Government and additional relevant Minnesota law.

Activity at a Glance

- ◆ Conducts approximately 150 financial and legal compliance audits per year
- ◆ Reviews approximately 400 single audits per year
- ◆ Conducts annual training for state and local government audit and accounting professionals on new auditing standards and accounting principles

Population Served

The Audit Practice Division annually conducts approximately 150 financial and legal compliance audits for most counties, the cities of Duluth, Minneapolis, and St. Paul, entities associated with counties and cities, and the Metropolitan Council. Audits may be conducted of cities, townships, school districts and other local entities as required by statute, requested by entities, or chosen by the Office of the State Auditor. In addition, this division annually reviews approximately 400 single audit reports submitted by cities, counties, school districts, nonprofit agencies, regional development commissions, housing redevelopment authorities and other entities for compliance with federal reporting requirements and generally accepted government auditing standards. The Office of the State Auditor then issues a single audit report to the U.S. Department of Agriculture (the federal agency responsible for single audit), the Minnesota Department of Finance and Employee Relations, the Minnesota Office of the Legislative Auditor, and state agencies receiving federal funding.

Services Provided

The Audit Practice Division provides the following services:

- ◆ Issues approximately 150 audit annual reports of counties, cities, entities associated with counties and cities, and other local governments.
- ◆ Reports on the condition of local governments' revenues and expenditures, comments on irregularities and deficiencies in local governments' internal controls, identifies issues of legal noncompliance, and recommends changes in local government accounting practices and procedures.
- ◆ Uses the experience of its auditors to make the audit process the most efficient and effective possible for the clients.
- ◆ Conducts training programs for state and local government audit and accounting professionals on auditing standards and accounting principles that impact local governments. As new accounting principles are adopted by the Governmental Accounting Standards Board, they fundamentally change the overall accounting practices of local governments.

Key Program Goals

The division continuously works to fulfill the Office of the State Auditor's key goals of greater efficiency, accuracy of data, and transparency of local government finances.

Key Measures

- ◆ Conducts approximately 150 audits per year.
- ◆ Reviews approximately 400 single audit reports annually.
- ◆ Completes petition audits as requested (averaging two to five per year).
- ◆ Trains state and local government audit and accounting professionals on new auditing standards and accounting principles.
- ◆ Performs audits as requested by local governmental entities.

STATE AUDITOR

Program: STATE AUDITOR

Activity: AUDIT PRACTICE

Narrative

Activity Funding

Under M.S. 6.58, all costs of the audit examination must be recovered through fees, generating a significant source of reimbursement for the state. These fees are non-dedicated revenues deposited in the general fund. Audit work is billed on an hourly basis, plus reimbursable travel expenses. Besides audit fees, the review of single audit reports is financed by reimbursements to the general fund by the Department of Finance and Employee Relations' indirect cost process.

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STATE AUDITOR

Program: STATE AUDITOR

Activity: AUDIT PRACTICE

Budget Activity Summary

<i>Dollars in Thousands</i>					
	Current		Governor's Recomm.		Biennium
	FY2008	FY2009	FY2010	FY2011	2010-11
<u>Direct Appropriations by Fund</u>					
General					
Current Appropriation	9,234	9,178	9,178	9,178	18,356
Subtotal - Forecast Base	9,234	9,178	9,178	9,178	18,356
Total	9,234	9,178	9,178	9,178	18,356
<u>Expenditures by Fund</u>					
Direct Appropriations					
General	5,912	6,831	6,474	6,424	12,898
Statutory Appropriations					
Miscellaneous Special Revenue	64	64	64	64	128
Total	5,976	6,895	6,538	6,488	13,026
<u>Expenditures by Category</u>					
Total Compensation	5,375	6,332	5,905	5,849	11,754
Other Operating Expenses	601	563	633	639	1,272
Total	5,976	6,895	6,538	6,488	13,026
Full-Time Equivalents (FTE)	71.0	72.2	75.7	75.7	

STATE AUDITOR

Program: STATE AUDITOR

Activity: LEGAL/SPECIAL INVESTIGATIONS

Narrative

Activity Description

The Legal/Special Investigations Division provides legal expertise to all of the divisions of the Office of the State Auditor. The division provides legal compliance information and training to local government officials and employees and to other interested parties, such as private sector accountants. It investigates allegations of theft or misuse of public funds and responds to inquiries from the public, local government officials and employees, and policymakers on issues related to local government finance. The division maintains and revises the Minnesota Legal Compliance Audit Guide for Local Government, which proscribes the minimum procedures and audit scope for local government audits. It also issues Statements of Position, which provide legal compliance guidance to local government officials and employees, and other interested parties.

Population Served

The Legal/Special Investigations Division provides legal support to all of the divisions of the Office of the State Auditor. It responds to inquiries from the public, local government officials and employees, and policymakers on issues related to legal compliance. The division provides compliance information and training to interested parties.

Activity at a Glance

- ◆ Provides legal expertise to all divisions of the Office of the State Auditor.
- ◆ Responds to inquiries on issues related to legal compliance from the public, local government officials and employees, and policymakers.
- ◆ Maintains and revises the Minnesota Legal Compliance Audit Guide for Local Government.
- ◆ Issues Statements of Position to provide guidance on legal compliance to local government officials and employees, and other interested parties.
- ◆ Investigates allegations of unlawful use of public funds and property.
- ◆ Provides training to help local government officials and employees safeguard public assets.

The division also serves the public by investigating allegations of theft, embezzlement, or unlawful use of public funds and property involving local government.

Services Provided

The division provides the following services:

- ◆ Supports all of the divisions of the Office of the State Auditor on legal issues.
- ◆ Conducts legal review of audits and special reports.
- ◆ Provides information and training on local government finances, including internal controls to help local government officials and employees safeguard public assets.
- ◆ Investigates allegations of theft, embezzlement, or unlawful use of public funds and property involving local government.
- ◆ Evaluates allegations of theft or misuse of public funds or property.
- ◆ Conducts investigations of theft or misuse of public funds or property by providing specialized auditing techniques, or by initiating an independent investigation.
- ◆ Assists local law enforcement agencies, county attorneys, the Bureau of Criminal Apprehension, and the Office of the Attorney General in cases involving complex financial investigation.
- ◆ Makes recommendations for corrective action to safeguard public funds.
- ◆ Responds to inquiries and requests from the local government officials and employees, and the public on issues related to legal compliance.
- ◆ Researches and drafts any proposed legislation for the Office of the State Auditor.
- ◆ Issues and annually revises Statements of Position to provide legal compliance guidance to local government officials and employees, and other interested parties.
- ◆ Prepares annual updates of the Minnesota Legal Compliance Audit Guide for Local Government.

STATE AUDITOR

Program: STATE AUDITOR

Activity: LEGAL/SPECIAL INVESTIGATIONS

Narrative

Key Program Goals

The division continuously works to fulfill the Office of the State Auditor's key goals of greater efficiency, accuracy of data, and transparency of local government finances.

Key Measures

- ◆ Thorough and timely completion of investigative matters generated by: requests for assistance from the public and law enforcement agencies; formal notification by local government officials and employees, pursuant to M.S. 609.456; and by public accountants, pursuant to M.S. 6.67.
- ◆ Timely response to public inquiries.
- ◆ Issues new Statements of Position and annually updates current Statements of Position.
- ◆ Annually updates the Minnesota Legal Compliance Audit Guide for Local Government.
- ◆ Training and education of local government officials and employees, and other interested parties on the prevention and detection of fraud and abuse, as well as violations of law and policy.

Activity Funding

The division is funded by a general fund direct appropriation. Some of the division's expenditures are recovered or offset. The costs associated with the Audit Practice Division are recovered by fees charged for audit examinations. The costs associated with the Pension Division are partly offset by a reduction in state pension-related aids. The costs associated with the Tax Increment Financing (TIF) Division are directly allocated to that division and are funded by a general fund statutory appropriation of TIF revenue. Please refer to the activity funding section of each of these divisions' narratives for more details.

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STATE AUDITOR

Program: STATE AUDITOR

Activity: LEGAL/SPECIAL INVESTIGATIONS

Budget Activity Summary

<i>Dollars in Thousands</i>					
	Current FY2008	FY2009	Governor's Recomm. FY2010	FY2011	Biennium 2010-11
<u>Direct Appropriations by Fund</u>					
General					
Current Appropriation	0	0	0	0	0
Subtotal - Forecast Base	0	0	0	0	0
Governor's Recommendations					
Operating Budget Reduction		0	(14)	(14)	(28)
Total	0	0	(14)	(14)	(28)
<u>Expenditures by Fund</u>					
Direct Appropriations					
General	503	591	510	524	1,034
Total	503	591	510	524	1,034
<u>Expenditures by Category</u>					
Total Compensation	453	542	462	476	938
Other Operating Expenses	50	49	48	48	96
Total	503	591	510	524	1,034
Full-Time Equivalents (FTE)	6.0	5.9	5.9	5.9	

STATE AUDITOR

Program: STATE AUDITOR

Activity: GOVERNMENT INFORMATION

Narrative

Activity Description

The Government Information Division monitors financial information for approximately 3,300 local governments. The division proscribes the chart of accounts and reporting requirements for 855 cities and 1,788 towns. It collects, verifies, and analyzes financial information for counties, cities, towns, and special districts. The division compiles local government financial data and issues 10 to 12 annual reports, special studies, and Best Practices Reviews. The division certifies cities to receive Local Government Aid from the state.

Activity at a Glance

- ◆ Monitors financial information on approximately 3,300 local governments.
- ◆ Issues 10 to 12 reports or special studies on local government finances per year.
- ◆ Issues Best Practices Review of local government operations.

Population Served

The information collected by the Government Information Division provides state and local policymakers with data useful in making sound public policy decisions. It also provides local officials and the public with a better understanding of their financial condition relative to other local governments. The users of the information include local government officials, the public, legislators, the U.S. Census Bureau, and state agencies.

Services Provided

The division provides the following services:

- ◆ Maintains and makes available extensive databases of local government financial data including total revenues, expenditures, and outstanding debt.
- ◆ Prepares and compiles customized data for legislative researchers.
- ◆ Provides transparency of local government finances through issuing 10-12 annual reports, special studies, and Best Practices Reviews.
- ◆ Provides local government financial data to the public on the Office of the State Auditor website.
- ◆ Provides local government employees with easy-to-use electronic reporting forms which improve accuracy and efficiency.
- ◆ Reviews financial reporting forms and information collected for accuracy and completeness.
- ◆ Conducts special studies as requested by the legislature.
- ◆ Maintains, supports, and provides training for the Small Cities and Towns Accounting System (CTAS) software used by over 1,300 small cities and towns throughout the state.

Key Program Goals

The division continuously works to fulfill the Office of the State Auditor's key goals of greater efficiency, accuracy of data, and transparency of local government finances.

Key Measures

- ◆ Issues 10-12 annual reports, special studies, and Best Practices Reviews.
- ◆ Provides local government financial data on the Office of the State Auditor's website.
- ◆ Maintains and supports the CTAS software.
- ◆ Maintains, supports and provides training to CTAS users.
- ◆ Reports twice each year to the commissioner of the Department of Revenue certifying cities that are eligible to receive various state aid distributions.

Activity Funding

The division is funded by a general fund direct appropriation. For fiscal year 2008, expenditures by the Government Information Division were dollar-for-dollar reductions to Local Government Aid. During the 2008 legislative session, M.S. 477A.014 subds. 4 and 5 were repealed. Therefore, there will be no reduction in Local Government Aid for fiscal years 2009 and beyond.

STATE AUDITOR

Program: STATE AUDITOR

Activity: GOVERNMENT INFORMATION

Narrative

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STATE AUDITOR

Program: STATE AUDITOR

Activity: GOVERNMENT INFORMATION

Budget Activity Summary

<i>Dollars in Thousands</i>					
	Current		Governor's Recomm.		Biennium
	FY2008	FY2009	FY2010	FY2011	2010-11
<u>Direct Appropriations by Fund</u>					
General					
Current Appropriation	0	0	0	0	0
Subtotal - Forecast Base	0	0	0	0	0
Governor's Recommendations					
Operating Budget Reduction		0	(14)	(14)	(28)
Total	0	0	(14)	(14)	(28)
<u>Expenditures by Fund</u>					
Direct Appropriations					
General	455	661	508	524	1,032
Total	455	661	508	524	1,032
<u>Expenditures by Category</u>					
Total Compensation	392	575	428	443	871
Other Operating Expenses	63	86	80	81	161
Total	455	661	508	524	1,032
Full-Time Equivalents (FTE)	7.0	7.0	7.2	7.2	

STATE AUDITOR

Program: STATE AUDITOR

Activity: PENSION

Narrative

Activity Description

The Pension Division monitors financial, actuarial and investment reporting for approximately 730 local public pension plans. Its objective is to ensure compliance with state statutes governing the administration of plans covering approximately 20,000 members. The division annually issues financial and investment performance reports.

Population Served

The Pension Division primarily serves small volunteer fire relief associations administered by part-time boards and officers. These boards work with state laws affecting benefit levels, financing, actuarial methods, investment practices, and pension plan administration. The division works with plan members, municipal representatives, policymakers, and the public through 1) promoting consistent interpretation and application of statutes and bylaws; 2) providing a uniform basis for calculating and reporting investment returns for all public plans; and 3) monitoring plan operations and administration of benefits to effectively measure for compliance with state laws.

Activity at a Glance

- ◆ Monitors approximately 730 local public pension plans covering 20,000 members
- ◆ Issues annual financial and investment performance reports
- ◆ Certifies individual relief associations for state aid distributions
- ◆ Conducts training sessions on pension plan issues
- ◆ Convenes working group for stakeholders to discuss policy issues concerning pensions

Services Provided

The division provides the following services:

- ◆ Financial Review
 - ⇒ Annually develops and distributes reporting forms on financial, investment and administrative matters for data entry, form submission, and scenario testing.
 - ⇒ Reviews all financial reporting forms and information collected for accuracy and completeness.
 - ⇒ Manages reporting processes to improve efficiency and accuracy of data.
- ◆ Investment Performance Reporting:
 - ⇒ Collects and reviews investment report submissions.
 - ⇒ Manages reporting processes for time-weighted rate-of-return data collected from approximately 730 pension plans.
- ◆ Research and Communications:
 - ⇒ Provides assistance to pension plans on issues relating to state statutes, form submissions, investment policies and valuation of benefits.
 - ⇒ Prepares annual reports to policymakers on pension plan status and investment performance.
 - ⇒ Conducts training sessions for over 400 relief association trustees and consultants.
 - ⇒ Responds to requests for information from legislators and their staff, local officials, and the public.
 - ⇒ Convenes Fire Relief Association Working Group to bring together stakeholders to discuss policy issues concerning pensions.
 - ⇒ Issues regular newsletter to assist members with compliance and plan operation issues.
- ◆ Compliance Monitoring and Investigation:
 - ⇒ Assists the Office of the State Auditor's Legal/Special Investigations and Audit Practice Divisions when pension issues arise.
 - ⇒ Annually certifies to the commissioner of the Department of Revenue individual relief associations that are eligible to receive various state aid distributions.

STATE AUDITOR

Program: STATE AUDITOR

Activity: PENSION

Narrative

Key Program Goals

The division continuously works to fulfill the Office of the State Auditor's key goals of greater efficiency, accuracy of data, and transparency of local government finances.

Key Measures

- ◆ Annually reviews financial documents of approximately 720 public pension plans.
- ◆ Annually reviews the investment performance reports of approximately 730 pension plans.
- ◆ Annually certifies to the Department of Revenue individual relief associations' eligibility to receive various state aid distributions.
- ◆ Provides client services, technical resources, and training to public pension plan administrators.
- ◆ Annually issues Financial and Investment Report of Volunteer Fire Relief Associations.
- ◆ Annually issues Large Public Pension Plan Investment Report.
- ◆ Regularly publishes newsletter to address issues of interest to plan members.

Activity Funding

The division is funded by a general fund direct appropriation. Under M.S. 356.219, the costs for investment performance reporting (approximately 33% in FY 2008) must be funded from the general fund. Under M.S. 69.021, subd. 5, the remaining general fund costs of the division for this same fiscal year (approximately 67%) will be offset through dollar-for-dollar reductions against state pension-related aids distributed by the Department of Revenue. These costs vary annually based upon the allocation of payroll and other costs between investment and other financial monitoring activities.

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STATE AUDITOR
Program: STATE AUDITOR
Activity: PENSION

Budget Activity Summary

<i>Dollars in Thousands</i>					
	Current FY2008	FY2009	Governor's Recomm. FY2010	FY2011	Biennium 2010-11
<u>Direct Appropriations by Fund</u>					
General					
Current Appropriation	0	0	0	0	0
Subtotal - Forecast Base	0	0	0	0	0
Governor's Recommendations					
Operating Budget Reduction		0	(12)	(12)	(24)
Total	0	0	(12)	(12)	(24)
<u>Expenditures by Fund</u>					
Direct Appropriations					
General	377	523	428	443	871
Total	377	523	428	443	871
<u>Expenditures by Category</u>					
Total Compensation	316	443	343	358	701
Other Operating Expenses	61	80	85	85	170
Total	377	523	428	443	871
Full-Time Equivalents (FTE)	5.6	6.0	6.3	6.3	

STATE AUDITOR

Program: STATE AUDITOR

Activity: OPERATIONS MANAGEMENT

Narrative

Activity Description

The Operations Management Division provides support services in accounting, facilities management, technology, and human resources for the Office of the State Auditor. The division provides accounting support, which includes maintaining the budget, processing payroll, preparing purchase orders, paying invoices, billing clients, and receiving payments. The division also provides facilities management support which includes tracking furniture and equipment inventory, coordinating leases, and maintenance of office space for seven locations. In addition, the division provides technology support which includes network equipment and personal computer installation and maintenance, database design and administration, and website development and maintenance. Finally, the division provides human resource services, which include all personnel issues.

Population Served

The Operations Management Division serves approximately 120 employees of the Office of the State Auditor in seven offices, three worksites, and numerous client sites by providing accounting services, facilities management, technology support, and human resource services.

Services Provided

The Operations Management Division provides the following services:

- ◆ Prepares and maintains biennial budget;
- ◆ Processes payroll for approximately 120 employees;
- ◆ Prepares purchase orders and pays invoices;
- ◆ Bills and collects audit fees;
- ◆ Maintains furniture and equipment inventory;
- ◆ Coordinates lease renewals for and maintenance of seven offices;
- ◆ Manages all technology needs and makes recommendations directly to the State Auditor on technology requirements of the office;
- ◆ Provides research and strategic planning support on technology issues;
- ◆ Provides network and personal computer installation, support, and maintenance;
- ◆ Procures common network equipment;
- ◆ Supervises the local area network, database, and website technical staff;
- ◆ Coordinates the hiring of employees;
- ◆ Educates employees on benefit options; and
- ◆ Ensures office is in compliance with state bargaining agreements.

Key Program Goals

The division continuously works to fulfill the Office of the State Auditor's key goals of greater efficiency, accuracy of data, and transparency of local government finances.

Key Measures

- ◆ Develops and maintains biennial budget for the Office of the State Auditor.
- ◆ Completes an annual inventory of office furniture and equipment.
- ◆ Develops and implements annual technology plan that manages technology needs, including hardware, software, support and maintenance of the office network.
- ◆ Maintains and retains qualified staff to carry out the duties of the Office of the State Auditor.
- ◆ Maintains compliance with state bargaining agreements.

Activity at a Glance

- ◆ Provides the accounting services, facilities management, technology support, and human resources services for approximately 120 employees in seven offices, three worksites, and numerous client sites.
- ◆ Hosts a website that serves more than 9,000 unique visitors each month to increase transparency in local government finances.
- ◆ Maintains integrated databases for all divisions in the Office of the State Auditor.
- ◆ Modifies, collects and processes electronic reporting forms for the Government Information, Pension, and Tax Increment Financing Divisions.

STATE AUDITOR

Program: STATE AUDITOR

Activity: OPERATIONS MANAGEMENT

Narrative

Activity Funding

The division is funded by a general fund direct appropriation. Some of the division's expenditures are recovered or offset. The costs associated with the Audit Practice Division are recovered by fees charged for audit examinations. The costs associated with the Pension Division are partly offset by a reduction in state pension-related aids. The costs associated with the Tax Increment Financing (TIF) Division are directly allocated to that division and are funded by a general fund statutory appropriation of TIF Revenue. Please refer to the Activity Funding section of each of these divisions' narratives for more details.

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STATE AUDITOR

Program: STATE AUDITOR

Activity: OPERATIONS MANAGEMENT

Budget Activity Summary

<i>Dollars in Thousands</i>					
	Current FY2008	FY2009	Governor's Recomm. FY2010	FY2011	Biennium 2010-11
<u>Direct Appropriations by Fund</u>					
General					
Current Appropriation	0	0	0	0	0
Subtotal - Forecast Base	0	0	0	0	0
Governor's Recommendations					
Operating Budget Reduction		0	(21)	(21)	(42)
Total	0	0	(21)	(21)	(42)
<u>Expenditures by Fund</u>					
Carry Forward					
Miscellaneous Special Revenue	41	159	0	0	0
Direct Appropriations					
General	705	844	770	770	1,540
Total	746	1,003	770	770	1,540
<u>Expenditures by Category</u>					
Total Compensation	551	659	584	583	1,167
Other Operating Expenses	195	344	186	187	373
Total	746	1,003	770	770	1,540
Full-Time Equivalents (FTE)	6.8	7.3	6.3	6.3	

STATE AUDITOR

Program: STATE AUDITOR

Activity: CONSTITUTIONAL OFFICE

Narrative

Activity Description

The Constitutional Office includes the State Auditor and provides senior-level management for the Office of the State Auditor (OSA), overseeing all the Office's divisions. The Constitutional Office supports the State Auditor's service on six state boards. The Constitutional Office provides outreach to local government officials to improve their financial operations to safeguard public funds.

Population Served

The Constitutional Office supports the State Auditor's service on the Executive Council, State Board of Investment, Land Exchange Board, Public Employees Retirement Association Board, Minnesota Housing Finance Agency Board, and the Rural Finance Authority Board.

In addition, the Constitutional Office provides management review and support for the Audit Practice, Legal/Special Investigations, Tax Increment Financing, Government Information, and Pension Divisions.

The Constitutional Office supports the OSA in its service to the citizens of Minnesota by providing transparency and accountability of local government finances and by assisting local officials to improve the quality of their financial operations, which is important in protecting public funds.

Services Provided

The Constitutional Office provides the following services:

- ◆ Provides supervisory oversight and direction for all staff of the OSA;
- ◆ Oversees the development of the Office of the State Auditor budget;
- ◆ Oversees the development, drafting, and distribution of special reports requested by the legislature;
- ◆ Provides management review and support for regular and special audits and reports;
- ◆ Monitors legislation relating to local government finances and oversight and works to improve laws relating to financial accountability;
- ◆ Proposes legislation to promote good government and serve the public interest at the local level;
- ◆ Offers training programs and conferences for supervisors, staff, clients, and other interested parties, including training in the areas of audit practice, technical issues, customer service, and human resources;
- ◆ Works to improve the efficiency of the collection and dissemination of local government financial information;
- ◆ Works to ensure that the financial information collected, compiled and analyzed on local government operations is communicated effectively with local officials, policymakers, and the public;
- ◆ Monitors local entities' reporting requirement compliance;
- ◆ Serves on six state boards; the service includes attending regular board meetings, extensive committee work, and fulfilling continuing education requirements;
- ◆ Establishes and oversees the implementation of policies and procedures for the Office regarding proper financial and internal controls and administrative procedures;
- ◆ Provides information and assistance to the public, local government officials, policymakers and state agencies in areas over which the OSA has jurisdiction;
- ◆ Serves as the OSA's primary contact with the legislature and the media;
- ◆ Oversees and reviews the Minnesota Legal Audit Compliance Guide for Local Government;
- ◆ Oversees the development, implementation, and regular updates of a Continuation of Operations Plan, and a Pandemic Flu Plan for the OSA;
- ◆ Advances technology in the Office to improve efficiency within the OSA and with OSA clients; and
- ◆ Develops, monitors and updates the OSA's strategic plan, including a workforce plan to ensure the continued efficient and highly professional service in light of a changing workforce.

Activity at a Glance

- ◆ Supervises all of the divisions of the Office of the State Auditor
- ◆ Supports the State Auditor's service on six state boards
- ◆ Conducts outreach to the public and local officials

STATE AUDITOR

Program: STATE AUDITOR

Activity: CONSTITUTIONAL OFFICE

Narrative

Key Program Goals

The division continuously works to fulfill the Office of the State Auditor's key goals of greater efficiency, accuracy of data, and transparency of local government finances.

Key Measures

- ◆ Directing and managing the efficient, effective, and successful operation of the eight divisions of the Office of the State Auditor.
- ◆ Successfully meeting the fiduciary duty and contributing to the successful operation of the six state boards.
- ◆ Providing regular outreach to thousands of local government officials around the state concerning safeguarding of public funds, legal compliance, and ways to improve the efficiency of the work conducted between the OSA and local governments.

Activity Funding

The Constitutional Office is funded by a general fund direct appropriation.

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STATE AUDITOR

Program: STATE AUDITOR

Activity: CONSTITUTIONAL OFFICE

Budget Activity Summary

<i>Dollars in Thousands</i>					
	Current FY2008	FY2009	Governor's Recomm. FY2010	FY2011	Biennium 2010-11
<u>Direct Appropriations by Fund</u>					
General					
Current Appropriation	0	0	0	0	0
Subtotal - Forecast Base	0	0	0	0	0
Governor's Recommendations					
Operating Budget Reduction		0	(7)	(7)	(14)
Total	0	0	(7)	(7)	(14)
<u>Expenditures by Fund</u>					
Direct Appropriations					
General	245	395	260	265	525
Total	245	395	260	265	525
<u>Expenditures by Category</u>					
Total Compensation	216	362	227	232	459
Other Operating Expenses	29	33	33	33	66
Total	245	395	260	265	525
Full-Time Equivalents (FTE)	2.2	2.2	2.2	2.2	

STATE AUDITOR

Program: STATE AUDITOR

Activity: TAX INCREMENT FINANCING

Narrative

Activity Description

The Tax Increment Financing (TIF) Division of the Office of the State Auditor oversees development authorities' compliance with the TIF Act. In addition, the division issues an annual TIF Legislative Report which is available to policymakers, local governments and to the public.

The division promotes legal compliance and accountability of local governments' uses of TIF, through financial reviews, training and workshops, and newsletters. It collects and analyzes for accuracy and completeness financial information related to uses of tax increment reported annually by local units of government. The division also responds to inquiries from local government officials and from the public regarding TIF.

Activity at a Glance

- ◆ Oversees the approximately 2,100 TIF districts administered by 449 development authorities
- ◆ Conducts reviews of annual TIF reports on a rotational basis
- ◆ Issues annual TIF Legislative Report
- ◆ Conducts training and workshops on TIF compliance issues

Population Served

The TIF Division oversees the approximately 2,100 TIF districts administered by 449 development authorities. In 2007, the approximately 2,100 TIF districts generated more than \$285 million of tax increment revenue to be used for development and redevelopment. The division provides transparency and accountability, serving policymakers, local governments, and the public through its Legislative Report, educational programs and individual responses to questions about TIF.

Services Provided

The division provides the following services:

- ◆ Reviews annual TIF reporting forms submitted by TIF districts for accuracy and substantial completeness;
- ◆ Compares annual TIF reporting forms with information in the TIF plans to confirm that information is accurate and complete;
- ◆ Assists development authorities in completing annual reporting forms;
- ◆ Responds to requests for information from local government officials and the public regarding the lawful uses of TIF;
- ◆ Investigates complaints regarding unlawful uses of TIF;
- ◆ Conducts field and desk reviews to identify TIF non-compliance issues;
- ◆ Works with municipalities to resolve non-compliance issues;
- ◆ Forwards unresolved non-compliance issues to county attorneys and the Attorney General for possible enforcement action;
- ◆ Provides training and workshops to entities administering TIF districts and other interested parties;
- ◆ Promotes consistent interpretation and application of the TIF Act;
- ◆ Analyzes data and Issues annual TIF Legislative Report; and
- ◆ Prepares legislative updates to the TIF County Guide.

Key Program Goals

The division continuously works to fulfill the Office of the State Auditor's key goals of greater efficiency, accuracy of data, and transparency of local government finances.

STATE AUDITOR

Program: STATE AUDITOR

Activity: TAX INCREMENT FINANCING

Narrative

Key Measures

- ◆ Annually collects and reviews TIF reporting forms from the approximately 2,100 TIF districts to determine substantial compliance with the TIF Act.
- ◆ Provides timely and customized data on the use of TIF, when requested.
- ◆ Issues initial and final notices of non-compliance, as warranted.
- ◆ Prepares and presents training and educational materials on the use of TIF.
- ◆ Provides training and workshops to entities administering TIF districts and other interested parties.
- ◆ Issues annual TIF Legislative Report.

Activity Funding

The division is solely funded by a general fund statutory appropriation of TIF revenue. The appropriation is calculated by deducting 0.36% of tax increment generated by development authorities. Counties pay the deducted revenue to the Treasury Division of the Department of Finance and Employee Relations, which transfers the funds to the Office of the State Auditor. The annual revenue from the enforcement deduction will vary depending on the number of active TIF districts and the amount of tax increment generated by those districts.

The tax increment that funds the division is dedicated revenue that covers the costs of all the division's operations. This activity does not receive a general fund direct appropriation.

Contact

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STATE AUDITOR

Program: STATE AUDITOR

Activity: TAX INCREMENT FINANCING

Budget Activity Summary

<i>Dollars in Thousands</i>					
	Current		Governor's Recomm.		Biennium
	FY2008	FY2009	FY2010	FY2011	2010-11
<u>Expenditures by Fund</u>					
Statutory Appropriations					
General	642	646	659	673	1,332
Total	642	646	659	673	1,332
<u>Expenditures by Category</u>					
Total Compensation	545	558	568	582	1,150
Other Operating Expenses	97	88	91	91	182
Total	642	646	659	673	1,332
Full-Time Equivalents (FTE)	7.6	7.7	7.7	7.7	

STATE AUDITOR

Program: STATE AUDITOR

Activity: JOBZ

Narrative

Activity Description

Minnesota Session Laws 2005, 1st Special Session, Chapter 3, Article 7, Section 19 gives the Office of the State Auditor oversight over the creation and operation of all job opportunity building zones (JOBZ) and business subsidy agreements entered into under the JOBZ Act.

The Office of the State Auditor is currently working to determine the scope and nature of JOBZ oversight by meeting with the Department of Revenue (DOR) and the Department of Employment and Economic Development (DEED). DOR and DEED are currently reworking all documents and procedures related to JOBZ to resolve issues with the current program. Once the documents are completed, the Office of the State Auditor will be able to design an oversight program and develop databases and reporting forms to support this work.

Activity at a Glance

- ◆ Oversees the creation and operation of job opportunity building zones (JOBZ) and business subsidy agreements entered into under the JOBZ Act.

Population Served

The JOBZ Division of the Office of the State Auditor will oversee job opportunity building zones (JOBZ) and business subsidy agreements entered into under the JOBZ Act. The division will serve policymakers, local governments and the public through its oversight.

Services Provided

The Office of the State Auditor will design the JOBZ Division as an appropriate oversight program. Among its services, the design phase will include:

- ◆ Monitoring the progress of DOR and DEED, who are reworking JOBZ forms and procedures;
- ◆ Determining the form of data collected;
- ◆ Creating a database and forms, as appropriate; and
- ◆ Collecting and analyzing information relating to the creation and operation of JOBZ programs.

Key Program Goals

The division continuously works to fulfill the Office of the State Auditor's key goals of greater efficiency, accuracy of data, and transparency of local government finances.

Key Measures

- ◆ Develop an oversight program.

Activity Funding

The division is funded by a general fund direct appropriation. For fiscal year 2008, JOBZ expenditures were dollar-for-dollar reductions to Local Government Aid. During the 2008 legislative session, M.S. 477A.014 subds. 4 and 5 were repealed. Therefore, there will be no reduction in Local Government Aid for fiscal years 2009 and beyond.

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STATE AUDITOR
Program: STATE AUDITOR
Activity: JOBZ

Budget Activity Summary

<i>Dollars in Thousands</i>					
	Current		Governor's Recomm.		Biennium
	FY2008	FY2009	FY2010	FY2011	2010-11
<u>Direct Appropriations by Fund</u>					
General					
Current Appropriation	0	0	0	0	0
Subtotal - Forecast Base	0	0	0	0	0
Governor's Recommendations					
Operating Budget Reduction		0	(4)	(4)	(8)
Total	0	0	(4)	(4)	(8)
<u>Expenditures by Fund</u>					
Direct Appropriations					
General	0	370	156	156	312
Total	0	370	156	156	312
<u>Expenditures by Category</u>					
Total Compensation	0	340	126	126	252
Other Operating Expenses	0	30	30	30	60
Total	0	370	156	156	312

Dollars in Thousands

	Actual FY2008	Budgeted FY2009	Governor's Recomm. FY2010 FY2011		Biennium 2010-11
<u>Non Dedicated Revenue:</u>					
Departmental Earnings:					
General	6,173	6,515	6,464	6,697	13,161
Other Revenues:					
General	2	3	3	3	6
Total Non-Dedicated Receipts	6,175	6,518	6,467	6,700	13,167
<u>Dedicated Receipts:</u>					
Other Revenues:					
Miscellaneous Special Revenue	62	63	64	65	129
Total Dedicated Receipts	62	63	64	65	129
Agency Total Revenue	6,237	6,581	6,531	6,765	13,296



REBECCA OTTO
STATE AUDITOR

STATE OF MINNESOTA

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January 16, 2009

To the 2009 Minnesota Legislature:

Due to the economic downturn and the greater need and demand for oversight to protect public funds, the Office of the State Auditor is requesting a 4.2 percent increase in the State Auditor's 2010-2011 Direct General Fund Appropriation for the following two change items.

The State Auditor is requesting a 3.3 percent increase to retain current staff. Over two-thirds of the increase in funding would be revenue-neutral to the General Fund, as it would be recovered through audit fees of the Audit Practice division.

The State Auditor is also requesting an increase to fund a fraud examiner position. The budget request for this purpose is a 0.9 percent increase in Direct General Fund Appropriation.

The budget request for the Office of the State Auditor that is funded by a Direct General Fund Appropriation is \$19,136,000. Of this amount, \$15,005,000 will be offset by audit fees, indirect cost allocation, and reductions to State Pension Aid. The net impact of the State Auditor's budget request on the General Fund is \$4,131,000.

Audit Practice Division

One of the core functions of the Office of the State Auditor is performed by the Audit Practice division. This division, which constitutes 75 percent of the Office of the State Auditor's staff, audits local governments as required by state law. Although funded through the General Fund, Minnesota law requires the Office of the State Auditor to recover its audit costs through fees charged to the entities it audits. Those fees are deposited back into the General Fund, resulting in no financial impact on the General Fund.

Audit Practice prescribes accounting systems, and audits or reviews the audits of the accounts and records of the 87 counties, all cities of the first class and their subdivisions, and various special service districts, including the Metropolitan Council. In addition, the Audit Practice division "may" audit other cities, school districts, towns, development authorities, and soil/water conservation districts if it is determined these audits are in the best interest of the public. In addition, local governments can request an audit or citizens can petition for an audit of their local government by the Office of the State Auditor, adding to the importance of the work performed by the Office.

Staff retention is critical to be able to perform these audits in a timely manner. There is a great demand for CPAs, and this demand will only continue. Because local government auditing is so specialized, and not taught in the schools, it is critical that we retain the staff we have in order to carry out our critical oversight work for the public.

Other Divisions

The Office of the State Auditor has seven other divisions that provide or assist in providing financial oversight of local governments. The Government Information division collects, analyzes, summarizes and publishes reports on local government financial information. The JOBZ division provides oversight on Job Opportunity Business Zones. Legal/Special Investigations investigates allegations of theft or misuse of public funds. Operations Management provides financial and technological support services to all the divisions. The Pension division monitors local public pension plans. The Tax Increment Financing (TIF) division oversees development authorities' compliance



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with the TIF Act. The Constitutional Office provides managerial support to all the divisions and provides outreach to local government officials.

With the exception of the TIF division, the Office of the State Auditor is funded by Direct General Fund Appropriation. The Audit Practice division recovers all of its appropriation by charging audit fees or through indirect cost allocation for review of single audit reports. The Pension division's impact on the General Fund is similarly reduced because approximately sixty percent of its expenditures are offset against State Pension Aid. The Operations Management division's impact on the General Fund is also reduced because more than 60 percent of its costs are included when calculating audit rates and approximately 6 percent are included when determining the amount of Pension division expenditures that are offset to State Pension Aid.

The Office of the State Auditor has one division, Tax Increment Financing, that is funded by a Statutory General Fund Appropriation. The appropriation is funded by a deduction from tax increment generated by development authorities and is restricted by statute to the functions of this division. The Tax Increment Financing. division receives no Direct General Fund appropriation and has no impact on the General Fund.

Staff Retention

The Office of the State Auditor is proposing an increase of \$154,000 and \$463,000 to the State Auditor's budget for 2010 and 2011, respectively, to retain current staff. The effect of this Staff Retention request is minimized by the requirement under Minn. Stat. § 6.58 that all audit costs be recovered through audit fees. This request would generate audit fees of approximately \$138,000 in 2010 and \$434,000 in 2011. The audit fees would be non-dedicated revenues deposited in the General Fund and would reduce the effect of this request to \$16,000 in 2010 and \$29,000 in 2011, which represents a Net Fiscal Impact in the State Auditor's General Fund Appropriation of 0.2 percent and 0.3 percent, respectively.

Ninety (90) percent of the State Auditor's expenditures are related to salaries and benefits. Currently, all of the divisions within the Office of the State Auditor are at the minimal level of staffing. The ability or inability to retain current staff levels will have a direct impact on the ability to carry out our work.

Investigative Oversight

During economic downturns, there is an increased risk of fraud and misuse of public funds. Currently, the Office of the State Auditor has one and one-half FTE's to conduct investigations, and the workload has increased so that the investigations must be prioritized based upon whether there is a possibility of an ongoing misuse of public funds. The increase in reports of misuse of public funds has also increased our response time to public inquiries, local government inquiries, and other work we have to conduct. The Office of the State Auditor is proposing an increase of \$79,000 and \$84,000 to the State Auditor's budget for 2010 and 2011, respectively, to fund one fraud examiner position. This additional position would allow us to more effectively manage our workload, and is in the public's best interest.

In an economic downturn, oversight becomes even more critical because there is an increased risk of fraud. The benefits gained by funding the Office of the State Auditor's budget request of \$19,136,000 far out-weigh the net costs to the General Fund of \$4,131,000. Minnesotans expect that skilled, independent professionals are providing financial oversight of local governments.

Sincerely,



Rebecca Otto
State Auditor

STATE AUDITOR

Change Item: Investigative Oversight

Fiscal Impact (\$000s)	FY 2010	FY 2011	FY 2012	FY 2013
General Fund				
Expenditures	\$79	\$84	\$87	\$89
Revenues	0	0	0	0
Other Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact	\$79	\$84	\$87	\$89

Request

The State Auditor recommends that one position be funded for a fraud examiner to work with the Legal/Special Investigations Division in the Office of the State Auditor.

Background

During economic downturns, there is an increased danger of fraud and misuse of public funds. The Office of the State Auditor oversees local government finances and has experienced an increase in reports of misuse of public funds. Currently, the Office of the State Auditor has one and one-half FTE's to conduct investigations, and the workload has increased to the point that the investigations cannot be completed in a timely manner. The increase in reports of misuse of public funds has also increased our response time to public inquiries, local government inquiries, and other work we have to conduct. An additional FTE would allow us to conduct investigations and our other work in a more timely manner.

Timeliness is critical in investigations, especially if an individual who has misused public funds is still in the workplace. During our investigations, we use specialized auditing techniques and interviews to determine whether misuse has occurred. One major investigation can take months to complete. As a result of our investigations, disciplinary actions and/or criminal prosecutions may occur.

This Office currently prioritizes situations where evidence indicates the misuse of public funds and the individual is still in the workplace. This service is very important to local units of government: not only have they incurred a loss of funds, but they also will incur substantial costs if they have to hire a private firm to conduct this work. For a small entity, the cost can be prohibitive.

A core function of the Office of the State Auditor is to protect taxpayer dollars. This FTE would support this function, and is necessary in an economic downturn.

Relationship to Base Budget

This change item represents an increase in the Office of the State Auditor's general fund appropriation of \$79,000 in 2010 and \$84,000 in 2011 or 0.9% each year.

Key Goals and Measures

This change item will allow the Office of the State Auditor to meet the increased demand for investigations of alleged misuse of public funds in a timely manner.

Statutory Change: Not Applicable

STATE AUDITOR

Change Item: Staff Retention

Fiscal Impact (\$000s)	FY 2010	FY 2011	FY 2012	FY 2013
General Fund				
Expenditures	\$154	\$463	\$812	\$1,040
Revenues	138	434	749	939
Other Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact	\$16	\$29	\$63	\$101

Request

The State Auditor recommends an increase in the Office of the State Auditor's general fund expenditure appropriation to retain current staff. Ninety percent of the Office of the State Auditor's expenditures are related to salaries and benefits, and increasing salary and health care costs continue to put pressure on the Office of the State Auditor's ability to retain staff to meet the mission of the Office.

Background

The Office of the State Auditor oversees local government finances for Minnesota taxpayers by helping to ensure financial integrity and accountability in local governmental financial activities. The staff of the Office of the State Auditor's audits and reviews documents relating to the finances of local government entities, including counties, cities, school districts, townships, public pension funds, tax increment financing districts, and special districts. The Office of the State Auditor is organized into eight divisions: Audit Practice; Government Information; JOBZ; Legal/Special Investigations; Operations Management; Pension; Tax Increment Financing; and the Constitutional Office.

The Office of the State Auditor's staff of 110 accounts for 90% of the Office's expenditures. Increasing salary and health care costs continue to put pressure on the Office of the State Auditor's ability to retain staff. This change item will help the State Auditor retain the necessary staff to meet the mission of the office.

The impact of this change item is minimized by the requirement under M.S. 6.58 that all audit costs be recovered through fees. Fees of approximately \$138,000 in 2010 and \$434,000 in 2011 are non-dedicated revenues deposited in the general fund.

Relationship to Base Budget

This change item represents an increase in the Office of the State Auditor's general fund appropriation of 1.7% in 2010 and 5.0% in 2011. The net fiscal impact on the Office of the State Auditor's general fund appropriation represents an increase of \$16,000 in 2010 and \$29,000 in 2011 or 0.2% and 0.3%, respectively.

Key Measures

This change item will allow the Office of the State Auditor to continue providing services at current levels.

Statutory Change: Not Applicable

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➤ Designates that this item is a change item



January 27, 2009

To the 2009 Legislature:

I respectfully submit for your consideration the Governor's FY 2010-11 budget proposals for the judicial branch agencies, including the Supreme Court, the Court of Appeals, the Trial Courts, the Legal Professions Boards, and the Board of Public Defense. The Governor respects the separation of powers and the desire of constitutional officers and officials in the judicial and legislative branches to independently present their budget requests directly to the legislature without specific recommendations for the Governor. However, since the Governor is required by law to submit a balanced budget to the legislature, it is necessary to identify funding for those offices as part of preparing a complete budget.

The Governor's general recommendations for the judicial and legislative branches and other constitutional officers reflect his concern with the magnitude of the projected budget shortfall and the desire to protect core government functions. As with the executive branch, the Governor suggests that these offices and institutions individually redesign their operations to increase efficiencies while minimizing the disruption of public services as much as possible.

For the Supreme Court, Court of Appeals, Trial Courts, and the Board of Public Defense, the Governor recommends a general 5% reduction in appropriations for the FY 2010-11 biennium. For the Trial Courts, the Governor also recommends \$5.586 million for increased costs for mandated services. The Legal Profession Boards are fully funded by fees collected under court rules, so no further actions are required on their budgets. The Governor makes no other recommendation regarding specific initiatives put forward by these agencies.

Sincerely,

A handwritten signature in dark ink that reads "Tom J. Hanson". The signature is written in a cursive, flowing style.

Tom J. Hanson
Commissioner

Agency Purpose

Minnesota's Supreme Court is the state's court of last resort, serving as the final guardian of the Minnesota Constitution and interpreting/applying the United States Constitution. The court is responsible for overseeing the machinery of justice in the state, for regulating the practice of law, and making recommendations for improvement of the judicial system.

- ◆ The mission of the judicial branch is to provide justice through a system that assures equal access for the fair, competent, and timely resolution of cases and controversies.
- ◆ The judicial branch vision is that the general public and those who use the court system will refer to it as accessible, fair, consistent, responsive, free of discrimination, independent, and well managed.

Core Functions

The Supreme Court has original jurisdiction in remedial cases as prescribed by law, appellate jurisdiction over all cases, and supervisory jurisdiction over all courts in the state. The Supreme Court's supervisory jurisdiction includes the authority to prescribe, amend, and modify the rules of practice in all courts; the rules governing the examination and admission of attorneys to the state bar; and the rules governing judicial and attorney professional conduct.

The Chief Justice serves as chair for the Minnesota Judicial Council and is responsible for supervising the administrative operations of the state court system, including the financial affairs of the court system and the assignment of judges to serve in courts needing assistance.

The Supreme Court expedites its decisions in child protection cases, election contests and others as required by law.

Operations

The adjudicative and supervisory functions of the Supreme Court have an impact on all Minnesota citizens.

Adjudicative Operations

In reviewing more than 800 cases each year, justices are assisted in their work by law clerks, the Supreme Court Commissioner's Office, and the Clerk of Appellate Courts Office.

Supervisory Operations

In the Chief Justice's role as chair of The Minnesota Judicial Council and general supervisory role over the courts, he is assisted by the State Court Administrator's Office, which provides the administrative infrastructure for the judicial branch.

Working at the direction of the Judicial Council, the state court administrator is responsible for providing judicial branch finance, human resources, technology, training, communications, research/evaluation, caseload management, and cross-district judicial assignment services.

At A Glance

- ◆ Supreme Court reviews more than 800 cases a year.
- ◆ The judicial branch operates in a constantly changing environment.
 - ⇒ Laws, case types, and legal sanctions change annually.
 - ⇒ Caseload volume is determined by other branches and levels of government, and by private citizens and business entities who bring disputes for resolution.
- ◆ The Minnesota Courts regularly review their effectiveness by monitoring
 - ⇒ case filing trends;
 - ⇒ case clearance rates; and
 - ⇒ elapsed case time from filing to disposition.

Key Goals

The Supreme Court Court conducts its administrative functions in support of the following three strategic priority areas:

- ◆ **Access to Justice** – A justice system that is open, affordable, understandable, and provides appropriate levels of service to all users.
- ◆ **Administering Justice for More Effective Results** – Adopting approaches and processes for the resolution of cases that enhance the outcomes for individual participants and the public.
- ◆ **Public Trust Accountability and Impartiality** – A justice system that engenders public trust and confidence through impartial decision-making and accountability for the use of public resources.

Key Measures

To further the three goals contained in the branch's strategic plan – Access to Justice; Administering Justice for More Effective Results; and Public Trust Accountability and Impartiality – the strategic plan outlines future priorities. Each of these specific priorities addresses challenges facing the court system by targeting judicial branch resources in a focused manner on achievable and measurable strategies. Implementation of these priorities will take place over the life of the strategic plan with specific performance measures to evaluate their success.

http://www.mncourts.gov/documents/0/Public/Court_Administration/Strategic_Plan_for_Minnesota_Courts.pdf

Budget

Of the funding for the Supreme Court, 87% is from general fund direct appropriations. Federal grants represent 10% of the funding for the court. The balance of the funding is from special revenue funds and other grants and gifts, representing 3% of the courts funding.

Contact

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<i>Dollars in Thousands</i>					
	Current		Governor Recomm.		Biennium
	FY2008	FY2009	FY2010	FY2011	2010-11
<u>Direct Appropriations by Fund</u>					
General					
Current Appropriation	44,592	44,972	44,972	44,972	89,944
Recommended	44,592	44,972	41,792	41,792	83,584
Change		0	(3,180)	(3,180)	(6,360)
% Biennial Change from 2008-09					-6.7%
<u>Expenditures by Fund</u>					
Carry Forward					
Miscellaneous Special Revenue	61	0	0	0	0
Direct Appropriations					
General	43,039	46,525	41,792	41,792	83,584
Statutory Appropriations					
General	141	50	50	50	100
Miscellaneous Special Revenue	1,426	1,581	1,451	1,659	3,110
Federal	4,835	5,521	5,543	5,308	10,851
Miscellaneous Agency	0	1	1	1	2
Gift	94	111	99	99	198
Total	49,596	53,789	48,936	48,909	97,845
<u>Expenditures by Category</u>					
Total Compensation	21,805	23,974	22,850	22,868	45,718
Other Operating Expenses	13,292	15,251	13,276	13,231	26,507
Local Assistance	14,499	14,564	12,810	12,810	25,620
Total	49,596	53,789	48,936	48,909	97,845
<u>Expenditures by Program</u>					
Supreme Court Operations	35,171	39,326	36,227	36,200	72,427
Civil Legal Services	14,425	14,463	12,709	12,709	25,418
Total	49,596	53,789	48,936	48,909	97,845
Full-Time Equivalents (FTE)	253.1	264.8	246.1	241.1	

SUPREME COURT

Change Summary

<i>Dollars in Thousands</i>				
	FY2009	Governor's Recomm.		Biennium
		FY2010	FY2011	2010-11
Fund: GENERAL				
FY 2009 Appropriations	44,972	44,972	44,972	89,944
Technical Adjustments				
One-time Appropriations		(980)	(980)	(1,960)
Subtotal - Forecast Base	44,972	43,992	43,992	87,984
Change Items				
Operating and Grants Reduction	0	(2,200)	(2,200)	(4,400)
Total Governor's Recommendations	44,972	41,792	41,792	83,584
Fund: GENERAL				
Planned Statutory Spending	50	50	50	100
Total Governor's Recommendations	50	50	50	100
Fund: MISCELLANEOUS SPECIAL REVENUE				
Planned Statutory Spending	1,581	1,451	1,659	3,110
Total Governor's Recommendations	1,581	1,451	1,659	3,110
Fund: FEDERAL				
Planned Statutory Spending	5,521	5,543	5,308	10,851
Total Governor's Recommendations	5,521	5,543	5,308	10,851
Fund: MISCELLANEOUS AGENCY				
Planned Statutory Spending	1	1	1	2
Total Governor's Recommendations	1	1	1	2
Fund: GIFT				
Planned Statutory Spending	111	99	99	198
Total Governor's Recommendations	111	99	99	198

SUPREME COURT

Change Item: Operating and Grants Reduction

Fiscal Impact (\$000s)	FY 2010	FY 2011	FY 2012	FY 2013
General Fund				
Expenditures	\$(2,200)	\$(2,200)	\$(2,200)	\$(2,200)
Revenues	0	0	0	0
Other Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact	\$(2,200)	\$(2,200)	\$(2,200)	\$(2,200)

Recommendation

The Governor recommends a 5% reduction in the agency's base budget, to be distributed proportionately between operating costs and grants. The Governor makes no specific recommendations on the agency's change requests.

Background

The Governor respects the separation of powers and the desire of officials in the judicial and legislative branches and other constitutional officers to independently present their budget requests directly to the legislature without specific recommendations from the Governor. However, since the Governor is required by law to submit a balanced budget to the legislature, it is necessary to identify funding for those offices as part of preparing a complete and balanced budget.

The Governor's general recommendations for the judicial and legislative branches and other constitutional officers reflect his concern with the magnitude of the projected budget shortfall and the desire to protect core government functions. As with the executive branch, the Governor suggests that these offices and institutions individually redesign their operations to increase efficiencies while minimizing the disruption to public services as much as possible.

Relationship to Base Budget

This reduction represents 5% of the base funding for the FY 2010-11 biennium.

Statutory Change: Not Applicable

SUPREME COURT

Program: SUPREME COURT OPERATIONS

Narrative

Program Description

Minnesota's Supreme Court is the state's court of last resort, serving as the final guardian of the state constitution and interpreting/applying the United States Constitution. The court is also responsible for regulating the practice of law and promulgating the rules of procedure before all courts of the state.

Program at a Glance

- ◆ Supreme Court has seven justices
- ◆ Supreme Court reviews more than 800 cases each year.

Population Served

The adjudicative and supervisory functions of the Supreme Court have an impact on all Minnesota citizens.

Services Provided

The Minnesota Supreme Court considers appeals from judgments of the Court of Appeals, the Workers Compensation Court of Appeals, and the Tax Court. It hears special term matters, motions, and petitions for extraordinary relief. The Supreme Court also hears mandatory cases. This includes first-degree murder, tax court and workers' compensation court of appeals, as well as attorney discipline.

In addition to this appellate function, the Supreme Court supervises admission to the practice of law in the state and regulates legal practice. The court also promulgates rules governing practice and procedure in the courts throughout the state, a function that involves special advisory committees and requires numerous public hearings.

Key Goals

The Supreme Court conducts its administrative functions in support of the following three strategic priority areas:

- ◆ **Access to Justice** – A justice system that is open, affordable, understandable, and provides appropriate levels of service to all users.
- ◆ **Administering Justice for More Effective Results** – Adopting approaches and processes for the resolution of cases that enhance the outcomes for individual participants and the public.
- ◆ **Public Trust Accountability and Impartiality** – A justice system that engenders public trust and confidence through impartial decision-making and accountability for the use of public resources.

Key Program Measures

The Supreme Court seeks to maintain or improve the dispositional time while maintaining the high quality of legal analysis and clarity of its decisions.

The Supreme Court seeks to use its personnel:

- ◆ to manage its workload so that each case receives adequate attention as its importance demands;
- ◆ to decide petitions for review within 60 days;
- ◆ to maintain an orderly and uniform legal process and procedure throughout the state through the promulgation of uniform rules;
- ◆ to regulate the admission to and practice of law in Minnesota so that each citizen seeking legal counsel is assured of competent representation;
- ◆ to ensure the financial integrity of the court system in accordance with generally accepted accounting principles and to ensure correct payment of invoices within the statutorily required 30 days; and
- ◆ to ensure the effective operation of the state court system in a way that provides access to all citizens.

Program Funding

The general fund primarily funds the Supreme Court Operations budget. A small amount of support from the special revenue fund is received for the State Law Library, the Court Interpreter Program, and the Attorney Registration Program. Some federal funds are received and directed towards children's initiatives.

SUPREME COURT

Program: SUPREME COURT OPERATIONS

Narrative

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SUPREME COURT

Program: SUPREME COURT OPERATIONS

Program Summary

<i>Dollars in Thousands</i>					
	Current		Governor Recomm.		Biennium
	FY2008	FY2009	FY2010	FY2011	2010-11
<u>Direct Appropriations by Fund</u>					
General					
Current Appropriation	31,292	31,792	31,792	31,792	63,584
Subtotal - Forecast Base	31,292	31,792	31,792	31,792	63,584
Governor's Recommendations					
Operating and Grants Reduction		0	(1,599)	(1,599)	(3,198)
Total	31,292	31,792	30,193	30,193	60,386
<u>Expenditures by Fund</u>					
Carry Forward					
Miscellaneous Special Revenue	61	0	0	0	0
Direct Appropriations					
General	29,783	33,301	30,193	30,193	60,386
Statutory Appropriations					
General	141	50	50	50	100
Miscellaneous Special Revenue	257	342	341	549	890
Federal	4,835	5,521	5,543	5,308	10,851
Miscellaneous Agency	0	1	1	1	2
Gift	94	111	99	99	198
Total	35,171	39,326	36,227	36,200	72,427
<u>Expenditures by Category</u>					
Total Compensation	21,776	23,974	22,850	22,868	45,718
Other Operating Expenses	13,288	15,248	13,273	13,228	26,501
Local Assistance	107	104	104	104	208
Total	35,171	39,326	36,227	36,200	72,427
<u>Expenditures by Activity</u>					
Supreme Court Operations	5,495	5,796	4,700	4,905	9,605
State Court Administration	27,577	31,315	29,376	29,144	58,520
Law Library Operations	2,099	2,215	2,151	2,151	4,302
Total	35,171	39,326	36,227	36,200	72,427
Full-Time Equivalents (FTE)	252.7	264.3	245.6	240.6	

Program Description

Appointed by the Supreme Court, the Legal Services Advisory Committee distributes funds to civil legal services programs to provide legal assistance to low-income persons meeting statutory income eligibility guidelines. By statute, 85% of the funding is granted to six regional legal services programs (Coalition Programs) with 38 offices or projects throughout the state, which had demonstrated an ability as of 7-01-1982 to provide legal services with funds provided by the federal Legal Services Corporation.

Program at a Glance

- ◆ Number of programs funded – 34
- ◆ Direct legal assistance – 52,909 closed cases reported statewide
- ◆ Preventive education – 70,000 (est.) attendees at legal education sessions

The remaining 15% of the funding is awarded annually on a competitive basis to nonprofit organizations providing legal or alternative dispute resolution services. In FY 2008-2009, 34 programs received grants to provide or support legal services to the poor.

Population Served

Over 522,000 people, or approximately 11% of Minnesota's population, with incomes at or below 125% the federal poverty level qualify for civil legal services through the Coalition Programs. Another approximately 500,000 people are between 125% and 200% of federal poverty guidelines and could qualify under the statutory guidelines of this program. (M.S. 480.24-480.244). In the fall of 2005, the Legal Services Corporation issued a report entitled, *Documenting the Justice Gap in America*. This national study (which included Minnesota) established that for every client who received legal aid services, one applicant was turned away. The Minnesota Supreme Court's Minnesota Legal Services Planning Commission, after considering a variety of studies, determined that "nevertheless, in Minnesota, as in the rest of America, a very large percentage, perhaps, more than three-quarters of the legal needs of the disadvantaged remains unaddressed."

Because of the nature of poverty, nearly 70% of persons served by the Coalition Programs are women and their children. Nearly 15% are age 60 or over and more than 37% are persons of color. Nearly 20% of the Coalition Programs' clients are persons with physical or mental disabilities and 14% are English language learners.

Services Provided

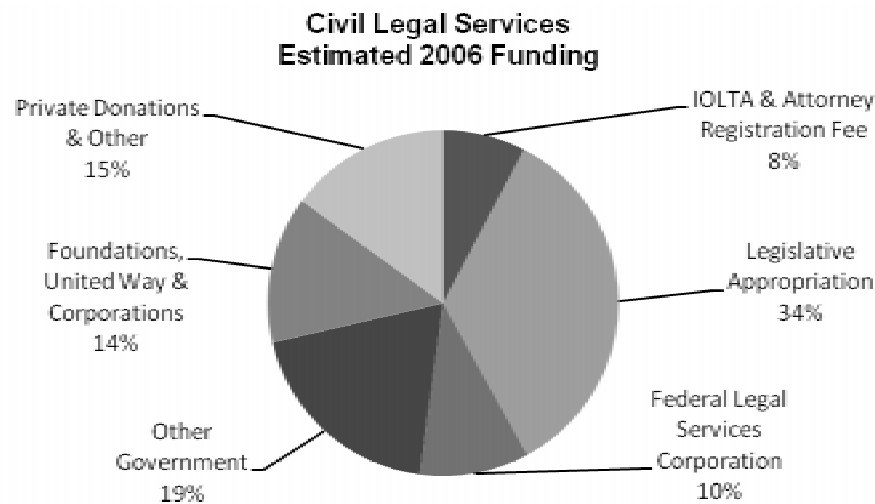
Through representation, negotiation, conciliation, community education, and preventive law work, lawyers in these programs constructively resolve the legal problems of low-income applicants for program services. Most of the legal problems handled by these programs directly and significantly affect the day-to-day lives of persons in need: their homes, family, health, support for their children, and personal safety.

Historical Perspective

Since the early 1980s Coalition Programs have experienced a 60% increase in requests for services while program income in real dollars has increased only to the extent that programs are able to serve 20% more Minnesotans. Funding for civil legal services in Minnesota is a combination of state, federal, foundation, and private funding. The Minnesota Legal Services Planning Commission has recommended "that the Minnesota legislature increase the funding for delivery of civil legal services to the disadvantaged."

The Supreme Court has assessed attorneys an annual fee to support legal services which raises approximately \$1 million annually. Statewide, volunteer attorneys have contributed time valued in excess of \$5.6 million annually.

In 2006, the estimated funding for the all the legal services programs in the state was \$35,864,865 from the following sources:



Key Program Goals

Funding civil legal services supports the goals of both the **Minnesota Milestones** and the **Minnesota Judicial Branch Strategic Plan**.

◆ Minnesota Milestones Statewide Goals

- ⇒ “Families will provide a stable, supportive environment for children.” “Our communities will be safe.” “Our children will not live in poverty.” – Legal Aid breaks the cycle of domestic violence for many families, helping them restructure their lives to be safe and stable for children, thereby increasing their chances to also break the cycle of poverty.
- ⇒ “All Minnesotans will have decent, safe, and affordable housing.” – Legal Aid prevents homelessness for thousands of families each year; obtains needed repairs; helps eligible families access public or subsidized housing; and is helping families respond to the mortgage foreclosure crisis.
- ⇒ “Government in Minnesota will be cost-efficient, and services will be designed to meet the needs of the people who use them.” – Legal Aid helps the Judicial Branch be more efficient by keeping thousands of non-meritorious cases out of court and by settling thousands of meritorious cases before trial.
- ⇒ “People in need will receive support that helps them live as independently as they can.” – Legal Aid helps families get the training and education they need to make the transition from welfare to work, and assists seniors and persons with disabilities. It helps those unable to work to access benefits that enable them to meet their basic needs such as access to health care.

◆ Minnesota Judicial Branch Strategic Plan Goals

- ⇒ “Strategic Goal 1: Access to Justice – A justice system that is open, affordable, understandable and provides appropriate levels of service to all users.” – Legal Aid gives the poorest and most vulnerable Minnesotans, including non-English speakers, access to the courts. One of the strategic priorities under this goal is the expansion of resources for pro se litigants. Legal services providers have been an important partner with the courts and law libraries to provide self-help services around the state.
- ⇒ “Strategic Goal 3: Public Trust, Accountability and Impartiality – A justice system that engenders public trust and confidence through impartial decision making and accountability for the use of public resources.” – One of the strategic priorities under this goal is to assure equitable treatment of all people in the court system regardless of race or ethnicity. Legal Aid clients, like the poor in general, are disproportionately people of color. Access to an attorney is an important part of assuring equitable treatment regardless of race or ethnicity.

Key Program Measures

Due to reduced revenue in 2001-2004, the Coalition Programs served about 11% fewer clients. State funding increases in 2005 helped to restore 30 of the 43 attorney positions lost statewide from 2001-03. With these funding increases, legal services providers statewide were able to increase the number of cases handled by 5% from 2006 – 2007. However, \$1 million per year of the current state appropriation is not included in the base funding, and will terminate at the end of this biennium unless renewed.

Program Funding

The Judicial Branch coordinates funding for civil legal services from a general fund appropriation, a dedicated portion of the attorney registration fee and Interest on Lawyer Trust Account (IOLTA) revenue. The legal services organizations are also funded by other federal, state and local government sources as well as United Ways, foundations and other private sources. These funding sources are described in the above chart.

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SUPREME COURT

Program: CIVIL LEGAL SERVICES

Program Summary

<i>Dollars in Thousands</i>					
	Current		Governor Recomm.		Biennium
	FY2008	FY2009	FY2010	FY2011	2010-11
<u>Direct Appropriations by Fund</u>					
General					
Current Appropriation	13,300	13,180	13,180	13,180	26,360
Technical Adjustments					
One-time Appropriations			(980)	(980)	(1,960)
Subtotal - Forecast Base	13,300	13,180	12,200	12,200	24,400
Governor's Recommendations					
Operating and Grants Reduction		0	(601)	(601)	(1,202)
Total	13,300	13,180	11,599	11,599	23,198
<u>Expenditures by Fund</u>					
Direct Appropriations					
General	13,256	13,224	11,599	11,599	23,198
Statutory Appropriations					
Miscellaneous Special Revenue	1,169	1,239	1,110	1,110	2,220
Total	14,425	14,463	12,709	12,709	25,418
<u>Expenditures by Category</u>					
Total Compensation	29	0	0	0	0
Other Operating Expenses	4	3	3	3	6
Local Assistance	14,392	14,460	12,706	12,706	25,412
Total	14,425	14,463	12,709	12,709	25,418
<u>Expenditures by Activity</u>					
Legal Services	14,425	14,463	12,709	12,709	25,418
Total	14,425	14,463	12,709	12,709	25,418
Full-Time Equivalents (FTE)	0.4	0.5	0.5	0.5	

SUPREME COURT

Agency Revenue Summary

Dollars in Thousands

	Actual FY2008	Budgeted FY2009	Governor's Recomm. FY2010 FY2011		Biennium 2010-11
<u>Non Dedicated Revenue:</u>					
Departmental Earnings:					
General	557	550	550	550	1,100
Other Revenues:					
General	17	0	0	0	0
Total Non-Dedicated Receipts	574	550	550	550	1,100
<u>Dedicated Receipts:</u>					
Departmental Earnings:					
General	76	50	50	50	100
Miscellaneous Special Revenue	1,497	1,420	1,420	1,434	2,854
Grants:					
Miscellaneous Special Revenue	9	35	35	35	70
Federal	787	1,023	925	925	1,850
Other Revenues:					
Miscellaneous Special Revenue	0	7	7	7	14
Federal	4,256	4,360	4,360	4,360	8,720
Gift	116	93	92	92	184
Other Sources:					
Miscellaneous Agency	0	1	1	1	2
Total Dedicated Receipts	6,741	6,989	6,890	6,904	13,794
Agency Total Revenue	7,315	7,539	7,440	7,454	14,894



THE SUPREME COURT OF MINNESOTA
MINNESOTA JUDICIAL CENTER
25 REV. DR. MARTIN LUTHER KING JR. BLVD.
SAINT PAUL, MINNESOTA 55155

CHAMBERS OF
ERIC J. MAGNUSON
CHIEF JUSTICE

CS11 296-3380

January 20, 2009

To the Honorable Tim Pawlenty and
Members of the 2009 Legislature:

On behalf of the hundreds of thousands of citizens who come before the Minnesota courts and the 315 judges and 2900 employees of the Judicial Branch, I transmit the FY10-11 budget request for the Minnesota Judicial Branch. I am also providing information on the Judicial Branch mission, services, transformational initiatives now underway, and financial challenges that drive our funding needs.

The Minnesota judiciary is an open door for justice. Our workload is dictated by the needs of citizens and businesses for redress, the needs of children and vulnerable adults for protection, and the policies and practices of law enforcement and prosecutors enforcing state and local laws. The Judicial Branch is unable turn away those who enter the courthouse to seek our services. Unlike state agencies, the Judicial Branch has no discretionary services. The court system adjudicates approximately two million cases brought to it by the citizens of the state on an annual basis.

Article 8, section 1 of the Minnesota Constitution provides that the object of government is to ensure the security, benefit and protection of the people. Government fulfills that obligation by passing and enforcing laws. Without adequate funding, the courts cannot perform their vital role in that process.

The Judicial Council and I want to join with the Governor and Legislature in finding collaborative solutions to stabilize our Judicial Branch budget and provide the citizens of this state with the level of services guaranteed by the Minnesota Constitution and state laws. However, I also need to clearly communicate our current dilemma. We now find ourselves at a tipping point where action is needed to avoid major service disruptions in the next biennium that will seriously jeopardize the justice function.

Current Cost Reductions and Efficiencies

Funding for all trial court operations became the sole responsibility of the state in 2005 when the transition from county to state funding was complete. During this transition, the Judicial Branch has experienced little financial flexibility because of base budget cuts and underfunding in FY04-05 (\$23 million), insufficient funding in FY06-07, and additional base budget reductions and underfunding in the current biennium (\$19 million).

There are no easy reductions left for us to make. Inadequate funding has already forced painful reductions in staff levels and service delivery. We already:

- Operate 9% short-staffed.
- Have instituted layoffs, voluntary separation programs, leaves without pay, and a hiring freeze.
- Hold open judge vacancies.
- Closed public counters a half day per week in the 3rd, 4th, and 10th judicial districts and permanently closed a satellite court in Washington County.
- Terminated the 4th Judicial District arbitration services, court supervised visitation services, and reduced staffing at the domestic abuse service center.
- Reduced juror per diem pay from \$20 to \$10.
- Cut funding for drug courts, retired judge services, and mandated services.
- Reduced operating costs to the lowest levels since the trial courts were brought into state funding.

As a result, delays in case processing and service delivery are occurring across the state.

Our Access and Service Delivery Workgroup is aggressively re-engineering our business practices so we can become as efficient and effective as possible. Unfortunately, progress on many of these initiatives, including our efforts to centralize and automate the 1.2 million payable citations, may be in jeopardy if further budget reductions are enacted.

Negative Impact of No Increased Funding or Base Budget Reductions

The negative impact of no new funding – or worse yet, funding reductions – will be immediate, unavoidable, and dramatic and will significantly affect the basic operation of Minnesota's courts with economic and other consequences for county and state government and public safety. Public trust and confidence in the courts and government will be significantly impacted.

Failure to provide adequate funding to cover unavoidable employee cost increases (mandatory employer health insurance and pension contributions) and budget cuts would require additional staff reductions of hundreds of positions depending on the results of our voluntary separation program, turnover rate over the next six months, and applicable severance costs. This reduction,

on top of our current 9% shortage, means that we will be unable to handle all of our current caseload.

In the interest of providing options to the Governor and the Legislature, at its December 2008 meeting, the Judicial Council reviewed 51 different case categories that are processed by the courts and assigned a priority level to each case type (see enclosed list). In general, lack of funding will force us to stop handling some or all of the following cases in the next biennium:

- Conciliation Court
- Consumer Credit
- Some Estate and Trust cases
- Property Damage
- Harassment
- Default Judgments
- Out of Custody Adult and Juvenile Non-targeted Misdemeanors (public defenders will not be able to assign attorneys for out-of-custody cases)
- Juvenile Status, Truancy, Runaway offenses
- Implied Consents
- Traffic, Ordinance, and Parking Violations, impacting the \$200 million annual revenue flow to cities, counties, and the state general fund.

In addition to not handling these types of matters, increased delays in criminal and juvenile case processing will produce collateral consequences to other public jurisdictions. Defendants will be incarcerated longer while awaiting trial, increasing costs at county jails that are already operating at 105% of capacity. Others will be out of custody longer awaiting disposition, increasing risks to public safety.

These proposed case processing priorities will appropriately generate a vigorous public debate about the stark implications associated with potential lack of funding or budget reductions. We welcome those discussions and are open to any specific suggestions for changes to our proposed priorities. However, any reprioritization must match the workload reduction needed to balance any budget cut imposed. Fewer reductions to our budget would allow us to limit the impact on some case types.

In addition, lack of funding or budget reductions could require us to close or significantly reduce hours/days of operation in some low volume rural courts and several of our high volume suburban courts because of the reduced workforce. Many of our drug courts, which save taxpayer money and improve public safety, could close as well.

At the appellate level, both the Supreme Court and Court of Appeals will be forced to further reduce personnel. Loss of crucial legal staff will result in an expanded backlog of cases at the Court of Appeals and significant delays at the Supreme Court. In the State Court

FY10-11 Biennial Budget Request

Our FY10-11 budget request seeks only to preserve core services and fund increased costs that are unavoidable. It is not a request for service expansion – rather, it is a request to maintain basic judicial operations that are constitutionally and statutorily required.

In addition to the FY10-11 base budget for the Supreme Court, the Court of Appeals, and the District Courts, I present five change requests addressing basic, non-discretionary needs of the Minnesota Judicial Branch for the next biennium. This includes an increase of \$43,035,000 to court operations, which represents a 7.31% increase to our biennial base, with an additional \$6,170,000 requested on behalf of our criminal justice partners and \$4,000,000 for civil legal services:

- \$29,879,000 in projected salary and insurance increases to maintain core justice operations by funding current staffing levels to handle the ever increasing caseloads in our courts. This money will go only to pay for current staff which is 9% short of our need. We are not asking for the restoration of positions lost or any new positions, and are not seeking compensation increases for judges or new judgeships. These estimates are based on potential negotiated settlements;
- \$5,586,000 for growth in mandated services: interpreters, psychological services, guardians ad litem, jury, and in forma pauperis costs which we are required by law to fund. We have no option of not paying these costs;
- \$5,651,000 to pursue strategic technology initiatives needed to transform operations and services provided by the branch. Without this investment in the future, we cannot realize our goals of increased efficiency and productivity;
- \$8,089,000 to continue funding for 37 existing problem-solving courts in the state, with investments included for related public partners costs (\$6,170,000 listed above). These courts represent the kind of creative and forward thinking solutions that, in the long run, result in a more highly functioning and effective justice system; and
- \$4,000,000 for Civil Legal Services for the poor. This is money that does not go to the Judicial Branch but which is still included in our request on a pass-through basis.

Transforming the Judicial Branch

The mission of the Judicial Branch is to provide equal access for the fair and timely resolution of cases and controversies. The Minnesota Judicial Branch is not a state agency – the Minnesota Constitution requires justice to be provided in all cases promptly and without delay.

The Minnesota judiciary recently completed its transformation from a confederation of 87 county-funded trial courts to a unified, state-funded branch of state government. The Judicial Council, a single statewide policy-making entity, has replaced the various policy groups associated with the prior court structure. These changes present a tremendous opportunity for the judicial branch to more equitably, efficiently, and effectively serve the citizens of Minnesota.

To address the historic disparity in county funding of trial courts, we've embarked on a long-term effort to equalize resources within our ten judicial districts. It is imperative that citizens of this state have access to similar levels of judicial services regardless of where they live to give meaning to our belief in equal justice under law. Although we have recently achieved an equitable distribution of resources among the ten districts, unfortunately these districts are now equally underfunded due to current budget constraints.

In recognition of the bleak economic outlook and increased demand for scarce state resources, this year we established an Access and Service Delivery Committee (ASD), charged with the responsibility to develop options for restructuring judicial delivery systems, redesigning business processes, expanding the use of technology, and prioritizing functions to provide appropriate levels of access and services at the lowest cost. These transformational goals include:

- Workflow re-engineering through technology enhancements aimed at improving services while cutting labor costs. This includes optimizing our case management system (MNCIS), implemented statewide in April, with web and voice payment options, the ability to process e-citations from local law enforcement agencies, automatic assessment of court fines, and electronically sending delinquent debt to a private collection agency.
- Legislative and court policy reforms, including implementing recommendations from the Non-Felony Enforcement Advisory Commission re-ranking some offenses to reduce workloads, expanding the number of payable offenses, and transferring enforcement of administrative regulations to other government entities to reduce the number of violations that require court appearances.
- Addressing structural and governance issues by administratively consolidating judicial districts or reducing their number through redistricting, expanding the use of less expensive subordinate judicial officers where possible, and centralizing service delivery through ITV to achieve greater efficiencies and effectiveness.

Challenges Facing Judicial Performance

Our courts have made enormous strides in recent times to improve the delivery of prompt, affordable, fair and effective results to a society that relies heavily on its legal system. Minnesota judges carry average caseloads that are 49% higher than in comparable states. Minnesota courts are trusted by the business community and the public – the National Chamber of Commerce survey ranks Minnesota in the top ten states for competence and fairness and a 2007 Minnesota Public Trust and Confidence Survey reflects that 80% of the public has confidence in the Minnesota courts.

We have done all of these things despite severe budget constraints through the innovation and industry of our judges and staff.

Administrator's Office, funding shortages will directly impact efforts currently underway to re-engineer business practices across the court system. Without sufficient funding, progress on technology initiatives such as e-citations, e-filing, e-payments, and automated collections--all of which save long term staff costs and increase state revenue collection--will be significantly impeded if not curtailed. And, cuts to civil legal services will mean that additional families will go without legal assistance in critical areas like mortgage foreclosure and housing, increasing public costs associated with homelessness and domestic violence.

Inadequate funding will jeopardize the justice system as we have known it in this state. Without adjudication of cases, civil and criminal consequences for illegal behavior will go unimposed. It is no exaggeration to say that the rule of law will be at stake.

In tough economic times, we must return to the basics. One of those is mandated by our Constitution: an adequately funded, functioning justice system that resolves disputes promptly in order to ensure the rule of law, protect public safety and individual rights, and promote a civil society. The Minnesota Judicial Branch is not a state agency. Funding should first be provided to institutions such as the Judicial Branch that deliver services directly required by the state Constitution. Justice is not an option. It is a constitutional obligation.

I look forward to the opportunity to discuss these matters with you in further detail.

Very truly yours,



Eric J. Magnuson
Chief Justice

SUPREME COURT

Change Item: Civil Legal Services

Fiscal Impact (\$000s)	FY 2010	FY 2011	FY 2012	FY 2013
General Fund				
Expenditures	\$2,000	\$2,000	\$2,000	\$2,000
Revenues	0	0	0	0
Other Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact	\$2,000	\$2,000	\$2,000	\$2,000

Request

The Supreme Court requests \$4.0 million in FY 2010-11 on behalf of civil legal services programs.

Background

To address the serious and well documented unmet need for civil legal services, described in the base budget narrative, a bipartisan, statewide Supreme Court Committee on Funding for Legal Services and the Minnesota State Bar Association (MSBA) have recommended that the legislature and lawyers make a joint commitment to substantially increase funding for civil legal services. The Supreme Court's Planning Commission and the federal Legal Services Corporation (LSC) have both found that across the U.S., including Minnesota, "A very large percentage, perhaps more than three-quarters, of the legal needs of the disadvantaged remain unaddressed." In the face of the large unmet need for civil legal services and the continued decline in leveraged federal and local funds for legal services, an increase in funding for civil legal services of \$4,000,000 during this biennium is requested. Pursuant to M.S. 480.24-480.244, 85% of the funding would be distributed to cover every county in the state through a poverty population formula and 15% would be distributed through a competitive grant process.

The requested increase would preserve funding appropriated in the 2007 legislative session, which was not added to the base at the time, and restores the cut to the base from the 2008 legislative session. Without an increase to the base budget, the civil legal services budget will be below FY 2006 levels and services will be reduced. Already more than 20,000 of Minnesota's most vulnerable and least powerful citizens – the poor, elderly, disabled, and children – who have critical legal needs and are eligible for legal services are denied access to Minnesota's justice system each year due to lack of resources. If legal services are not provided, the state could lose as much as \$10 million each year in child support orders, new federal disability benefits and other savings. Also, more persons will attempt to represent themselves, further clogging the court system and causing the inefficient use of judicial resources. Without the recommended increase, over 5,000 additional families facing crisis situations will go without needed legal assistance.

Civil legal services starting salaries in 2008 average just \$40,000, much less than starting public defender salaries. This disparity grows worse with seniority, so that, according to former MSBA President Kent Gernander, "Legal Aid lawyers are typically paid as little as 60% of the salaries paid to other public sector lawyers." Like other parts of the justice system, civil legal services providers have had to absorb increased costs in health insurance and in other operations. The Legal Aid lawyer's pension program is also quite modest as compared to other public sector employees. New attorney student loan debt loads reach or exceed \$100,000, which makes it difficult for legal aid to recruit and retain a diverse staff. While volunteer attorneys provide more than \$5 million of free services each year, the Supreme Court Committee also recognized the need to increase volunteer programs by providing additional funds for recruitment, training and administration.

With the additional funding, civil legal services lawyers will provide legal representation, advice, negotiation, and conciliation services to persons unable to afford private counsel in court and administrative law hearings, and will engage in preventive law and community education activities. This work focuses on the critical civil legal problems confronting low-income Minnesotans. Specifically, civil legal services address family instability, abuse, deprivation, and school instability, which are risk factors in producing violent crime. This work will thus help to save the state prison and correction costs. As noted by the Minnesota Supreme Court Committee, these legal services "stabilize families, maintain communities and make society safer; save taxpayer money; help to prevent legal problems which would further clog the court system; and help people to become self-sufficient and participate effectively in society."

The broader community will also be impacted in a beneficial way with these additional resources. Civil legal services funded by the state will : (1) protect the safety of children and help families break the cycle of abuse, which domestic violence generates; (2) help seniors and families by preventing mortgage foreclosures and homelessness and the social and government costs which attend foreclosures/homelessness (for example, Legal Aid's homelessness prevention work saves the state almost \$4,000,000 in tax-supported shelter costs annually); (3) provide access to health care by helping persons with disabilities and others secure at least \$5 million in annual federal disability benefits (saving the state money) as well as other medical services and promoting safety by securing legal protections for over 6,000 families facing domestic abuse; (4) make justice accessible and efficient by relieving the burden on state courts in assisting on at least 37,000 cases annually and keeping at least 3,000 cases from going to court (saving over \$5 million dollars in court time and costs each year; (5) improve education opportunities by keeping kids in school and addressing family instability issues; (6) repair substandard housing in collaboration with local government and communities; (7) assist adults to move from welfare to work by overcoming legal obstacles and addressing re-entry issues by expunging old and needless criminal records and evictions , working with landlords to find housing and insuring persons are not arbitrarily denied state and local licenses for employment.

Relationship to Base Budget

This request represents approximately a 16% increase over the biennial base budget; half of this request preserves funding appropriated in 2007 but not added to the base at that time.

Key Goals and Measures

At an average cost of \$800 per case, 5,000 additional Minnesota families would receive assistance with critical legal needs from the use of a \$4,000,000 appropriation for direct services. The quantifiable measures will include:

- ◆ 2,400 single parent families and their children will be protected from domestic abuse;
- ◆ 500 families will be prevented from becoming homeless or have re-entry obstacles overcome;
- ◆ 600 disabled persons, including veterans, will obtain stable income and access to medical care;
- ◆ 700 potential workers will overcome barriers and move from welfare to productive employment; and
- ◆ 800 seniors, children, and farm and other families will be protected from foreclosures/substandard housing.

Alternatives Considered

The civil legal services programs aggressively seek funding from corporations and foundations, as well as private individuals. Based on historical and estimated data, state funding for civil legal services in 2009 will be leveraged by over \$20 million in federal, local, private, foundation, United Way, law firm and corporate funding.

Statutory Change: Not Applicable.

SUPREME COURT

Change Item: Maintain Core Justice Operations

Fiscal Impact (\$000s)	FY 2010	FY 2011	FY 2012	FY 2013
General Fund				
Expenditures	\$967	\$2,020	\$2,020	\$2,020
Revenues	0	0	0	0
Other Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact	\$967	\$2,020	\$2,020	\$2,020

Request

The Supreme Court requests \$2.987 million in FY2010-11 to maintain core justice operations.

Background

Currently, the Supreme Court has 258 employee FTE's and seven Supreme Court justices. The judicial branch is heavily reliant on state general fund appropriations. Less than 11% of the employee FTE's are funded from sources other than the state general fund. The Supreme Court, State Court Administration and Law Library employees are paid within the Supreme Court appropriation. All employees within these units are compensated under the judicial branch compensation and pay plan administered by the State Court Administrator's Office (SCAO) under the direction of the Judicial Council.

The judicial branch non-judicial pay plan consists of the same four basic components as the executive branch: across the board adjustments to the salary range, merit or step increases, employer retirement contributions, and insurance programs negotiated by Minnesota Management and Budget for all state employees.

Under the new governing structure of the judicial branch, the State Court Administrator serves as the chief executive officer of the unified state court system and implements policies of the judicial branch as well as other statewide procedures. With the transition to state funding completed July 1, 2005, the SCAO has taken on significant responsibilities for supporting the work of court staff in the eighty seven counties around the state. Support functions in the areas of human resources, finance, education and organizational development, legal advice and auditing, previously performed by county government, are now conducted or directed centrally by staff within the SCAO. These additional responsibilities have been assumed at the same time the Supreme Court and SCAO have endured cuts to its budget during the FY 2004-05 biennium, inadequate funding in FY 2006-07 and again in FY 2008-09, and budget cuts in FY 2009.

Under the direction of the Judicial Council, the SCAO has helped to implement statewide measures to increase efficiency under the new state funding system such as consolidating court administrator positions so that over one third of all court administrators now serve more than one county; consolidating district administrator positions in the seventh and eighth judicial districts; sharing staff and other resources across both county and district lines; developing an on-line self help center in the Fourth Judicial District which is available across the state through the judicial branch website; contracting out collection efforts to obtain greater return on collection of court imposed fines and fees; and on schedule completion of the implementation of MNCIS – a new statewide case management system which will provide better information to court staff and criminal justice partners statewide.

During the FY 2010-11 biennium the judicial branch has estimated that additional salary funding will be necessary to implement a pay plan commensurate with other negotiated state and local agreements. The request does not include a comparable salary increase for judges in FY 2010 and FY 2011. Additional funding is also required to fully fund recently mandated increases in employer paid retirement plan contributions. Health insurance costs are estimated to increase at 6% based on historical cost increases.

Relationship to Base Budget

This request represents a 3.3% increase to the Supreme Court biennial base budget.

SUPREME COURT

Change Item: Maintain Core Justice Operations

Key Goals and Measures

Failure to fund negotiated pay plans and mandated employee health insurance costs will result in layoffs. These will significantly impact the ability of the courts to accomplish their constitutional role of adjudicating disputes.

Alternatives Considered

Because human resources costs are greater than 85% of the judicial branch budget, the effective alternatives available to fund salary increases are few. A hiring freeze has already been implemented. A reduction in the workforce is the most likely and least desirable.

Statutory Change: Not Applicable.

SUPREME COURT

Change Item: Targeted Technology Investments

Fiscal Impact (\$000s)	FY 2010	FY 2011	FY 2012	FY 2013
General Fund				
Expenditures	\$4,149	\$1,502	\$1,502	\$1,502
Revenues	0	0	0	0
Other Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact	\$4,149	\$1,502	\$1,502	\$1,502

Request

The Supreme Court requests \$5.651 million in FY 2010-11 for targeted technology investments.

Background

In January 2008, the Minnesota Judicial Council created the Access and Service Delivery Committee to develop technology and service delivery restructuring options which would bring down labor costs while allowing the branch to continue providing appropriate levels of service to the public.

The committee work focused on three transformational objectives: (1) Workflow reengineering through technology enhancements aimed at improving service while cutting labor costs. This includes optimizing the judicial branch case management system (MNCIS), implemented statewide in April, with web and voice payment options, the ability to process e-citations from local law enforcement agencies, automated assessment of court fines, and electronic transfer of delinquent debt to a private collection agency; (2) Legislative and court policy reforms, including implementing recommendations from the Non-Felony Enforcement Advisory Committee re-ranking some offenses to reduce workloads, expanding the number of payable offenses, and transferring enforcement of administrative regulations to other government entities to reduce the number of violations that require court appearances; and (3) Addressing structural and governance issues by administratively consolidating judicial districts or reducing their number through redistricting, expanding the use of less expensive subordinate judicial officers where possible, and centralizing service delivery through ITV to achieve greater efficiencies and effectiveness.

In order to achieve these objectives, targeted technology investment is necessary to fund infrastructure costs which will allow the courts to access information and perform functions electronically without the need for staff intervention. This can help significantly reduce branch-wide labor costs.

Relationship to Base Budget

This request represents a 6.3% increase to the Supreme Court biennial base budget.

Key Goals and Measures

Funding these targeted investments will allow the judicial branch to implement recommendations of the Access and Service Delivery Committee related to workflow engineering through technology enhancements. These changes will not only reduce branch labor costs but will also enhance data quality, improve system efficiencies and allow appropriate access and service delivery to the public.

Alternatives Considered

Without these targeted technology investments, the judicial branch will not be able to implement improved efficiencies through technology and realize the resulting labor savings. With increasing caseloads and greater demands on the system, inadequate funding of the judiciary along with the inability to implement technological changes will result in delays and service reductions to the public which could reach unconstitutional proportions.

Statutory Change: Not Applicable.

SUPREME COURT

Change Item: Targeted Technology Investments

Technology Funding Detail

(dollars in thousands)

Funding Distribution	FY 2010-11 Biennium		FY 2012-13 Biennium		FY 2014-15 Biennium	
	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015
Personnel	\$1,599	\$1,502	\$1,502	\$1,502	\$1,502	\$1,502
Supplies						
Hardware	\$1,200					
Software						
Facilities						
Services	\$350					
Training						
Grants	\$1,000					
TOTAL	\$4,149	\$1,502	\$1,502	\$1,502	\$1,502	\$1,502

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Agency Purpose

Minnesota Tax Court is a specialized trial court in the executive branch, with statewide jurisdiction. It was established by the Minnesota legislature to hear and determine all matters arising out of Minnesota's tax laws (M.S. Ch 271).

The court's mission is to provide the timely and impartial disposition of appeals from orders issued by the commissioner of the Department of Revenue and petitions from local property tax valuation, classification, equalization, and/or exemption issues. The judges have expertise in tax laws. Although the Tax Court is located in the Minnesota Judicial Center, the judges travel throughout Minnesota to conduct trials where taxpayers are located.

Core Functions

The Tax Court docket, schedules, and resolves all tax cases filed.

The court provides the following services during the process of resolving and adjudicating tax disputes:

- ◆ accepts filings and notifies parties;
- ◆ schedules and conducts hearings (including trials, motions, continuances, and other pre-trial and post-trial hearings);
- ◆ tracks the status of case movement;
- ◆ provides information on decisions and other general information about the court, including information for taxpayers to represent themselves (pro se) in court; and
- ◆ maintains correct and current records as statutorily required.

The court resolves complex procedural and substantive issues. Some cases involve multi-year filings for multi-county property owners, which may encompass substantive issues regarding classification, class action status, and jurisdictional matters. The court also resolves statutory, legal, and factual issues regarding Commissioner of Revenue cases, including business/non-business, unitary business, capital equipment, and non-domiciliary resident issues.

Operations

The Tax Court continues to take proactive steps to improve the appeals and litigation process by educating and informing taxpayers and surveying court constituents. The court now provides two resources for pro se (self-represented) litigants: *"Presenting Property Tax Appeals to the Minnesota Tax Court"* and *"Presenting Commissioner of Revenue Appeals to the Minnesota Tax Court."* These handbooks were designed to help taxpayers understand the process of property tax appeals and Commissioner of Revenue appeals, along with their rights and responsibilities. Both of these resources are available on the Tax Court web site, as well as at the Tax Court and District Court offices. Courts from other states have used these handbooks as a model.

Key Goals

- ◆ To develop a consistent and uniform body of tax case law;
- ◆ To provide timely and impartial disposition of cases;
- ◆ To educate taxpayers on the tax appeal process;
- ◆ To be a model for other states and other tax courts; and
- ◆ To coordinate and educate district courts on managing tax petitions;

At A Glance

Six full-time staff:

- ◆ three judges; and
- ◆ three administrative staff.

Annual budget of approximately \$825,000

Most appeals are scheduled for trial and many are resolved within one year of filing.

Affecting court operations are:

- ◆ changes in state property, sales and use, income, and other tax laws;
- ◆ local real estate market changes;
- ◆ national and state economic changes; and
- ◆ changes in data practice laws.

A written decision is issued, distributed, and published on all regular division cases.

Key Measures

- ◆ Minnesota Tax Court issues decisions in all cases within three months of final submission to the court.
- ◆ The Minnesota Tax Court provides searchable text decisions on its website. The Minnesota court is one of the few state tax courts to provide this information electronically.
- ◆ Minnesota Tax Court is a leader in producing and distributing procedural handbooks for self-represented (pro se) litigants.

Budget

All funding for Tax Court operations comes from the general fund. In the FY 2008-09 biennium, the general fund appropriation was approximately \$1.6 million. The Tax Court staff includes six full-time equivalent employees. Its budget is approximately 80% compensation, 13% rent, and 7% other expenditures.

Minnesota Tax Court generates approximately \$40,000 each biennium in non-dedicated revenue from filing fees on appeals to an order from the commissioner of Revenue. Depending on caseload fluctuations, an additional \$980,000 to \$1.9 million in non-dedicated revenue is generated each biennium by property tax filings. Current fees are \$240 for a regular division matter and \$150 for a small claims matter. These fees are collected in District Court, which is where property tax petitions are filed.

Contact

Contact Tax Court by mail:
Minnesota Tax Court
245 Minnesota Judicial Center
25 Reverend Dr. Martin Luther King, Jr. Boulevard
Saint Paul, Minnesota 55155

Visit the Tax Court website:
<http://www.taxcourt.state.mn.us>
Call the Court: (651) 296-2806
Monday – Friday, 8:00 a.m. to 4:30 p.m.

<i>Dollars in Thousands</i>					
	Current		Governor Recomm.		Biennium
	FY2008	FY2009	FY2010	FY2011	2010-11
<u>Direct Appropriations by Fund</u>					
General					
Current Appropriation	794	825	825	825	1,650
Recommended	794	825	825	825	1,650
Change		0	0	0	0
% Biennial Change from 2008-09					1.9%
<u>Expenditures by Fund</u>					
Direct Appropriations					
General	770	849	825	825	1,650
Statutory Appropriations					
Miscellaneous Special Revenue	1	2	0	0	0
Total	771	851	825	825	1,650
<u>Expenditures by Category</u>					
Total Compensation	636	661	681	702	1,383
Other Operating Expenses	135	190	144	123	267
Total	771	851	825	825	1,650
<u>Expenditures by Program</u>					
Tax Court	771	851	825	825	1,650
Total	771	851	825	825	1,650
Full-Time Equivalents (FTE)	6.0	6.0	6.0	6.0	

TAX COURT

Agency Revenue Summary

Dollars in Thousands

	Actual FY2008	Budgeted FY2009	Governor's Recomm. FY2010 FY2011		Biennium 2010-11
<u>Non Dedicated Revenue:</u>					
Other Sources:					
General	19	20	22	25	47
Total Non-Dedicated Receipts	19	20	22	25	47
<u>Dedicated Receipts:</u>					
Total Dedicated Receipts	0	0	0	0	0
Agency Total Revenue	19	20	22	25	47

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Agency Purpose

The mission and vision of the Teachers Retirement Association (TRA) was revised in 2008. TRA:

- ◆ Provides retirement, disability and survivor benefits to Minnesota's public educators assisting them in achieving future income security.
- ◆ Strives to provide benefits that attract and retain competent teachers who serve communities throughout the state, building a stronger education system.
- ◆ Commits to safeguarding the financial integrity of the fund and takes pride in providing exceptional, innovative services.

TRA's vision is to be an outstanding retirement system pursuing benefits and services that exceed members' expectations.

Core Functions

TRA serves over 159,000 active, inactive and retired members using retirement provisions governed under Minnesota Statutes. Core functions include:

- ◆ payment of retirement, survivor and disability benefits to eligible members;
- ◆ payment of member contributions, plus interest, for members leaving the teaching profession and requesting this benefit option;
- ◆ benefit counseling and information services to members regarding their benefit rights and options; and
- ◆ receipt, verification and posting of salary, service credit and other demographic information from the member's employer.

At A Glance

(data as of June 30, 2007)

77,694	Active Members
35,550	Inactive Members
46,538	Retired/Disabled Members
566	Employers
\$3.53 billion	Covered Payroll of Active Members
5.5 %	Member Contribution Rate of Covered Salary
5.5 %	Employer Contribution Rate of Covered Salary
\$18.8 billion	Actuarial Value of Assets
\$21.5 billion	Actuarial Liabilities
87.5%	Funding Ratio
\$1.27 billion	Annual Benefits and Refunds Paid
\$10.6 million	Annual Administrative Expenses
90	Employees

Operations

Management of the association is vested in a board of trustees, which consists of eight members, five of whom are elected from either the active or retired membership. The Board of Trustees appoints an Executive Director to administer the daily operations of the association.

In 2006, TRA assumed the assets and liabilities of the former Minneapolis Teachers Retirement Fund Association (MTRFA). Approximately 14,000 active, inactive and retired former MTRFA members were transferred to TRA effective June 30, 2006. The unfunded actuarial liability TRA assumed in the merger was funded by an increase in both employee and employer contributions, plus direct state and local aid payments over the next 28 years. TRA has completed the integration of former MTRFA member data and records into TRA systems.

Under legislation passed in 2008, the assets and liabilities of retired teachers in the Minnesota Post Retirement Investment Fund (Post Fund) may be merged with the TRA Fund should certain funding benchmarks occur. The merger will occur if the Post Fund funding ratio drops below 80% for any one year, or below 85% for two consecutive years. Due to losses in the investment markets for FY 2008, the merger very possibly will occur either in 2008 or in 2009. Under a merger, the assets and liabilities of active and retired teachers will be combined within a single fund with the financing of earned retirement benefits will be determined under one required contribution rate structure.

TRA staff engages in strategic planning and prioritization of management initiatives through regular meetings of its management staff. As a result of that strategic planning process during FY 2008, TRA staff has completed 34 initiatives including the conversion of the former MTRFA member data into the Functional Redesign of Strategic

Technologies (FROST) system and an Electronic Fund Transfer (EFT) for employer remittances. Some of the major initiatives currently underway include enhancements of employer unit reporting, development of a revised definition of member service credit, and migration of agency applications to a modernized hardware and software platform.

Key Goals

TRA's operating values in providing payments and services to its members are guided by the following principles:

- ◆ **Accuracy:** Ensuring that all information received, maintained, and provided is clear and accurate.
- ◆ **Quality:** Making high-quality services accessible to our customers.
- ◆ **Timeliness:** Providing timely receipt and dissemination of information.
- ◆ **Efficiency:** Making efficient use of technological and human resources in a team environment.
- ◆ **Employee excellence:** Providing ongoing employee development that encourages cooperation and mutual respect, focuses on common goals, and recognizes superior performance.

Key Measures

- ◆ Two important measures on the health of a pension plan are its funded ratio and adequacy of its contribution rates. As of June 30, 2007, TRA has a funded status of 87.5% and a contribution deficiency of -1.65% of member covered payroll. Under statute, TRA has a full funding target date of June 30, 2037.
- ◆ TRA processed \$412 million in member and employer contributions during FY 2007.
- ◆ Members place high value on individual counseling services. In FY 2007, TRA conducted 4,472 individual counseling sessions. Another 574 members were counseled in group sessions.
- ◆ TRA answered 131,785 member contacts including telephone calls, emails and letters during FY 2007.
- ◆ TRA processed the initial retirement benefits of 2,281 teachers during FY 2007.
- ◆ Annuity payments during 2008 total approximately \$115 million per month and are paid to about 48,000 members.

Budget

TRA operates within a dedicated pension trust fund designed for the exclusive use of its members and beneficiaries. The TRA Board of Trustees annually approves an operating budget. The commissioner of the Department of Finance maintains an open appropriation account to fund expenditures. For FY 2008, TRA employed a staff of 90 full-time equivalent employees and expenditures are budgeted at \$1.4 billion, including \$11 million for administrative expenses. About 99% of the expenditure budget is for the payment of benefits and refunds. The main sources of fund revenues are employee contributions, employer contributions, and net income from investments held in trust.

Contact

Teachers Retirement Association
Laurie Fiori Hacking, Executive Director
60 Empire Drive, Suite 400
Saint Paul, Minnesota 55103-4000
Phone: (651) 296-2409
Fax: (651) 297-5999

Web site: <http://www.tra.state.mn.us>

<i>Dollars in Thousands</i>					
	Current		Governor Recomm.		Biennium
	FY2008	FY2009	FY2010	FY2011	2010-11
<u>Expenditures by Fund</u>					
Open Appropriations					
Teachers Retirement	1,343,367	1,405,502	1,466,175	1,546,756	3,012,931
Total	1,343,367	1,405,502	1,466,175	1,546,756	3,012,931
<u>Expenditures by Category</u>					
Total Compensation	6,351	6,699	7,026	7,233	14,259
Other Operating Expenses	2,860	4,010	4,357	4,731	9,088
Local Assistance	0	2	2	2	4
Other Financial Transactions	1,334,156	1,394,791	1,454,790	1,534,790	2,989,580
Total	1,343,367	1,405,502	1,466,175	1,546,756	3,012,931
<u>Expenditures by Program</u>					
Teachers Retire Asn	1,343,367	1,405,502	1,466,175	1,546,756	3,012,931
Total	1,343,367	1,405,502	1,466,175	1,546,756	3,012,931
Full-Time Equivalents (FTE)	80.6	89.0	89.0	89.0	

TEACHERS RETIREMENT ASSOC

Agency Revenue Summary

Dollars in Thousands

	Actual FY2008	Budgeted FY2009	Governor's Recomm. FY2010 FY2011		Biennium 2010-11
<u>Non Dedicated Revenue:</u>					
Other Revenues:					
Teachers Retirement	448,673	449,034	458,867	478,478	937,345
Total Non-Dedicated Receipts	448,673	449,034	458,867	478,478	937,345
<u>Dedicated Receipts:</u>					
Total Dedicated Receipts	0	0	0	0	0
Agency Total Revenue	448,673	449,034	458,867	478,478	937,345

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➡ Designates that this item is a change item



Minnesota Department of Transportation

Transportation Building

395 John Ireland Boulevard
Saint Paul, Minnesota 55155-1899

January 27, 2009

To the 2009 Minnesota Legislature:

On behalf of Governor Pawlenty, I am pleased to submit the Minnesota Department of Transportation (Mn/DOT) budget recommendation for the FY2010-11 budget for total spending of \$4.894 billion.

Mn/DOT's budget for 2010-11 includes funding for the four program areas of Multimodal, State Roads, Local Roads, and General Support. The trunk highway fund provides the largest single funding source. For local roads, the county state aid highway and municipal state aid street funds provide funding for counties and cities throughout Minnesota. Federal and other funding sources are also budgeted for trunk highways, county and city roads, airports, transit, freight, ports, and both passenger and freight railroads. The state's general fund and revenues from motor vehicle sales tax are used to provide transit services throughout Greater Minnesota.

One-time funding is requested for additional state airport grants in FY2010. Additional state spending authority is requested for the federal funds that SAFETEA-LU provided to Minnesota for use in improving trunk highway funds. A change for the administrative set-aside for Municipal State-Aid Street program purposes is proposed. To assist with addressing the state's general fund deficit, a reduction of \$1.924 million per year is proposed, which will reduce grants to Greater Minnesota transit.

Finally, and reflecting the recent weakness in state transportation revenues as well as the level of federal aid agreement revenue in FY2008-09, an adjustment to the FY2009 state road construction appropriation authority is proposed, as well as modest adjustments to operating spending FY2010-11. No currently programmed projects are affected by these changes. The economic outlook continues to be of concern, and the federal surface transportation reauthorization in 2009 will, of course, be of great importance for future funding levels.

As an agency, we remain committed to performance measures and linking resources to support our Strategic Vision and making "Your Destination...Our Priority." This budget is a financial framework for the future and represents progress toward addressing the critical issues of an aging infrastructure, environmental stewardship, diversity, innovation and collaboration, and fiscal responsibility. I am please to submit the 2010-11 budget recommendations to you.

Thank you for your consideration.

Sincerely,

Thomas K. Sorel
Commissioner

Agency Purpose

The Minnesota Department of Transportation (Mn/DOT) was created by the state legislature in 1976. Its role is to develop and implement transportation policies, plans, and programs that enhance the quality of life for Minnesota citizens.

Meeting Minnesota's transportation needs, now and in the future, is one of the top policy goals of the Pawlenty-Molnau administration. Mn/DOT's work will be guided by the administration's governing principles of commitment to mission, focus on customers, innovation, transparency, and accountability.

Mn/DOT's vision affirms what citizens want for Minnesota: a coordinated transportation network that meets the needs of Minnesota citizens and businesses for safe, timely and predictable travel.

Mn/DOT's mission is to improve access to markets, jobs, goods and services, and improve mobility by focusing on priority transportation improvements and investments.

Mn/DOT's strategic directions are to:

- ◆ safeguard what exists,
- ◆ make the transportation network operate better, and
- ◆ make Mn/DOT work better.

Mn/DOT's investment objectives are:

- ◆ Preserve Existing Infrastructure – Maintain the roads and bridges on the trunk highway system in safe and sound condition.
- ◆ Improve Safety – Implement the Strategic Highway Safety Plan, investing in systemwide, proactive safety strategies to reduce intersection and run-off the road crashes.
- ◆ Improve Mobility - Engineer solutions that accelerate delivery of projects to reduce congestion and improve mobility.
- ◆ Innovation – Develop 21st Century Solutions to 21st Century Problems, using innovative approaches to project development, design, construction and financing.

Core Functions

State Roads – includes the construction, operation, and maintenance of the state's approximately 12,000 mile trunk highway system.

Local Roads – includes the local financial resources for county and municipal roads generated by the constitutional funding sources.

Multimodal Systems – includes supporting the use and development of cost-effective transportation modes – transit, air, railroads and waterways – owned and operated by local governments and private operators. This includes financial investments, technical assistance and operational reviews.

General Support – includes general department-wide administrative functions (accounting, personnel, information resources), the commissioner's office and the policy functions of the department. It also includes the construction and centrally directed maintenance of all the department's buildings.

At A Glance

FY 2008-09 Budget (000s)

Infrastructure and Other	
Capital Expenditure	\$ 1,518,787
Grants	1,790,468
Operating Budget	1,035,471
Debt Service	131,667
Total	\$ 4,476,393

Direct appropriations only

Original direct appropriations from 2007 session laws, regular session, Ch. 143, as amended by 2007 special session, subsequent Contingent Appropriation Group (TCAG) adjustments, and 2008 session laws Ch 152.

Mn/DOT's primary source of financing is the trunk highway fund, which is supported by motor fuel taxes, motor vehicle registration fees, and motor vehicle sales taxes. Other sources include federal funds and state airport funds. Less than 1% of the operating budget is from the general fund.

Operations***Highways***

Mn/DOT constructs, operates and maintains the state trunk highway system that includes nearly 12,000 miles of roads and 4,781 bridges. This system carries about 58% of all travel for the entire 141,000 mile system of state and local roads.

Freight

Mn/DOT promotes the safe and efficient movement of freight by rail, on waterways and by motor carriers on highways, through the management of investment programs, administration of construction projects, ensuring regulatory compliance and developing policies and plans for freight system improvement.

Aeronautics

Mn/DOT promotes general and commercial aviation throughout the state, and provides services including aircraft registration, airport development, aviation system planning, aviation education, maintain and operate aviation navigational systems and government aircraft services.

Transit

Mn/DOT provides statewide leadership in the development and implementation of transit systems, including management of state and federal funds for greater Minnesota public transit, planning activities associated with bicycle and pedestrian systems, planning and construction of commuter rail, and planning of inter-city bus and rail lines.

Budget

Mn/DOT's investment objectives are to preserve existing infrastructure and improve safety and mobility by using traditional and innovative approaches to project selection and development, design construction, maintenance and operations.

In February 2008, in addition to Mn/DOT's 2008-09 annual appropriations of more than \$2 billion, the Minnesota legislature passed a transportation funding bill providing for investments in trunk highways and local roads. This bill (Chapter 152) specifically directed monies towards trunk highway bridge replacements and repairs, new interchanges, transit facility improvements, and facilities construction statewide as well as providing \$1.8 billion additional revenues over the next ten years for local roads maintenance and construction. With this bill, Mn/DOT receives an estimated \$2.6 billion in new revenues as well as \$1.8 billion in bond funds over the next ten years. Of these revenues, \$75 million per year goes to Mn/DOT operations and program delivery and an estimated \$1.036 Billion for debt service.

Planned bond uses include \$140 million in interchanges and roadway expansion, \$275 million in pavement and safety improvements, \$25 million (supplemented with \$47 million of federal funds and \$3.5 million in general funds) for congestion relief measures on I35W in south Minneapolis, \$50 million for transit improvements, \$34.6 million for building facilities and \$1.2 billion towards replacement or repair of some 120 fracture critical or structurally deficient bridges on state highways through 2018.

Contact

For more information about Mn/DOT, contact:

Kevin Gray
Chief Financial Officer
Minnesota Department of Transportation
395 John Ireland Boulevard
Saint Paul, Minnesota 55155
Phone: (651) 366-4816
Email: kevin.gray@dot.state.mn.us

Dollars in Thousands

	Current		Governor Recomm.		Biennium
	FY2008	FY2009	FY2010	FY2011	2010-11
<u>Direct Appropriations by Fund</u>					
General					
Current Appropriation	25,302	21,664	21,664	21,664	43,328
Recommended	25,302	21,664	17,290	17,290	34,580
Change		0	(4,374)	(4,374)	(8,748)
% Biennial Change from 2008-09					-26.4%
State Airports					
Current Appropriation	25,507	10,609	10,609	10,609	21,218
Recommended	25,507	10,609	21,859	19,609	41,468
Change		0	11,250	9,000	20,250
% Biennial Change from 2008-09					14.8%
Municipal State Aid Street					
Current Appropriation	120,348	132,680	132,680	132,680	265,360
Recommended	120,348	132,680	136,824	146,956	283,780
Change		0	4,144	14,276	18,420
% Biennial Change from 2008-09					12.2%
County State Aid Highway					
Current Appropriation	433,324	492,748	492,748	492,748	985,496
Recommended	433,324	492,748	505,882	547,425	1,053,307
Change		0	13,134	54,677	67,811
% Biennial Change from 2008-09					13.7%
Trunk Highway					
Current Appropriation	1,315,189	1,232,639	1,232,639	1,232,639	2,465,278
Recommended	1,315,189	1,188,639	1,225,078	1,364,842	2,589,920
Change		(44,000)	(7,561)	132,203	124,642
% Biennial Change from 2008-09					3.4%
<u>Expenditures by Fund</u>					
Direct Appropriations					
General	19,500	27,466	17,290	17,290	34,580
State Airports	20,645	15,271	21,859	19,609	41,468
Municipal State Aid Street	114,033	132,680	136,824	146,956	283,780
County State Aid Highway	416,337	474,598	505,882	547,425	1,053,307
Trunk Highway	1,116,110	1,375,025	1,225,078	1,364,842	2,589,920
Open Appropriations					
State Airports	61	65	65	65	130
Municipal State Aid Street	2,307	2,440	3,507	3,768	7,275
County State Aid Highway	7,513	11,534	11,505	11,718	23,223
Trunk Highway	5,080	5,126	5,126	5,126	10,252
Highway Users Tax Distribution	185	194	194	194	388
Statutory Appropriations					
State Government Spec Revenue	7,642	5,083	2,641	0	2,641
Miscellaneous Special Revenue	28,082	101,039	67,839	32,773	100,612
State Airports	995	1,906	1,203	1,203	2,406
County State Aid Highway	953	1,583	1,466	2,318	3,784
Trunk Highway	7,179	56,089	46,074	46,024	92,098
Federal	284,845	292,354	360,658	253,463	614,121
Transit Assistance	7,441	7,344	14,896	18,091	32,987
Miscellaneous Agency	244	561	525	525	1,050
Total	2,039,152	2,510,358	2,422,632	2,471,390	4,894,022

<i>Dollars in Thousands</i>					
	Current		Governor Recomm.		Biennium
	FY2008	FY2009	FY2010	FY2011	2010-11
<u>Expenditures by Category</u>					
Total Compensation	330,207	367,755	378,828	386,471	765,299
Other Operating Expenses	202,382	322,991	278,939	221,140	500,079
Capital Outlay & Real Property	692,335	808,290	643,596	730,996	1,374,592
Payments To Individuals	104	124	124	124	248
Local Assistance	810,858	938,259	1,023,801	982,951	2,006,752
Other Financial Transactions	3,414	72,939	102,404	154,768	257,172
Non-Cash Transactions	(148)	0	0	0	0
Transfers	0	0	(5,060)	(5,060)	(10,120)
Total	2,039,152	2,510,358	2,422,632	2,471,390	4,894,022
<u>Expenditures by Program</u>					
Multimodal Systems	210,661	294,245	343,546	214,815	558,361
State Roads	1,097,386	1,414,264	1,249,644	1,374,132	2,623,776
Local Roads	674,914	725,478	759,309	812,310	1,571,619
General Support & Services	56,191	76,371	70,133	70,133	140,266
Total	2,039,152	2,510,358	2,422,632	2,471,390	4,894,022
Full-Time Equivalents (FTE)	4,523.9	4,873.7	4,871.4	4,823.7	

TRANSPORTATION DEPT

Change Summary

<i>Dollars in Thousands</i>				
	FY2009	Governor's Recomm.		Biennium
		FY2010	FY2011	2010-11
Fund: GENERAL				
FY 2009 Appropriations	21,664	21,664	21,664	43,328
Technical Adjustments				
One-time Appropriations		(2,450)	(2,450)	(4,900)
Subtotal - Forecast Base	21,664	19,214	19,214	38,428
Change Items				
General Fund Reduction	0	(1,924)	(1,924)	(3,848)
Total Governor's Recommendations	21,664	17,290	17,290	34,580
Fund: STATE AIRPORTS				
FY 2009 Appropriations	10,609	10,609	10,609	21,218
Technical Adjustments				
Current Law Base Change		9,000	9,000	18,000
Subtotal - Forecast Base	10,609	19,609	19,609	39,218
Change Items				
Airport Development Grants	0	2,250	0	2,250
Total Governor's Recommendations	10,609	21,859	19,609	41,468
Fund: MUNICIPAL STATE AID STREET				
FY 2009 Appropriations	132,680	132,680	132,680	265,360
Technical Adjustments				
November Forecast Adjustment		4,846	15,029	19,875
Subtotal - Forecast Base	132,680	137,526	147,709	285,235
Change Items				
Administrative Costs	0	(702)	(753)	(1,455)
Total Governor's Recommendations	132,680	136,824	146,956	283,780
Fund: COUNTY STATE AID HIGHWAY				
FY 2009 Appropriations	492,748	492,748	492,748	985,496
Technical Adjustments				
November Forecast Adjustment		13,134	54,677	67,811
Subtotal - Forecast Base	492,748	505,882	547,425	1,053,307
Total Governor's Recommendations	492,748	505,882	547,425	1,053,307
Fund: TRUNK HIGHWAY				
FY 2009 Appropriations	1,232,639	1,232,639	1,232,639	2,465,278
Technical Adjustments				
Approved Transfer Between Appr		0	0	0
November Forecast Adjustment	0	30,439	82,803	113,242
One-time Appropriations		(77,000)	(77,000)	(154,000)
Subtotal - Forecast Base	1,232,639	1,186,078	1,238,442	2,424,520
Change Items				
State Road Construction Appropriation	0	43,500	130,900	174,400
Trunk Highway Funding Changes	(44,000)	(4,500)	(4,500)	(9,000)
Total Governor's Recommendations	1,188,639	1,225,078	1,364,842	2,589,920
Fund: STATE AIRPORTS				
Planned Open Spending	65	65	65	130
Total Governor's Recommendations	65	65	65	130

TRANSPORTATION DEPT

Change Summary

<i>Dollars in Thousands</i>				
	FY2009	Governor's Recomm. FY2010	FY2011	Biennium 2010-11
Fund: MUNICIPAL STATE AID STREET				
Planned Open Spending	2,440	2,805	3,015	5,820
Change Items				
Administrative Costs	0	702	753	1,455
Total Governor's Recommendations	2,440	3,507	3,768	7,275
Fund: COUNTY STATE AID HIGHWAY				
Planned Open Spending	11,534	11,505	11,718	23,223
Total Governor's Recommendations	11,534	11,505	11,718	23,223
Fund: TRUNK HIGHWAY				
Planned Open Spending	5,126	5,126	5,126	10,252
Total Governor's Recommendations	5,126	5,126	5,126	10,252
Fund: HIGHWAY USERS TAX DISTRIBUTION				
Planned Open Spending	194	194	194	388
Total Governor's Recommendations	194	194	194	388
Fund: STATE GOVERNMENT SPEC REVENUE				
Planned Statutory Spending	5,083	2,641	0	2,641
Total Governor's Recommendations	5,083	2,641	0	2,641
Fund: MISCELLANEOUS SPECIAL REVENUE				
Planned Statutory Spending	101,039	67,839	32,773	100,612
Total Governor's Recommendations	101,039	67,839	32,773	100,612
Fund: STATE AIRPORTS				
Planned Statutory Spending	1,906	1,203	1,203	2,406
Total Governor's Recommendations	1,906	1,203	1,203	2,406
Fund: COUNTY STATE AID HIGHWAY				
Planned Statutory Spending	1,583	1,466	2,318	3,784
Total Governor's Recommendations	1,583	1,466	2,318	3,784
Fund: TRUNK HIGHWAY				
Planned Statutory Spending	56,089	46,074	46,024	92,098
Total Governor's Recommendations	56,089	46,074	46,024	92,098
Fund: FEDERAL				
Planned Statutory Spending	292,354	360,658	253,463	614,121
Total Governor's Recommendations	292,354	360,658	253,463	614,121
Fund: TRANSIT ASSISTANCE				
Planned Statutory Spending	7,344	14,896	18,091	32,987
Total Governor's Recommendations	7,344	14,896	18,091	32,987
Fund: MISCELLANEOUS AGENCY				
Planned Statutory Spending	561	525	525	1,050
Total Governor's Recommendations	561	525	525	1,050
<u>Revenue Change Items</u>				
Fund: TRUNK HIGHWAY				
Change Items				
State Road Construction Appropriation	0	43,500	130,900	174,400

TRANSPORTATION DEPT

Program: LOCAL ROADS

Change Item: Administrative Costs

Fiscal Impact (\$000s)	FY 2010	FY 2011	FY 2012	FY 2013
Municipal State Aid Street Fund				
Expenditures, direct: Construction	\$(702)	\$(753)	\$(753)	\$(753)
Expenditures, open: Administration	702	753	753	753
Revenues	0	0	0	0
Net Fiscal Impact	\$0	\$0	\$0	\$0

Recommendation

The Governor recommends that increased funds be made available for administrative activities related to the Municipal State-aid Street system. Current law provides that 1.5% of money available for apportionment is allocated to a separate account for administrative purposes, rather than being apportioned to the approximately 143 cities with populations over 5,000. The recommendation is to increase this percentage from 1.5% to 2.0%. This request would not change overall expenditures within the municipal state-aid street fund.

Background

The Municipal State Aid Roads budget activity deals with the 9% of the Highway User Tax Distribution fund (HUTDF) that is allocated to cities with more than 5,000 in population. These funds are apportioned to the individual cities according to a formula prescribed in law. This proposal will provide for increased flexibility for the Minnesota Department of Transportation (Mn/DOT) for statewide and partnership projects which can be funded through this account as well as program oversight of cooperative and bonding programs, which do not provide for administrative funding. A similar proposal for the county state-aid highway fund was adopted by the legislature in 2005.

Relationship to Base Budget

The change to the administrative set aside will not change overall expenditures within the municipal state-aid street fund. Apportioned funding is requested as a direct appropriation in biennial budgets, while administrative appropriations are authorized in statute. The proposed change would reduce the request for the construction direct appropriation by \$702,000 in FY 2010 and \$753,000 in FY 2011 and beyond, and increase the statutory appropriation by equal amounts. It should be also be noted that annual Commissioner's Orders under statute adjust the budgeted and adopted appropriation amounts at the beginning of each calendar year for final apportionment to cities.

Key Goals and Measures

The products and services provided by the State Aid for Local Transportation (SALT) Division are monitored through performance measures based upon customer satisfaction and through direct measures of level of service provided in key areas.

Statutory Change: This change affects M.S. 162.12, subd. 2.

TRANSPORTATION DEPT

Program: MULTIMODAL SYSTEMS

Change Item: Airport Development Grants

Fiscal Impact (\$000s)	FY 2010	FY 2011	FY 2012	FY 2013
State Airports Fund				
Expenditures	\$2,300	\$0	\$0	\$0
Revenues	0	0	0	0
Net Fiscal Impact	\$2,300	\$0	\$0	\$0

Recommendation

The Governor recommends a one-time appropriation of \$2.3 million from the state airports fund in FY 2010 for airport development and assistance grants.

Background

Airports are key access points for business development in Minnesota communities. This request provides funding for investments focused on maintaining and preserving existing airport infrastructure, improving safety, and coordinating air travel with other transportation modes at the 136 publicly-owned airports in the state system. Ninety-six of the airports are eligible for Federal Aviation Administration (FAA) funds. Eligible projects include planning, land acquisition, paving, lighting, navigational aids, obstruction removal, equipment purchase, fencing, noise mitigation, and other needs. The state airports fund is used to maximize FAA funds, support functions not eligible for FAA funds, and provide projects at non-federally eligible airports. Projects selected for funding make the transportation network operate better by connecting airport cities to other trade centers in the nation and the world.

Relationship to Base Budget

The 2008 reduction in appropriation created a significant impact on airport projects underway in the 2008 construction season. The base budget for this appropriation for FY 2010 is \$14.298 million. The proposed increase of \$2.3 million is a one-time appropriation to restore funding for some of the airport grant projects that were affected by the reduction in the FY 2009 appropriation.

Key Goals and Measures

Public airports provide local transportation infrastructure to 136 communities across Minnesota, including accessibility for the businesses that *sustain strong economic growth*, and tie all corners of the state to the global economy. *Rural areas and small cities with airports are economically viable places for people to live and work.* (Italics identify Minnesota milestones.) Key measures include:

- ◆ 95% of Minnesota's population within 20 miles of an airport with a paved and lighted runway;
- ◆ 97% of Minnesota's population within 60 minutes of an airport with some type of cargo service;
- ◆ 83% of airports with a runway pavement condition rating of good; and
- ◆ no more than 5% of airports with a runway pavement condition rating of poor.

Small package cargo delivery is growing rapidly as internet shopping with two-day delivery options become more popular, especially in rural areas. Air transportation and/or delivery is responsible for a wide variety of social benefits ranging from business development to medical transportation to recreation. In 1999 the economic impacts of airports in Minnesota were responsible for:

- ◆ nearly 113,800 jobs
- ◆ \$3.1 billion annual earnings
- ◆ \$10.4 billion in annual economic activity

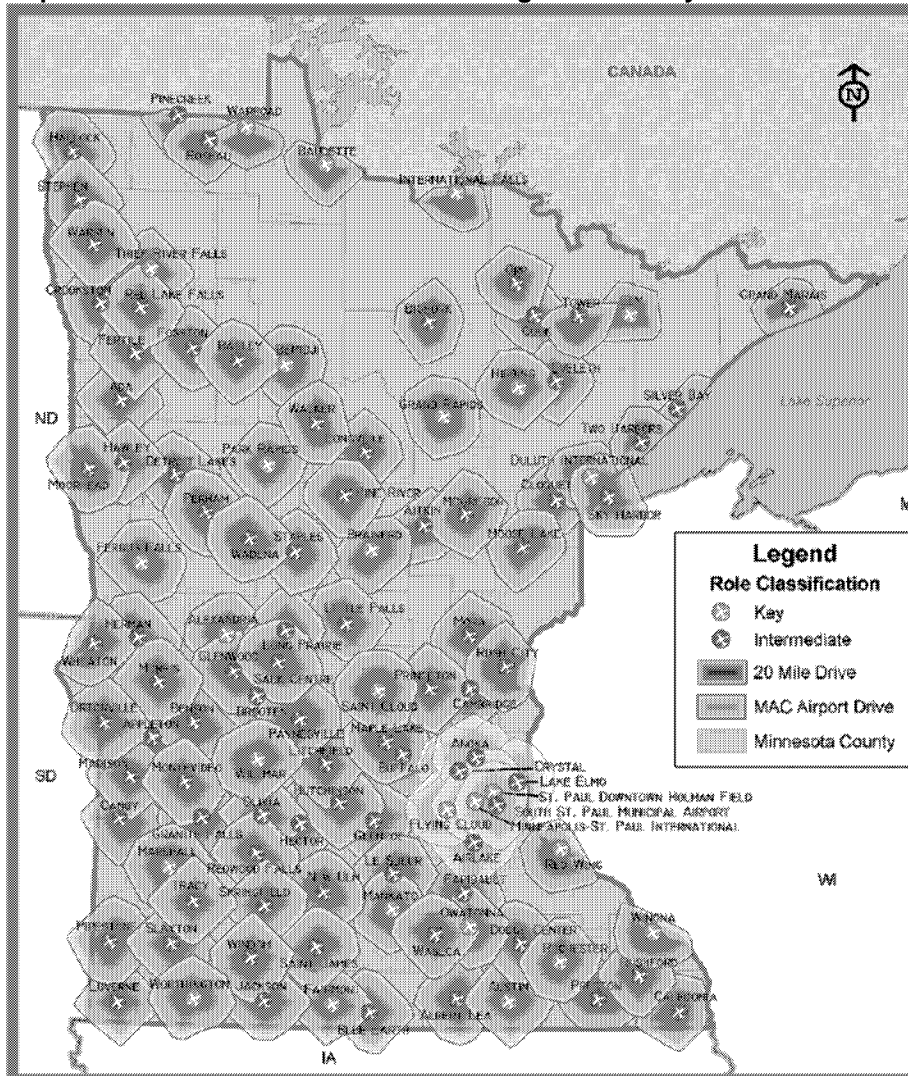
Aviation economic impacts have been difficult to determine since the events of 9/11/2001 in consideration of airline bankruptcies that have occurred since that date.

TRANSPORTATION DEPT

Program: MULTIMODAL SYSTEMS

Change Item: Airport Development Grants

Population within 20 miles of Paved & Lighted Runways



Alternatives Considered

Statutory Change: Not Applicable.

TRANSPORTATION DEPT

Program: MULTIMODAL SYSTEMS

Change Item: General Fund Reduction

Fiscal Impact (\$000s)	FY 2010	FY 2011	FY 2012	FY 2013
General Fund				
Expenditures	\$(1,924)	\$(1,924)	\$(1,924)	\$(1,924)
Revenues	0	0	0	0
Net Fiscal Impact	\$(1,924)	\$(1,924)	\$(1,924)	\$(1,924)

Recommendation

The Governor recommends a \$1.924 million reduction from the general fund base for FY 2010 and FY 2011 for grants to greater Minnesota transit providers. This reduction to direct appropriated funds is offset by the increasing portion of MVST revenues that are statutorily dedicated for transit grants.

Background

Minnesota Department of Transportation's (Mn/DOT's) transit budget funds systems which provide transportation alternatives to driving alone and allows people to live independently and participate fully in Minnesota's communities and economy. The goals of the state transportation system include providing transit services throughout the state to meet the needs of transit users (M.S. 174.01). In greater Minnesota, the public transit participation program (M.S. 174.24) is supported by the general fund, revenues from Motor Vehicle Sales Tax (MVST – M.S. 297B.09) and, beginning in 2011, revenues from sales tax on leased motor vehicles (M.S. 297A.815). Revenues from these taxes are deposited in the greater Minnesota transit fund (M.S. 16A.88) and a share of these amounts are further allocated to the greater Minnesota transit account within that fund. Revenues deposited in this account are statutorily dedicated for assistance to transit systems outside the metropolitan area. The program provides grants for operating and capital assistance to fund public transit service outside the metropolitan area in 66 of 80 counties.

Relationship to Base Budget

The base budget for this appropriation for FY 2010 is \$18.784 million. The proposed decrease of \$1.924 million is an ongoing reduction to the base budget. State transit funds are used mostly to assist local governments in paying for operations of transit systems, and the requested ten percent general fund reduction will result in reductions in transit service.

Key Measures

The goal of Mn/DOT's transit programs is to meet mobility needs of Minnesota's citizens through access to a high quality, coordinated transit network that is integrated into the overall transportation system. Key measures include:

- ◆ Preserve existing public transit systems in greater Minnesota.
Maintain current level of public transit service levels in greater Minnesota—provide resources and technical assistance to maintain the current level of public transit service (service hours, trips and number of people with access to services). Ridership in greater Minnesota was 10.4 million in 2007.
- ◆ Increase the availability of public transit service in greater Minnesota.
The goal of the Greater Minnesota Transit Plan is to meet 80% of transit service need by 2010 – which would imply an increase in bus service hours by 7% annually.

The proposed reduction in base budget will reduce the ability to meet the specific goals and measures described above.

Statutory Change: Not Applicable

TRANSPORTATION DEPT

Program: STATE ROADS

Change Item: State Road Construction Appropriation

Fiscal Impact (\$000s)	FY 2010	FY 2011	FY 2012	FY 2013
Trunk Highway Fund				
Expenditures	\$44,000	\$131,400	\$87,700	\$87,700
Revenues	44,000	131,400	87,700	87,700
Net Fiscal Impact	\$0	\$0	\$0	\$0

Recommendation

The Governor recommends increasing appropriations related to state road construction from the trunk highway fund by \$44 million in FY 2010 and \$131.4 million in FY 2011. Of the change in FY 2011, \$87.7 million adds to the base appropriations.

Background

Spending in the state road program for state road construction and other activities including research is supported by federal formula highway funds. The current federal authorization law, SAFETEA-LU, provided for increased levels of federal highway funding for Minnesota for 2004 through 2009.

Federal highway funds for trunk highway purposes require state direct appropriation authority to spend. In 2003, the legislature appropriated \$400 million of trunk highway spending authority as part of the Bond Accelerated Program (BAP). This one-time state spending authority was used to encumber projects with the additional federal formula funds. As a result, the base state appropriation level for FY 2010 for state road construction is below the full amount of forecasted federal funds. The appropriation increase requested is based on estimated federal funds at the fully available federal fiscal year (FFY) 2009 amount, with no increase assumed for FYs 2010, 2011, 2012 and 2013.

The appropriation change is comprised of two parts: (1) to increase the base appropriation for state road construction and (2) to separate the base appropriation for research from the state road construction appropriation. An average of \$87.2 million spending authority is requested to adjust state appropriation levels to current forecasts of federal funding, with an average of \$83.8 million available for state road construction per year and \$3.4 million available for research per year. The appropriation request for \$3.4 million in infrastructure investment and planning (non-SRC portion) is for research spending that was formerly part of the SRC appropriation. The request for FY 2010 and FY 2011 for state road construction averages \$83.8 million but is requested in amounts that are consistent with the letting schedules in the current planned construction program.

Relationship to Base Budget

This change will increase the annual base budget in state road construction by an average of \$83.8 million from \$551.2 million. The spending level for research services remains at \$3.4 million per year, but now is requested under infrastructure investment and planning but not within the state road construction appropriation.

Key Goals and Measures

The base budget request provides a comprehensive discussion of the various goals that the activity as a whole strives to achieve. The increase recommended by the Governor provides additional resources to support achieving these goals. These goals are described in detail in the section of the budget request that addresses the base budget request for infrastructure investment and planning.

Alternatives Considered

Statutory Change: Not Applicable.

TRANSPORTATION DEPT**Program: STATE ROADS****Change Item: Trunk Highway Funding Changes**

Fiscal Impact (\$000s)	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013
Trunk Highway Fund					
Expenditures	\$(44,000)	\$(4,500)	\$(4,500)	\$(4,500)	\$(4,500)
Revenues		0	0	0	0
Net Fiscal Impact	\$(44,000)	\$(4,500)	\$(4,500)	\$(4,500)	\$(4,500)

Recommendation

The Governor recommends a reduction in FY 2009 of \$44 million to the current trunk highway appropriation for state road construction, and a base reduction in FY 2010 of \$4.5 million per year from operating appropriations. These changes are proposed to address the trunk highway fund balance after the November 2008 forecast, and reflect weakening state transportation revenues (gas tax, tab fees, and motor vehicle sales tax), as well as to adjust FY 2009 spending levels to the amount of federal aid agreements now programmed. The \$44 million in FY 2009 reflects a lower level of federal aid agreements, but this reduction does not impact the current program of projects.

Background

The trunk highway fund's major revenue sources are (1) the 62% of highway user tax distribution (HUTD) fund revenues (aside from the five percent of HUTD revenues that are distributed in accordance with a formula that the legislature periodically establishes), (2) agreements with the federal government for aid in construction and maintenance of trunk highways, and (3) other sources of direct income such as interest earnings.

The November 2008 forecast for the trunk highway fund showed lower state revenues for FY 2009 and beyond. Increases from year to year are still expected because of gas tax rate changes, the tab fee depreciation schedule adjustment, and the constitutional phase-in of motor vehicle sales tax (MVST), but the increases are lower than previously forecast.

Compared to the end of 2008 session estimates, state funds are now forecast to generate lower revenues for the HUTD, for about 3.5%-4.0% lower growth in each year of FY 2009-2010, and somewhat less lower growth beyond FY 2010. Since the trends are somewhat different, each major revenue source is described separately.

- ♦ Gas tax: FY 2009 forecast gas tax revenues were lowered by 2%, reflecting the impact of high gas prices over the summer. The trend of revenues below forecast was particularly large when gas prices approached \$4 per gallon. The November 2008 forecast assumed that gas consumption recovers in the rest of FY 2009 to net 2% lower for the entire year. This 2% reduction is continued for the period of FY 2010 to FY 2013, from the levels projected at end of the 2008 session. Year to year increases were still forecast, at smaller levels, since the tax rate increases over this period.
- ♦ Tab fees: FY 2008 revenue was \$4.2 million below the March forecast at \$477 million. Revenues for July through October 2008 were largely in line with forecast but the outlook for auto sales continued to worsen. The end of 2008 session forecast was adjusted by 3% down in FY 2009 – FY 2010 and by 1.5% thereafter to reflect the expected impact of the automobile market in the next 18 months and the recovery thereafter.
- ♦ MVST: FY 2008 revenue to the HUTD was \$9.9 million higher than forecast at \$196.1 million. The constitutional dedication of MVST to highways and transit means that higher revenues will be deposited in the HUTD, but the rate of growth for MVST receipts was lowered in the November 2008 forecast significantly in FY 2009 (9%) and FY 2010 (11%) from previous forecasts, due to the continued weakness in, and outlook for, new and used car sales.

The November 2008 forecast showed that the impact of these changes in state revenues to the HUTD was that the forecast transfer from the HUTD to the trunk highway fund was about \$25 million lower in FY 2009, \$24 million (2.4%) lower in FY 2010 and \$36 million (3.8%) lower in FY 2011.

The second major source of revenue to the trunk highway fund is federal aid agreements entered into with the Federal Highway Administration. For FY 2008 - 09, the fiscal year close of FY 2008 in the Fall of 2008, and the adoption of the Statewide Transportation Improvement Program (STIP) means that the construction program for

TRANSPORTATION DEPT

Program: STATE ROADS

Change Item: Trunk Highway Funding Changes

FY 2008-09 is now largely determined. Compared to previous forecasts, this biennial program is forecast to involve smaller amounts of federal aid agreements than previously forecast, and the level of Advanced Construction (AC) funding is lower than last forecast. The adopted program and the November 2008 forecast reflects this adjusted program and lower federal aid agreement revenue but the state appropriation needs to be adjusted as well. The request to cancel \$44 million in spending authority in FY 2009 reflects this lower level of federal aid agreements and the entire current program of projects is unaffected.

For 2010-2011, this request is to reduce operating appropriations by \$4.5 million per year, \$2 million from infrastructure investment support and \$2.5 million from infrastructure operations and maintenance. These adjustments are needed to balance the trunk highway fund for FY 2011 using the November 2008 forecast.

Statutory Change: Not Applicable.

Program Description

This program provides support for transit, rail, and air services/infrastructure owned and operated by local government and the private sector.

Transit includes the provision of transit service in greater Minnesota and the construction of commuter rail. Freight includes statutory responsibilities for rail/water system improvements primarily through loans or grants to public port authorities, regional railroad authorities, and shippers. Aeronautics includes aircraft registration, aviation system planning, airport development, aviation education, and government aircraft services.

Budget Activities

- ◆ Aeronautics
- ◆ Transit
- ◆ Freight

TRANSPORTATION DEPT
Program: MULTIMODAL SYSTEMS

Program Summary

<i>Dollars in Thousands</i>					
	Current		Governor Recomm.		Biennium
	FY2008	FY2009	FY2010	FY2011	2010-11
<u>Direct Appropriations by Fund</u>					
General					
Current Appropriation	19,170	21,599	21,599	21,599	43,198
Technical Adjustments					
One-time Appropriations			(2,450)	(2,450)	(4,900)
Subtotal - Forecast Base	19,170	21,599	19,149	19,149	38,298
Governor's Recommendations					
General Fund Reduction		0	(1,924)	(1,924)	(3,848)
Total	19,170	21,599	17,225	17,225	34,450
State Airports					
Current Appropriation	25,482	10,584	10,584	10,584	21,168
Technical Adjustments					
Current Law Base Change			9,000	9,000	18,000
Subtotal - Forecast Base	25,482	10,584	19,584	19,584	39,168
Governor's Recommendations					
Airport Development Grants		0	2,250	0	2,250
Total	25,482	10,584	21,834	19,584	41,418
Trunk Highway					
Current Appropriation	6,620	6,785	6,785	6,785	13,570
Technical Adjustments					
Approved Transfer Between Appr			(276)	(276)	(552)
Subtotal - Forecast Base	6,620	6,785	6,509	6,509	13,018
Total	6,620	6,785	6,509	6,509	13,018
<u>Expenditures by Fund</u>					
Direct Appropriations					
General	19,164	21,605	17,225	17,225	34,450
State Airports	20,645	15,221	21,834	19,584	41,418
Trunk Highway	5,892	7,071	6,509	6,509	13,018
Statutory Appropriations					
Miscellaneous Special Revenue	13,042	72,052	54,577	18,511	73,088
State Airports	995	1,906	1,203	1,203	2,406
Federal	143,240	168,571	226,827	133,217	360,044
Transit Assistance	7,441	7,344	14,896	18,091	32,987
Miscellaneous Agency	242	475	475	475	950
Total	210,661	294,245	343,546	214,815	558,361
<u>Expenditures by Category</u>					
Total Compensation	12,117	13,417	13,692	14,209	27,901
Other Operating Expenses	5,988	44,758	42,630	5,822	48,452
Capital Outlay & Real Property	46,456	7,782	5,000	5,000	10,000
Payments To Individuals	104	124	124	124	248
Local Assistance	144,821	226,232	280,723	188,283	469,006
Other Financial Transactions	1,175	1,932	1,377	1,377	2,754
Total	210,661	294,245	343,546	214,815	558,361

TRANSPORTATION DEPT

Program: MULTIMODAL SYSTEMS

Program Summary

<i>Dollars in Thousands</i>					
	Current		Governor Recomm.		Biennium
	FY2008	FY2009	FY2010	FY2011	2010-11
<u>Expenditures by Activity</u>					
Aeronautics	88,598	118,488	123,989	121,739	245,728
Transit	110,543	157,811	204,363	78,982	283,345
Freight	11,520	17,096	14,344	13,244	27,588
Commercial Vehicles	0	850	850	850	1,700
Total	210,661	294,245	343,546	214,815	558,361
<i>Full-Time Equivalents (FTE)</i>	154.5	170.7	168.4	170.7	

TRANSPORTATION DEPT

Program: MULTIMODAL SYSTEMS

Activity: AERONAUTICS

Narrative

Activity Description

This activity enhances aviation safety and promotes aviation by providing educational, technical and financial assistance to develop and maintain an air transportation system for Minnesota's citizens.

Population Served

The state air transportation system serves all individuals who rely on aviation for business, travel, recreation, delivery of goods, weather information, and medical or other emergency services. People whose livelihood depends directly on aviation include pilots, aircraft owners, aircraft maintenance and service personnel, airport managers and farmers using aerial applications for crop production. Most recognizable to the general public are the air carriers including; air charter providers, corporate aircraft and airlines such as Minnesota-based Northwest Airlines, Mesaba Airlines and Sun Country Air Lines or delivery services like UPS, FEDEX, DHL and the U.S. Postal Service who serve shippers distributing packages to local, national or international destinations. In addition, the Minnesota Department of Transportation (Mn/DOT) aeronautics supports airport sponsors, planning organizations, educational programs at aviation colleges and universities, and industry.

Activity at a Glance

- ◆ 12,118 licensed Minnesota pilots
- ◆ 7,092 active, registered aircraft
- ◆ 7,695 aircraft maintenance technicians
- ◆ 136 airports in State Aviation System Plan (96 airports eligible for federal funds)
- ◆ 19 public-use seaplane bases
- ◆ 36 million commercial passengers

Services Provided

Aeronautics Administration:

Does accounting, purchasing, inventory control, administrative support, budget preparation, monitoring of the spending plan, training coordination, and facilities management for the Aeronautics office building. This service also provides computer support and the management staff for the Mn/DOT Office of Aeronautics.

Air Transportation Operations:

Uses state-owned aircraft to provide air transportation to state employees, the legislature, university personnel and constitutional officers when conducting official business. Mn/DOT charges a single rate per mile for either aircraft. All flights depart from the St. Paul Downtown Airport.

Airport System Investment and Planning:

Provides technical, financial, and administrative assistance to publicly owned airports for aviation system planning, airport master planning, site selection, airport zoning, airspace issues, airport layout plans, project development and programming, land acquisition, project design, construction management, maintenance activities and equipment purchases.

Financial aid is requested by municipalities for eligible airport projects in the form of:

- ◆ State Airport Improvement grants, and;
- ◆ Federal Aviation Administration (FAA) Airport Improvement Program (AIP) grants.

Three additional funding programs are also administered by this activity:

- ◆ airport maintenance grants reimburse a portion of documented eligible maintenance and operation expenses
- ◆ A hangar loan program provides loans to municipalities for construction of aircraft storage hangars.
- ◆ air-service marketing grants are available to airports with airline service to encourage the preservation and expansion of that service in greater Minnesota.

The construction and installation of enroute and terminal navigational aids are provided at no cost to the local government and in partnership with the FAA as safety improvements. Current infrastructure includes 85 radio navigation and communication systems.

TRANSPORTATION DEPT

Program: MULTIMODAL SYSTEMS

Activity: AERONAUTICS

Narrative

Aviation System Management:

Furnishes weather information systems, repairs and maintains navigational aids, conducts airport safety inspections, licenses airports and commercial aviation operators at airports, registers aircraft and ensures safety and regulatory compliance.

Traveler Information:

- ◆ Provides weather information to pilots by gathering statewide weather information through a network of 76 weather stations. In addition to aviation, this information is used by many other groups, including school systems, farmers, contractors and individuals.
- ◆ Provides updated Statewide Aeronautical Charts every other year to all Minnesota pilots. Provides an annually updated Airport Directory and Travel Guide annually and provided to each Minnesota aircraft owner.
- ◆ Participates in 15 to 30 presentations at flight safety seminars a year at locations across the state to refresh pilot awareness of hazards to flight operations. The office also provides annual FAA required educational programs for aircraft maintenance technicians to increase the safety of flight through new and emerging technologies and safety practices.
- ◆ Directs and manages the development of educational materials, curriculum and programs that enhance and promote statewide aviation safety and education. The office also coordinates Minnesota's programs with surrounding states to increase safety regionally. Participation in local, national and regional events insures that the aviation community is reached with safety and promotional information.

Historical Perspective

Grants Authority:

State Construction Grants, M.S. 360.011, 360.015, 360.305. Municipalities that own airports receive grants to finance capital improvements. Airports must be zoned or in the process of being zoned to be eligible for a construction grant.

State Maintenance Grants, M.S. 360.011, 360.015, 360.305. The agency issues maintenance grants to municipalities that own airports for part of their operating and maintenance costs. To be eligible for the grant, the municipality must provide safety zoning for the airport. Each grant has a state/local cost share and a maximum allowable reimbursement.

Federal AIP Grants, M.S. 360.011, 360.015, 360.016. The FAA issues grants to municipalities for capital improvements to their airports. Under state law, Mn/DOT serves as agent for communities applying for federal grants, as well as receiver and disbursing officer of funds to the municipality.

Key Activity Goals

The key goals of the Aeronautics budget activity are to:

- ◆ Safeguard what exists by administering state and federal grant programs to repair and improve runways and other capital investments
- ◆ Improve traveler safety by furnishing weather information systems, repairing and maintaining navigational aids, inspecting and licensing airports and operators, and registering aircraft.
- ◆ Make the air transportation network operate better by administering air-service marketing grants to encourage the preservation and expansion of air service in greater Minnesota.

Additional information on the agency's strategic goals can be found at:

<http://www.dot.state.mn.us/information/statplan00/index.html> or at the governor's department results page at: <http://www.departmentresults.state.mn.us>

Key Measures

- ◆ More than 86% of the 40 regional trade center airports will have a pavement condition of good or better and less than 4% will have pavement condition of poor by 2023. In 2003, 88% of pavements were rated good or better and 3% were poor or worse. Levels were 88% good and 3% poor in 2004, 87% good and 3% poor in 2005, and 87% good and 3% poor in 2006. Pavement data from 2007 is being evaluated. Pavement condition is anticipated to meet or exceed the performance goal of 83% good and 4% poor for 2007.
- ◆ Passenger miles for Air Transportation Operations continue to recover from a 2002-03 decline. While experiencing moderate growth in recent years, no growth or a slight decline is predicted in the next few years.
- ◆ Mn/DOT Aeronautics, the FAA and customer groups will work to reduce general aviation crashes to 30 per year by 2023. The number of crashes has been decreasing since 2005, with a three-year average of 31 in 2005, and 26 in 2007. Improved weather information dissemination and pilot safety seminars are the primary tools available to reduce accidents.
- ◆ As accidents have decreased, fatalities have also been decreasing, with a three-year average of seven in 2005 and four in 2007. The goal is six or less in any year by 2025.
- ◆ A pilot information measure determines the percentage of pilots with access to weather information at public airports by evaluating the number of aircraft based at the airports that provide weather service. The percent has increased from 94.1% in 2004 to 95.8% in 2007. The target is a minimum of 95%.
- ◆ Mn/DOT-operated navigational aids will have an operating reliability of 98% or greater. This measure has performed consistently between 98.0% and 98.9% between the years 1997 and 2007.

Activity Funding

The state airports fund, a statutory dedicated fund, supports this program. Income to this fund comes from aviation fuel tax, aircraft registration tax, airline flight property tax and investment interest income. The FAA AIP also supports portions of the program with grants issued to municipalities for improvements at airports that are a part of the National Plan of Integrated Airport Systems (NPIAS).

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TRANSPORTATION DEPT
Program: MULTIMODAL SYSTEMS
Activity: AERONAUTICS

Budget Activity Summary

Dollars in Thousands					
	Current		Governor's Recomm.		Biennium
	FY2008	FY2009	FY2010	FY2011	2010-11
<u>Direct Appropriations by Fund</u>					
State Airports					
Current Appropriation	25,482	10,584	10,584	10,584	21,168
Technical Adjustments					
Current Law Base Change			9,000	9,000	18,000
Subtotal - Forecast Base	25,482	10,584	19,584	19,584	39,168
Governor's Recommendations					
Airport Development Grants		0	2,250	0	2,250
Total	25,482	10,584	21,834	19,584	41,418
Trunk Highway					
Current Appropriation	852	866	866	866	1,732
Technical Adjustments					
Approved Transfer Between Appr			(29)	(29)	(58)
Subtotal - Forecast Base	852	866	837	837	1,674
Total	852	866	837	837	1,674
<u>Expenditures by Fund</u>					
Direct Appropriations					
State Airports	20,645	15,221	21,834	19,584	41,418
Trunk Highway	803	871	837	837	1,674
Statutory Appropriations					
Miscellaneous Special Revenue	75	490	115	115	230
State Airports	995	1,906	1,203	1,203	2,406
Federal	66,080	100,000	100,000	100,000	200,000
Total	88,598	118,488	123,989	121,739	245,728
<u>Expenditures by Category</u>					
Total Compensation	3,212	4,202	4,328	4,458	8,786
Other Operating Expenses	4,302	3,466	2,148	2,018	4,166
Capital Outlay & Real Property	105	0	0	0	0
Payments To Individuals	8	0	0	0	0
Local Assistance	80,668	110,070	117,337	115,087	232,424
Other Financial Transactions	303	750	176	176	352
Total	88,598	118,488	123,989	121,739	245,728
Full-Time Equivalents (FTE)	38.2	48.4	48.4	48.4	

Activity Description

The Transit activity provides transportation alternatives to driving alone and allows people to live independently and participate fully in Minnesota's communities and economy. The goals of the state transportation system include providing transit services throughout the state to meet the needs of transit users (M.S. 174.01). In greater Minnesota, the public transit participation program (M.S. 174.24) is supported by the general fund, revenues from Motor Vehicle Sales Tax (MVST – M.S. 297B.09) and, beginning in 2010, revenues from sales tax on leased motor vehicles (M.S. 297A.815). Revenues from these sales taxes are deposited in the greater Minnesota Transit Fund (M.S. 16A.88). The program provides grants for operating and capital assistance to fund public transit service outside the metropolitan area in 66 of 80 counties. This activity also maintains a statewide system plan for bicycle transportation, supports bicycle and pedestrian systems and promotes non-travel alternatives such as teleworking.

Activity at a Glance

- ◆ Countywide public transit provided in 66 of 80 greater Minnesota counties
- ◆ 1.03 million hours of bus service (2007)
- ◆ 666 buses (2007)
- ◆ 10.4 million passenger trips (2007 data)
- ◆ Ongoing planning activities for bicycles and pedestrians
- ◆ Non-motorized Transportation Advisory Committee
- ◆ Northstar Corridor Rail Project under construction and will open by January 2010
- ◆ Development of a Statewide Freight and Passenger Rail Plan is underway

The Twin Cities regional transportation plan encourages development of transit ways centered on the downtowns of Minneapolis and St. Paul. The Minnesota Department of Transportation (Mn/DOT) is responsible for planning, design and construction of commuter rail (M.S. 174.82) and works closely with the Metropolitan Council on design and construction of Light Rail Transit (LRT) (M.S. 174.35). Minnesota's first LRT line, Hiawatha, opened in June 2004 from Fort Snelling to downtown Minneapolis and from the Mall of America through the airport to Fort Snelling in December 2004. Work is underway on the first commuter rail corridor--Northstar (Big Lake to downtown Minneapolis) is under construction and will open for service by January 2010. Preliminary engineering is underway for the Central Corridor LRT project, which will link downtown Minneapolis and downtown St. Paul via University Avenue. Final design is scheduled to begin in 2009, construction in 2010 and operations in 2014.

A number of plans and studies are currently underway: the Greater Minnesota Transit Plan, the Transit Services Needs Implementation Plan, an Update of the Intercity Bus Study, the Statewide Freight and Passenger Rail Plan, the Complete Streets Study.

Population Served

Customers served by this activity include commuters (those traveling for the purpose of work) and personal travelers (those traveling to non-work destinations, including educational institutions, medical appointments, shopping centers, recreational facilities and congregate dining). This activity benefits thousands of Minnesotans in areas where public transit is often the only means of access to life-sustaining goods, services and work opportunities. The proportion of people who are dependent upon public transportation (the elderly, persons with disabilities and people with low income) is expected to increase more rapidly than the population as a whole.

Transit use helps to extend investments on parallel roadways—people using transit occupy less roadway space, thereby benefiting those shippers, commuters and travelers who must use the roadways.

Services Provided

The transit activity helps people and communities meet their mobility needs by supporting safe, responsive efficient and environmentally sound transit services and by safely accommodating bicycles and pedestrians to help everyone move smarter, safer and more efficiently. It provides access to transit for persons who have no alternative mode of transportation available, increases the efficiency and productivity of public transit systems, maintains a state commitment to public transportation and meets other needs of individual transit systems consistent with the objectives stated in M.S. 174.21.

TRANSPORTATION DEPT

Program: MULTIMODAL SYSTEMS

Activity: TRANSIT

Narrative

As economic activity, health care services, government services and educational facilities become more concentrated in regional centers, the need to travel to and within these centers continue to increase. One of the strategies to maintain a desirable level of regional accessibility is an improved transit system—this also provides a modal choice option. A network of bus, light rail and commuter rail services combined with bike trails and highways provides for such a multimodal, integrated transportation system. Corridor projects are expected to improve air quality, travel time, security and the quality of service for Twin Cities' transit customers. Projects will also enhance economic development in the corridors. Transit services fall into four areas:

Transit System Investment and Planning provides grants to eligible recipients to operate public transit services in greater Minnesota as well as planning, technical assistance and evaluation activities related to transit. It also develops comprehensive passenger rail transit plans that guide public investment and provides necessary information about commuter rail, light rail and intercity rail transportation in Minnesota. In the Twin Cities Metropolitan Area it supports transit corridor projects as well as Rideshare projects and certain Congestion Mitigation Air Quality (CMAQ) transit projects.

Transit Operations and Maintenance includes activities that support commuter bus projects such as service operation, equipment, station areas, and park and ride lots. These activities give commuters in the metro area an additional travel option in highly traveled corridors.

Transit Administration provides the office with management, administration, support services and coordination with Minnesota and federal agencies for management of transit grants and capital projects. Additionally, e-government services are developed to reduce costs for both Mn/DOT and the transit providers.

The Bicycle and Pedestrian Section works to safely include and link bicycle and pedestrian facilities in transportation projects. They are working closely with other areas of Mn/DOT on a Complete Streets Study, which will suggest whether policies should be adopted, that would define accommodations of all modes on Minnesota roadways.

Historical Perspective

Minnesota established a public transit participation program to meet objectives stated in M.S. 174.21 by providing financial assistance to eligible recipients outside of the metropolitan area. Public transit systems in greater Minnesota receive state assistance through a fixed local share funding formula. These public transit systems also receive federal assistance through the Federal Transit Administration's Section 5311, Non-urbanized Area Formula Program. Currently grants are provided for operating and capital assistance to fund 61 public transit systems outside the metropolitan area. Countywide service is provided in 66 of 80 counties (seven counties are without public transit service and seven have service only in certain municipalities).

Key Activity Goals

The goal of the transit activity is to meet mobility needs of Minnesota's citizens through access to a high quality, coordinated transit network that is integrated into the overall transportation system. This is supported by one of the department's strategic directions, *safeguard what exists*. Mn/DOT's most important priority is to operate, maintain and preserve Minnesota's existing transportation systems and infrastructure by maintaining the state's physical transportation assets—highways, bridges, airports, water ports, bikeways and freight, bus, rail and intermodal facilities—in a sound and safe condition and by protecting system performance through effective design, access management, financial support and coordination with local transportation partners. The link to Mn/DOT's Strategic Plan is <http://www.dot.state.mn.us/information/statplan00/index.html>.

Key Activity Measures

- ◆ *Preserve existing public transit systems in greater Minnesota.*

Maintain current level of public transit service levels in greater Minnesota—provide resources and technical assistance to maintain the current level of public transit service (service hours, trips and number of people with access to services). The service level is projected to steadily rise, peaking at 1.35 million hours in 2012, which coincides with the full phase in of MVST revenues and sales tax on leased motor vehicles. If general

TRANSPORTATION DEPT

Program: MULTIMODAL SYSTEMS

Activity: TRANSIT

Narrative

funds remain constant, funding is expected to be sufficient for greater Minnesota systems to provide 1.2 million hours of service in 2010 and 1.3 million in 2011. Ridership in greater Minnesota was 10.4 million in 2007.

Measure: Number of bus service hours required to meet transit needs in Greater Minnesota

	2002*	2003	2004	2005	2006	2007	2008	2009 (est)
Data	930,000	960,000	920,000	930,000	950,000	1,030,000	1,030,000	1,100,000
Target	980,000	1,030,000	1,090,000	1,140,000	1,190,000	1,240,000	1,300,000	1,350,000

◆ *Increase the availability of public transit service in greater Minnesota.*

The goal of the Greater Minnesota Transit Plan is to meet 80% of transit service need by 2010 – increase bus service hours 7% annually. An update to the Greater Minnesota Transit Plan will be completed in early 2009.

Number of counties in greater Minnesota with countywide public transit service:

<u>1996</u>	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
53	58	59	63	64	64	66	65	65	65	66	66	66	67 est.

◆ *Route miles and annual revenue service hours will be measured for commuter rail and intercity rail when those services open.*

Activity Funding

Greater Minnesota transit systems are funded through a financial partnership that includes local, state and federal participation. In support of this public transit service, Mn/DOT's first priority is preserving existing transit systems. Mn/DOT's performance targets also include the expansion of transit into unserved areas. Mn/DOT is the designated recipient of all FTA funds for rural transit operations in greater Minnesota as well as certain funds used for activities such as rideshare, transit ways, corridor studies, buses and bus facilities in the Twin Cities metro area.

During the 2007-08 Biennium the Minnesota legislature statutorily dedicated 40% of annual MVST collections for transit with a five year phase in beginning in 2008. In 2012, four percent of this funding is dedicated for greater Minnesota transit operations. The 2008 legislature approved a one-time \$1.7 million appropriation to offset the lower than forecasted MVST revenues deposited in the greater Minnesota transit fund. The legislature also statutorily dedicated 50% of sales tax revenue on leased motor vehicles for greater Minnesota transit with a three year phase in beginning in 2010. For the 2010-11 Biennium it is anticipated that the current level of general fund appropriations coupled with MVST revenues and additional revenues from sales tax on leased motor vehicles will provide sufficient funding to add new service in three to five counties and expand service hours where needed in many greater Minnesota transit systems.

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<http://www.dot.state.mn.us/transit>
Greater Minnesota Public Transit Plan; Annual
Transit Report; Transit Programs – Federal

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<http://www.dot.state.mn.us/bike>
Resources for bicyclists

<http://www.dot.state.mn.us/peds>
Resources for pedestrians

Related documents and information:

<http://www.dot.state.mn.us/passengerrail>
Commuter Rail Twin Cities Commuter Rail System
Plan and Corridor Updates
Inter-City Rail Midwest Regional Rail Initiative

TRANSPORTATION DEPT
Program: MULTIMODAL SYSTEMS
Activity: TRANSIT

Budget Activity Summary

<i>Dollars in Thousands</i>					
	Current		Governor's Recomm.		Biennium
	FY2008	FY2009	FY2010	FY2011	2010-11
<u>Direct Appropriations by Fund</u>					
General					
Current Appropriation	18,813	20,484	20,484	20,484	40,968
Technical Adjustments					
One-time Appropriations			(1,700)	(1,700)	(3,400)
Subtotal - Forecast Base	18,813	20,484	18,784	18,784	37,568
Governor's Recommendations					
General Fund Reduction		0	(1,924)	(1,924)	(3,848)
Total	18,813	20,484	16,860	16,860	33,720
Trunk Highway					
Current Appropriation	740	761	761	761	1,522
Technical Adjustments					
Approved Transfer Between Appr			14	14	28
Subtotal - Forecast Base	740	761	775	775	1,550
Total	740	761	775	775	1,550
<u>Expenditures by Fund</u>					
Direct Appropriations					
General	18,813	20,484	16,860	16,860	33,720
Trunk Highway	666	829	775	775	1,550
Statutory Appropriations					
Miscellaneous Special Revenue	11,425	66,493	51,459	15,393	66,852
Federal	71,956	62,186	119,898	27,388	147,286
Transit Assistance	7,441	7,344	14,896	18,091	32,987
Miscellaneous Agency	242	475	475	475	950
Total	110,543	157,811	204,363	78,982	283,345
<u>Expenditures by Category</u>					
Total Compensation	3,542	2,854	2,927	3,003	5,930
Other Operating Expenses	798	39,177	39,035	2,668	41,703
Capital Outlay & Real Property	42,619	0	0	0	0
Payments To Individuals	96	124	124	124	248
Local Assistance	63,488	115,656	162,277	73,187	235,464
Total	110,543	157,811	204,363	78,982	283,345
Full-Time Equivalents (FTE)	46.2	41.8	41.8	41.8	

Activity Description

This activity enhances Minnesota's economic vitality by improving access to regional, national, and global markets by increasing the safety and efficiency of goods movement. This activity also advances highway safety by improving and enhancing the safety and security of commercial transportation operations, and to ensure and ensuring compliance with state and federal laws.

Population Served

Minnesota's multi-modal freight transportation network carries over 600 million tons of freight annually as follows:

- ◆ Truck - 59%
- ◆ Rail - 33%
- ◆ Water - 8%
- ◆ Air - 0.1%

The freight system includes hubs, terminals and ports that provide connections between modes, thus extending the availability of freight service for Minnesota's shippers, carriers and citizens.

Activity at a Glance

- ◆ Minnesota Rail Service Program (MRSI) loans distributed in FY 2008: \$1.2 million; loan repayments: \$1.8 million
- ◆ Port Development Assistance grants awarded in FY 2008: \$1.4 million.
- ◆ Highway/Rail Grade Crossing Safety Improvement Projects (federally funded) in FY 2008: 39
- ◆ Rail-Related Trunk Highway Construction Projects Supported in FY 2008: 26
- ◆ Motor Carrier Safety Performance Evaluations: 983
- ◆ Motor Carrier Safety Classes: 185
- ◆ Motor Carrier Permits/ Credentials Issued: 99,810

Services Provided

Rail and Port Programs: Administer the Minnesota Rail Service Improvement Program and the Port Development Assistance Program to improve the condition and capacity of rail and port infrastructure.

Grade Crossing Safety: Construct highway/rail grade crossing safety improvement projects to enhance safety at public grade crossings in Minnesota.

Rail-Related Trunk Highway Projects: Execute coordination and construction agreements with railroads in support of trunk highway construction projects affected by rail lines.

Rail Safety: Conduct inspections of rail track and structures to ensure compliance with federal and state regulations. Provide oversight and regulation of rail grade crossings and rail worker safety in accordance with state statutes.

Freight Planning: Develop plans and information that support an integrated system of freight transportation in Minnesota that offers safe, reliable and competitive access to statewide, national, and international markets.

Oversize/Overweight Truck Permits: Issue single trip and annual permits authorizing the movement of oversize/overweight trucks on trunk highways and Interstates to protect the state's highway infrastructure and ensure safety.

Motor Carrier Education: Provide training, technical assistance, and educational outreach materials, through live classes and online e-Learning programs, to commercial vehicle operators, shippers, and other industry groups on motor carrier safety regulations to improve transportation safety, efficiency, and productivity.

Motor Carrier Credentials: Administer credentialing programs for intrastate and interstate motor carrier operations and shippers to ensure the authority to operate on Minnesota's roads is given only to insured carriers who meet the state's safety requirements.

Motor Carrier Safety Evaluation: Conduct reviews of regulated commercial transportation providers and shippers to ensure that they comply with safety and hazardous materials regulations.

Historical Perspective

As the transportation industry has increased the integration of freight transportation across all modes, Minnesota Department of Transportation (Mn/DOT) has responded by creating the Office of Freight and Commercial Vehicle Operations (OFCVO). The mission of OFCVO is to ensure the improvement of the state's transportation system, enhance the safety and security of its operations, and keep Minnesota competitive in a global economy.

Key Activity Goals

The key goals of the Aeronautics budget activity are to:

- ◆ Safeguard what exists by regulating the movement of oversize and overweight trucks on the state's highway system thereby preserving pavements and protecting the safety of highway system users.
- ◆ Make the transportation network work better and improve user safety by conducting rail, track and structure inspections; constructing rail crossing improvements; and conducting regulatory compliance reviews for commercial transportation providers and administering credentialing programs for commercial vehicle operators and shippers.

Additional information on the Agency's strategic goals can be found at:

<http://www.dot.state.mn.us/information/statplan00/index.html> or at the governor's department results page at:

<http://www.departmentresults.state.mn.us>.

Key Measures

Rail crossing crashes: Reduce the number of highway/rail grade crossing crashes. There were 46 crashes at public crossings in year 2007, versus 49 in 2006, 83 in 2000, and 115 in 1990.

Rail crossing fatalities: Reduce the number of highway/rail grade crossing fatalities. There were three fatalities at public crossings in year 2007, versus ten in 2006, four in 2000, and 18 in 1990. The 2007 total was a record low in Minnesota since data collection began in 1938.

Truck related fatalities: Increase the safety and security of the transportation system and its users by reducing the number of truck related fatalities according to a three-year average target. Truck related fatalities decreased from 105 in 1997 to 65 in 2006.

Minnesota-based intrastate passenger carrier safety scores: Increase the safety performance of passenger carriers including special transportation service providers, limousine operators, and motor carriers of passengers. In 2007 95% of all passenger carriers achieved an acceptable safety rating according to federal safety methodology. The 2008 and 2009 target is to continue to have 95% of all passenger carriers achieve an acceptable safety rating.

Electronic permit transactions: Provide faster customer service by increasing electronic permitting. The percentage of permit transactions conducted over the Internet has increased from 10% in 2003 to 47% in 2008. The target for 2009 is to achieve 50%.

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TRANSPORTATION DEPT
Program: MULTIMODAL SYSTEMS
Activity: FREIGHT

Budget Activity Summary

<i>Dollars in Thousands</i>					
	Current		Governor's Recomm.		Biennium
	FY2008	FY2009	FY2010	FY2011	2010-11
<u>Direct Appropriations by Fund</u>					
General					
Current Appropriation	357	1,115	1,115	1,115	2,230
Technical Adjustments					
One-time Appropriations			(750)	(750)	(1,500)
Subtotal - Forecast Base	357	1,115	365	365	730
Total	357	1,115	365	365	730
Trunk Highway					
Current Appropriation	5,028	5,158	5,158	5,158	10,316
Technical Adjustments					
Approved Transfer Between Appr			(261)	(261)	(522)
Subtotal - Forecast Base	5,028	5,158	4,897	4,897	9,794
Total	5,028	5,158	4,897	4,897	9,794
<u>Expenditures by Fund</u>					
Direct Appropriations					
General	351	1,121	365	365	730
Trunk Highway	4,423	5,371	4,897	4,897	9,794
Statutory Appropriations					
Miscellaneous Special Revenue	1,542	4,219	2,153	2,153	4,306
Federal	5,204	6,385	6,929	5,829	12,758
Total	11,520	17,096	14,344	13,244	27,588
<u>Expenditures by Category</u>					
Total Compensation	5,363	6,361	6,437	6,748	13,185
Other Operating Expenses	888	1,265	597	286	883
Capital Outlay & Real Property	3,732	7,782	5,000	5,000	10,000
Local Assistance	665	506	1,109	9	1,118
Other Financial Transactions	872	1,182	1,201	1,201	2,402
Total	11,520	17,096	14,344	13,244	27,588
Full-Time Equivalents (FTE)	70.1	80.5	78.2	80.5	

TRANSPORTATION DEPT
Program: MULTIMODAL SYSTEMS
Activity: COMMERCIAL VEHICLES

Budget Activity Summary

<i>Dollars in Thousands</i>					
	Current		Governor's Recomm.		Biennium
	FY2008	FY2009	FY2010	FY2011	2010-11
<u>Expenditures by Fund</u>					
Statutory Appropriations					
Miscellaneous Special Revenue	0	850	850	850	1,700
Total	0	850	850	850	1,700
<u>Expenditures by Category</u>					
Other Operating Expenses	0	850	850	850	1,700
Total	0	850	850	850	1,700

Program Description

This program involves all aspects of the road systems owned and operated by the Minnesota Department of Transportation (Mn/DOT). It covers the Trunk Highway System, as well as related assets, such as rest areas, trails, and park and ride facilities. The responsibilities include planning, design, purchasing right-of-way, construction, maintenance and operations of the road system, and all associated appurtenances such as, shoulders, drainage structures, bridges, signals, signs, lighting, and striping. Not only does it include the entire Trunk Highway System, it also includes managing the entire trunk highway right-of-way associated with the system. These responsibilities include managing leases, reconveying right-of-way, and identifying encroachments. Facilities, equipment and materials are necessary to support many of these activities. Other supporting activities include materials testing, technical training, and managing inventory centers across the state. Accommodation of bikes, pedestrians, and other modes are integrated into the highway planning process when appropriate.

Budget Activities

- ◆ Infrastructure Investment and Planning
- ◆ Infrastructure Operations and Maintenance
- ◆ Electronic Communications

TRANSPORTATION DEPT
Program: STATE ROADS

Program Summary

Dollars in Thousands					
	Current		Governor Recomm.		Biennium
	FY2008	FY2009	FY2010	FY2011	2010-11
<u>Direct Appropriations by Fund</u>					
General					
Current Appropriation	9	9	9	9	18
Subtotal - Forecast Base	9	9	9	9	18
Total	9	9	9	9	18
Trunk Highway					
Current Appropriation	1,252,441	1,168,867	1,168,867	1,168,867	2,337,734
Technical Adjustments					
Approved Transfer Between Appr			(4,928)	(4,928)	(9,856)
November Forecast Adjustment		0	30,439	82,803	113,242
One-time Appropriations			(77,000)	(77,000)	(154,000)
Subtotal - Forecast Base	1,252,441	1,168,867	1,117,378	1,169,742	2,287,120
Governor's Recommendations					
State Road Construction Appropriation		0	43,500	130,900	174,400
Trunk Highway Funding Changes		(44,000)	(4,500)	(4,500)	(9,000)
Total	1,252,441	1,124,867	1,156,378	1,296,142	2,452,520
<u>Expenditures by Fund</u>					
Direct Appropriations					
General	69	3,516	9	9	18
Trunk Highway	1,060,657	1,299,947	1,156,378	1,296,142	2,452,520
Statutory Appropriations					
State Government Spec Revenue	7,642	5,083	2,641	0	2,641
Miscellaneous Special Revenue	13,914	25,824	10,661	11,661	22,322
Trunk Highway	7,179	56,089	46,074	46,024	92,098
Federal	7,923	23,719	33,831	20,246	54,077
Miscellaneous Agency	2	86	50	50	100
Total	1,097,386	1,414,264	1,249,644	1,374,132	2,623,776
<u>Expenditures by Category</u>					
Total Compensation	283,333	312,928	322,484	328,330	650,814
Other Operating Expenses	167,548	232,194	196,829	175,792	372,621
Capital Outlay & Real Property	641,444	794,675	632,992	720,392	1,353,384
Local Assistance	970	3,460	1,372	1,287	2,659
Other Financial Transactions	4,239	71,007	101,027	153,391	254,418
Non-Cash Transactions	(148)	0	0	0	0
Transfers	0	0	(5,060)	(5,060)	(10,120)
Total	1,097,386	1,414,264	1,249,644	1,374,132	2,623,776
<u>Expenditures by Activity</u>					
Infrastructure Invest & Plng	861,184	1,118,521	963,519	1,101,198	2,064,717
Infrastructure Oper & Maint	223,084	283,840	277,213	266,713	543,926
Electronic Communications	13,118	11,903	8,912	6,221	15,133
Total	1,097,386	1,414,264	1,249,644	1,374,132	2,623,776
Full-Time Equivalents (FTE)	3,951.6	4,225.1	4,225.1	4,175.1	

TRANSPORTATION DEPT

Program: STATE ROADS

Activity: INFRASTRUCTURE INVEST & PLNG

Narrative

Activity Description

The Infrastructure Investment and Planning Budget Activity directs development and funding of Minnesota Department of Transportation's (MnDOT's) road and bridge construction program, in accordance with the priorities and policies set out in MnDOT's performance-based Statewide Transportation Plan. This activity sets performance goals and policy, develops long range plans, evaluates transportation investments against specific performance targets, and recommends alternatives for future action. This activity also includes project design and development work ranging from soils testing to traffic forecasts. In addition, it develops and manages a program of transportation research to improve the tools and methods by which transportation improvements are made and implemented.

Activity at a Glance

- ◆ 11,890 centerline trunk highway miles
- ◆ 29,230 lane miles of interstate and regular trunk highways
- ◆ 254,074 acres of right-of-way (including wetland and ponds)
- ◆ 74 rest areas
- ◆ 4,781 trunk highway bridges

Population Served

The Infrastructure Investment and Planning Budget Activity serves the federal and state governments, the legislature, local governments and entities, and the general public.

Services Provided

Statewide System Planning and Integration:

Performs short and long-range planning and policymaking activities for transportation programs and investments, including the Statewide Transportation Plan, State Transportation Improvement Program (STIP), Area Transportation Improvement Programs (ATIPs), corridor plans, district plans, bike and pathways planning, and other multi-modal planning. Also, administers MnDOT's research program.

State Roads Investment:

Manages the development and implementation of the state road construction program and the federal funding programs. This service includes fiscal management of payments to consultants and contractors for road and bridge construction, property owners for right-of-way acquisition, and consultants for research contracts. This service also includes financial tracking, regulation, and transportation program guidance and analysis.

Construction Project Development:

Performs all of the activities that must be done before a construction project begins, including the six milestones of scoping, construction limits, environmental documentation, right-of-way acquisition, plan delivery, and letting.

Construction Project Management:

Performs testing and inspection of materials used in construction projects, conducts field inspections to monitor construction projects, completes project documentation, and approves contractor payment requests.

Highway Debt Service:

Provides for the repayment of trunk highway bond debt and debt related to local government advances.

Key Activity Goals

- ◆ Safeguard what exists <http://www.dot.state.mn.us/information/statplan00/index.html>.
- ◆ Make the transportation system operate better <http://www.dot.state.mn.us/information/statplan00/index.html>
- ◆ Make MnDOT operate better <http://www.dot.state.mn.us/information/statplan00/index.html>
- ◆ Deliver program within budget and fiscal constraints
- ◆ Deliver projects in program on time and on budget

TRANSPORTATION DEPT**Program: STATE ROADS****Activity: INFRASTRUCTURE INVEST & PLNG**

Narrative

Key Activity Measures

MnDOT has a wide range of measures that include safety, pavement and bridge condition, congestion, travel speeds, and delivering projects on-time and in budget. Three key measures are presented below: ride quality, bridge condition, and project schedule. Ride quality and bridge condition are repeated in the Maintenance and Operations activity narrative.

Measure: Pavement Condition – Customer Ride Quality Index (RQI)**Pavements with Good Ride Quality Index – Principal Arterials**

Percent of Principal Arterial miles rated in “Good” condition

Calendar Year	2003	2004	2005	2006	2007	2008 (est.)	2009 (est.)	2010 (est.)
Data	63.6%	63.4%	66.8%	68.9%	66.3%	65.7%	63.6%	63.4%
Target	>= 70%							

Pavements with Poor Ride Quality Index – Principal Arterials

Percent of Principal Arterial miles rated in “Poor” condition

Calendar Year	2003	2004	2005	2006	2007	2008 (est.)	2009 (est.)	2010 (est.)
Data	2.6%	2.7%	2.6%	2.3%	2.6%	3.9%	5.0%	6.5%
Target	<= 2%							

Measure: Structural Condition of Bridges

The bridge structural condition measure is the percent of Principal Arterial bridges that are rated “Good”, “Fair and Poor”, and “Poor” condition (by surface area) on the National Bridge Inventory (NBI) scale.

Bridges in Good Structural Condition – Principal Arterials

Calendar Year	2003	2004	2005	2006	2007	2008 (est.)	2009 (est.)	2010 (est.)
Data	51.8%	53.3%	53.3%	53.9%	55.2%	56.2%	56.1%	56.0%
Target	>= 55%							

Bridges in Fair and Poor Structural Condition – Principal Arterials

Percent of Principal Arterial Bridges (by surface area) rated in “Fair and Poor” structural condition

Calendar Year	2003	2004	2005	2006	2007	2008 (est.)	2009 (est.)	2010 (est.)
Data	12.9%	12.8%	11.3%	11.3%	11.1%	11.9%	12.0%	12.0%
Target	<= 16%							

Bridges in Poor Structural Condition – Principal Arterials

Percent of Principal Arterial Bridges (by surface area) rated in “Poor” structural condition

Calendar Year	2003	2004	2005	2006	2007	2008 (est.)	2009 (est.)	2010 (est.)
Data	4.2%	4.2%	3.9%	3.6%	3.1%	3.5%	3.6%	3.7%
Target	<= 2.0%							

Measure: Construction Project Schedule

The measure for construction project schedule is the percent of all MnDOT projects in the first year of the Statewide Transportation Improvement Program (STIP) let for construction in the fiscal year they are scheduled. In 2004, 83% of the projects were let in the first year as scheduled; this value increased to 92% in 2007. The ongoing target is 90%.

TRANSPORTATION DEPT

Program: STATE ROADS

Activity: INFRASTRUCTURE INVEST & PLNG

Narrative

Percent of Construction Projects put out for Bid (Let) in the Year as Planned

FY	2004	2005	2006	2007
Data	83%	89%	86%	92%
Target	>= 90%			

Activity Funding

This area is generally funded by trunk highway fund appropriations, but it has received some general fund appropriations in the past as well as trunk highway bonding authority.

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TRANSPORTATION DEPT

Program: STATE ROADS

Activity: INFRASTRUCTURE INVEST & PLNG

Budget Activity Summary

<i>Dollars in Thousands</i>					
	Current		Governor's Recomm.		Biennium
	FY2008	FY2009	FY2010	FY2011	2010-11
<u>Direct Appropriations by Fund</u>					
Trunk Highway					
Current Appropriation	1,032,929	908,841	908,841	908,841	1,817,682
Technical Adjustments					
Approved Transfer Between Appr			(7,465)	(7,465)	(14,930)
November Forecast Adjustment		0	30,439	82,803	113,242
One-time Appropriations			(77,000)	(77,000)	(154,000)
Subtotal - Forecast Base	1,032,929	908,841	854,815	907,179	1,761,994
Governor's Recommendations					
State Road Construction Appropriation		0	43,500	130,900	174,400
Trunk Highway Funding Changes		(44,000)	(2,000)	(2,000)	(4,000)
Total	1,032,929	864,841	896,315	1,036,079	1,932,394
<u>Expenditures by Fund</u>					
Direct Appropriations					
General	67	3,500	0	0	0
Trunk Highway	845,070	1,030,894	896,315	1,036,079	1,932,394
Statutory Appropriations					
Miscellaneous Special Revenue	8,560	17,689	4,572	4,572	9,144
Trunk Highway	150	46,689	40,401	40,401	80,802
Federal	7,335	19,663	22,181	20,096	42,277
Miscellaneous Agency	2	86	50	50	100
Total	861,184	1,118,521	963,519	1,101,198	2,064,717
<u>Expenditures by Category</u>					
Total Compensation	142,623	153,644	158,332	161,801	320,133
Other Operating Expenses	73,859	98,055	70,383	64,914	135,297
Capital Outlay & Real Property	639,641	792,375	632,425	719,825	1,352,250
Local Assistance	970	3,440	1,352	1,267	2,619
Other Financial Transactions	4,239	71,007	101,027	153,391	254,418
Non-Cash Transactions	(148)	0	0	0	0
Total	861,184	1,118,521	963,519	1,101,198	2,064,717
Full-Time Equivalents (FTE)	1,839.7	1,944.6	1,944.6	1,911.6	

TRANSPORTATION DEPT

Program: STATE ROADS

Activity: INFRASTRUCTURE OPER & MAINT

Narrative

Activity Description

This activity maintains, operates and preserves the state's Trunk and Interstate Highway System including roadways, bridges, roadsides, safety appurtenances, traffic control and traffic management devices and the equipment and buildings associated with those tasks.

Population Served

Any person who travels on the state Trunk Highway or Interstate System or relies upon the highway system to deliver goods and services is served by this budget activity.

Primary customer groups/segments include:

- ◆ Commuters: Bus riders, carpoolers, single-occupancy vehicles (SOV), etc.—traveling for work.
- ◆ Personal Travelers: Bus riders, pedestrians, SOVs, etc.—those traveling for non-work purposes (shopping, entertainment, etc.)
- ◆ Carriers: Those carrying goods throughout the state, including truckers, pilots, barge operators, railroads, etc.
- ◆ Shippers: Those making decisions about which mode to use for the shipment of their company's goods within or through our state, including shipments via barge/air/rail/truck and combinations thereof.
- ◆ Farmers: Those with farming as their primary occupation. They often interface with Minnesota Department of Transportation (Mn/DOT) as adjacent landowners, shippers and carriers.
- ◆ Emergency Vehicle Operators: Emergency personnel using our transportation system in an emergency capacity including: the Minnesota State Patrol, ambulance, fire, county sheriffs, police, tow trucks, etc.
- ◆ Communities and Neighborhoods: groups and individuals that gather for "issue-specific" purposes.

Activity at a Glance

- ◆ 11,890 centerline trunk highway miles
- ◆ 29,230 lane miles of interstate and regular trunk highways
- ◆ 1,049 buildings (including truck stations, traffic management centers and rest areas)
- ◆ 4,333 adopt a highway groups
- ◆ 2,690 Traffic Management Systems (signals, ramp meters, changeable message signs (CMS), close circuit televisions (CCTV), road access control gates, road weather information systems (RWIS), weigh-in-motion sensors (WIM), automatic traffic count recorders (ATR))
- ◆ 28,204 trunk highway lighting fixtures
- ◆ 4,781 trunk highway bridges
- ◆ 253,000 acres of right of way (approximate, including wetlands and ponds)

Services Provided

The Infrastructure Operations and Maintenance activity encompasses many services necessary to operate and maintain the System to provide a safe, smooth trip with a reliable travel time including:

Smooth Roads: paving, drainage repair, shoulder repair and surface repair to ensure a smooth ride. Roads are measured for surface rideability annually so that customers receive the best ride possible.

Clear Roads: clearing roadways of snow and ice and debris. Targets have been established based on customer expectations for all roadway types based on volumes (i.e. the supercommuter system target is to have the highway lanes bare one to three hours after a snowfall has ceased).

Traffic Management: signing and lighting of roadways, striping and message painting, installing and repairing guardrails, operating the Regional Transportation Management Center and the District Traffic Operations Communications Centers, operating and repairing traffic signals and devices, and traveler information via updates on radio, changeable message signs, internet and telephones.

Roadsides: planting, spraying, mowing, noxious weed control (legally mandated), litter pickup (Adopt-a-Highway), brush and tree removal, rest area maintenance and property management.

Bridges: inspecting, maintaining and repairing bridges to keep structures safe and in service.

Regulation: issuing permits, controlling work by contractors on the right-of-way and identifies safe routes for trucking with wide or overweight loads.

TRANSPORTATION DEPT

Program: STATE ROADS

Activity: INFRASTRUCTURE OPER & MAINT

Narrative

Fleet/Facility Management and Inventory Control: acquiring and maintaining Mn/DOT's vehicles and equipment as well as providing capital, planning, programming, design, construction, building operations and maintenance services for state-owned buildings and facilities under Mn/DOT's jurisdiction, including rest areas. It also includes purchasing, receiving, warehousing, handling and issuing materials, record keeping and hazardous waste coordination.

Historical Perspective

The state's Trunk Highway and Interstate Highway System has taken decades to build and represents an investment by the people of Minnesota with an approximate replacement cost estimated at \$50 billion. Minnesota's economic growth has resulted in increased travel and goods shipments. Concentrations of employment and economic activity in the Twin Cities metropolitan area have increased vehicle miles driven and congestion on metro area roadways. Rising incomes have increased disposable income and the number of vehicles, thereby increasing vehicle miles of travel. Traffic fatality rates per vehicle mile traveled have declined for decades. Very recently, the number of roadway fatalities has also been declining. The percentage of Minnesota households with three or more vehicles has increased. The percentage of Minnesotans who drive a long distance to work has increased. Truck travel is increasing, with the rate of growth greatest for small shipments.

Minnesotans' public satisfaction with overall road maintenance fell below target during 2004, 2005 and 2006 (it was not measured in 2007).

Key Activity Goals

- ♦ Safeguard what exists <http://www.dot.state.mn.us/information/statplan00/index.html>.
- ♦ Make the transportation system operate better <http://www.dot.state.mn.us/information/statplan00/index.html>
- ♦ Make MnDOT operate better <http://www.dot.state.mn.us/information/statplan00/index.html>

Key Measures include:

Safety

Crash Rate and High Crash Locations: This measure looks at the Trunk Highway crashes per Million Vehicle Miles Traveled (VMT) (three-year average). Mn/DOT strives to improve 40 or more High-Crash cost Trunk Highway locations each year. In FY 2007, 50 projects were completed and 56 projects are scheduled in FY 2008.

Measure: Minnesota Trunk Highway Crash Rate in Millions of Vehicle Miles Traveled (three-year average).

Fiscal Year	2003	2004*	2005	2006	2007	2008 (est.)	2009 (est.)	2010 (est.)
Data	1.23	1.09	1.18	1.10	1.01	0.96	0.96	0.96
Target(s)	< = 1.18						< = 0.96	

* The crash rate for FY2004 is estimated because the Minnesota Department of Public Safety did not process reports not including fatalities.

Fatalities – all state and local roads: Mn/DOT and the Minnesota Department of Public Safety established a Toward Zero Death Initiative (TZD), and Strategic Highway Safety Plan (SHSP) in partnership with local governments and the private sector. In 2006, Minnesota met the plan's first aggressive goal of reducing fatalities to 500. Now the next goal has been set to reduce fatalities to 400 by 2010.

Measure: Minnesota Roadway Fatalities Per Year.

Calendar Year	2003	2004	2005	2006	2007	2008 (est.)	2009 (est.)	2010 (est.)
Data	657	567	559	494	510	473	437	400
Target(s)	< = 500							< = 400

TRANSPORTATION DEPT**Program: STATE ROADS****Activity: INFRASTRUCTURE OPER & MAINT**

Narrative

Smooth Roads

Transportation infrastructure faces constant deterioration due to heavy use, age and weather. Mn/DOT regularly monitors and measures the physical condition of pavements.

Mn/DOT's chief pavement condition measure is the Customer Ride Quality Index – a measure of smoothness. Pavement rated “Good” has a smooth ride and few signs of deterioration. Pavement rated “Poor” has deteriorated to the point where drivers spill coffee or weave to avoid bad spots. Pavement that deteriorates to the “Poor” level is also more costly to overhaul than if it were fixed sooner.

Measure: Pavement Condition, Ride Quality Index, Principal Arterials, Percentage Good.

Calendar Year	2003	2004	2005	2006	2007	2008 (est.)	2009 (est.)	2010 (est.)
Data	63.6%	63.4%	66.8%	68.9%	66.3%	65.7%	63.6%	63.4%
Target	>= 70%							

Measure: Pavement Condition, Ride Quality Index, Principal Arterials, Percentage Poor.

Calendar Year	2003	2004	2005	2006	2007	2008 (est.)	2009 (est.)	2010 (est.)
Data	2.6%	2.7%	2.6%	2.3%	2.6%	3.9%	5.0%	6.5%
Target	<= 2%							

Measure: Pavement Condition, Ride Quality Index, Non-Principal Arterials, Percentage Good.

Calendar Year	2003	2004	2005	2006	2007	2008 (est.)	2009 (est.)	2010 (est.)
Data	55.3%	55.9%	60.1%	61.1%	59.1%	56.4%	54.5%	54.7%
Target	>= 65%							

Measure: Pavement Condition, Ride Quality Index, Non-Principal Arterials, Percentage Poor.

Calendar Year	2003	2004	2005	2006	2007	2008 (est.)	2009 (est.)	2010 (est.)
Data	4.3%	4.9%	4.8%	5.2%	6.5%	7.2%	8.3%	9.9%
Target	<= 3%							

Principal Arterials make up 53% of state highways and typically have the highest traffic volumes. Lower-volume Non-Principal Arterials comprise 47% of state highways, and are the majority of roads in many areas of the state.

Clear Roads and Traffic Management***Snow and Ice Removal/Hours to Bare Lanes:***

This measure provides guidance on meeting customer expectations for snow and ice removal. “Hours to bare lanes” is the time measured from the end of a snow event to when the lanes are bare of ice and snow. There are different targets (goals) established for the different highway classifications based on traffic volume. In 2008, considering all routes, Mn/DOT met plowing performance targets over 77% of the time.

Measure: Statewide Average Hours to Achieve Bare Lanes after a Snow or Ice Event.

Calendar Year	2003	2004	2005	2006	2007	2008 (est.)	2009 (est.)	2010 (est.)
Data	5.0	7.8	10.3	7.2	6.8	7.1	7.0	7.0
Target	4 – 10 hours							

TRANSPORTATION DEPT

Program: STATE ROADS

Activity: INFRASTRUCTURE OPER & MAINT

Narrative

Pavement Markings and Signing: This measure provides for managing the retro reflectivity of signs and pavement markings on and along Trunk Highways and Interstate Highways. The goal for pavement markings is to have a 365-day/night visible stripe/markings on the roadway to guide motorists and other highway users. The target is to have 95% of pavement markings meet technical requirements. The goal for sign readability is a public satisfaction omnibus survey rating of seven or higher on a ten point scale.

Measure: Percentage of Pavement Marking System Compliant with Technical Memo Requirements.

Calendar Year	2003	2004	2005	2006	2007	2008 (est.)	2009 (est.)	2010 (est.)
Data			91%	96%	99.7%	100%	100%	100%
Target	>= 95%							

Measure: Signs "Readable"; Public Satisfaction Omnibus (1 to 10 scale).

Calendar Year	2003	2004	2005	2006	2007	2008 (est.)	2009 (est.)	2010 (est.)
Data	8.0	8.1	8.2	8.1	8.0	8.0	8.0	8.0
Target	>= 7							

Incident Clearance Time: Traffic incidents can cause up to 50% of congestion on the Twin Cities metro area freeway system. The incident clearance time is measured on the system between 6:00 a.m. and 7:00 p.m. on weekdays. The target is to clear incidents within 35 minutes.

Measure: Minutes to Clear Weekday Incidents on TC Metro Urban Freeways (three-year average).

Calendar Year	2003	2004	2005	2006	2007	2008 (est.)	2009 (est.)	2010 (est.)
Data	36.3	37.3	38.0	38.8	37.3	39.8	40.3	40.9
Target	35 minutes							

Duration and Extent of Congestion: Average percent of Twin Cities' urban freeway system congested (i.e. percent of miles that operate at average speeds below 45 mph for any length of time in a.m. or p.m. peak periods). Significant congestion relief is expected upon completion of the I694/I35E and I35W/Hwy62 interchange projects along with the new I-35W bridge.

Measure: Percentage Metro Freeway Miles of Peak Period Congestion Per Day.

Calendar Year	2003	2004	2005	2006	2007	2008 (est.)	2009 (est.)	2010 (est.)
Data	22.9%	21.6%	21.4%	20.6%	23.5%	21.9%	22.5%	22.5%
Target	21%							

TRANSPORTATION DEPT**Program: STATE ROADS****Activity: INFRASTRUCTURE OPER & MAINT**

Narrative

Bridges

Structural Condition of Bridges (PA): This measures the percent of all bridges meeting a good and poor target (Principal Arterials and IRCs by square foot areas).

Measure: Bridges, Principal Arterials, Percentage Good Structural Condition.

Calendar Year	2003	2004	2005	2006	2007	2008 (est.)	2009 (est.)	2010 (est.)
Data	51.8%	53.3%	53.3%	53.9%	55.2%	56.2%	Available Nov. '08	
Target	>= 55%							

Measure: Bridges, Principal Arterials, Percentage Fair or Poor Structural Condition.

Calendar Year	2003	2004	2005	2006	2007	2008 (est.)	2009 (est.)	2010 (est.)
Data	12.9%	12.8%	11.3%	11.3%	11.1%	11.9%	Available Nov. '08	
Target	≤ 16%							

Measure: Bridges, Principal Arterials, Percentage Poor Structural Condition.

Calendar Year	2003	2004	2005	2006	2007	2008 (est.)	2009 (est.)	2010 (est.)
Data	4.2%	4.2%	3.9%	3.6%	3.1%	3.5%	Available Nov. '08	
Target	<= 2.0%							

Bridge Inspections: Bridge preservation and safety rely on timely, complete bridge inspections. Typically all Trunk Highway bridge inspections are completed prior to December 1st. According to the Legislative Auditor's report, from 2002 to 2006 between 83 and 86% of bridges were inspected in compliance with the 24 month NBIS requirement for routine inspections.

The recent change in NBIS inspection frequency requirements has more than doubled the number of fracture critical inspections. As a result, additional funding has been directed to the Bridge Office and Districts. Following the collapse of the I-35W bridge in 2007, all fracture critical bridges were inspected as part of the governor's bridge inspection program. In addition, all 25 truss bridges received a special inspection of their gusset plates this year in order to include them in the bridge load rating analysis.

In the future, Mn/DOT will measure and report the percentage of Routine and Fracture Critical bridge inspections that are completed on time and will also report the percentage that are complete within 90 days of their due date each year. The target would be to complete 100% of the scheduled bridge routine and fracture critical bridge inspections and enter the data into the PONTIS database on time.

Measure: Bridge Inspections, Percentage Completed On Time.

Calendar Year	2003	2004	2005	2006	2007	2008 (est.)	2009 (est.)	2010 (est.)
Data	(...range from 83% to 86%...)				N/A	N/A	Available Nov. '08	
Target	100%							

Bridge Preventive Maintenance (BPM): The following seven bridge preventive maintenance activities are targeted by the HSOP program: Seal cracks in bridge decks, seal poured bridge deck joints, seal concrete railings, seal concrete bridge decks, repair strip seal bridge deck expansion joints, flush bridge decks and spot paint bridge beam ends. The object of all preventive maintenance items is to minimize the damage that salt and other chemicals do to our bridge decks and beams.

TRANSPORTATION DEPT

Program: STATE ROADS

Activity: INFRASTRUCTURE OPER & MAINT

Narrative

The outcome of three of the activities over the biennium have been quantified on a system wide basis:

- ◆ Poured joints in good condition moved from 72% to 76% against the target of 88%
- ◆ Sealed cracks in good condition moved from 47% to 53% against the target of 80%
- ◆ Strip seals in good condition remained unchanged at 91% against the target of 96%

Preventative maintenance measures and goals currently established by the bridge office will remain the same as in past years.

Bridge Reactive Maintenance Repairs: Mn/DOT is currently working to standardize procedures used by districts for collecting and prioritizing bridge maintenance needs using bridge inspection reports and to document completion of reactive maintenance work. During the next year a measure to report completion of priority reactive maintenance activities will be developed. The target would be to accomplish 100% of required bridge reactive maintenance repairs.

Activity Funding

This activity is funded by direct appropriation from the trunk highway fund.

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TRANSPORTATION DEPT

Program: STATE ROADS

Activity: INFRASTRUCTURE OPER & MAINT

Budget Activity Summary

<i>Dollars in Thousands</i>					
	Current		Governor's Recomm.		Biennium
	FY2008	FY2009	FY2010	FY2011	2010-11
<u>Direct Appropriations by Fund</u>					
Trunk Highway					
Current Appropriation	214,610	254,997	254,997	254,997	509,994
Technical Adjustments					
Approved Transfer Between Appr			2,398	2,398	4,796
Subtotal - Forecast Base	214,610	254,997	257,395	257,395	514,790
Governor's Recommendations					
Trunk Highway Funding Changes		0	(2,500)	(2,500)	(5,000)
Total	214,610	254,997	254,895	254,895	509,790
<u>Expenditures by Fund</u>					
Direct Appropriations					
Trunk Highway	210,801	263,583	254,895	254,895	509,790
Statutory Appropriations					
Miscellaneous Special Revenue	4,805	7,656	5,620	6,620	12,240
Trunk Highway	6,890	8,545	5,048	5,048	10,096
Federal	588	4,056	11,650	150	11,800
Total	223,084	283,840	277,213	266,713	543,926
<u>Expenditures by Category</u>					
Total Compensation	135,449	153,454	158,048	160,242	318,290
Other Operating Expenses	85,846	128,066	118,578	105,884	224,462
Capital Outlay & Real Property	1,789	2,300	567	567	1,134
Local Assistance	0	20	20	20	40
Total	223,084	283,840	277,213	266,713	543,926
Full-Time Equivalents (FTE)	2,043.7	2,206.1	2,206.1	2,189.1	

Activity Description

This activity provides expertise in electronic communication technologies, addressing the specialized transportation and public safety communications needs of state and local agencies. Activities include:

- ◆ Provide policy development, planning, engineering, budget preparation, project management, equipment installation, integration and system administration.
- ◆ Design, procure and oversee construction and operate and maintain the Allied Radio Matrix for Response (ARMER) public safety radio system.
- ◆ Supply telecommunications services and electronic systems to customers by repairing and maintaining local, regional and statewide communications networks, mobile fleet radios, base station equipment and other voice and data systems.
- ◆ Support agencies through service contracts, which reimburse the trunk highway fund.

Population Served

Many agencies of state government have large mobile work forces that rely on mobile communications in the performance of their daily operations. Minnesota Department of Transportation (Mn/DOT) has the largest single fleet within state government, with over 3,000 users of mobile radio communications.

In addition to Mn/DOT radio users, the Office of Electronic Communications (OEC) serves the Department of Public Safety (DPS) and the Department of Natural Resources (DNR) who rely upon OEC's radio repair services and the Mn/DOT owned network for public safety and day-to-day communications. OEC also provides technical services to other state and local agencies upon request.

In addition to these services, OEC is in the process of building out and operating the new statewide public safety communications backbone known as ARMER. Where currently in full operation within a nine-county Twin Cities metropolitan area, the system serves 30 dispatch centers and over 22,000 mobile and portable radios. Ultimately, the completed system will replace Mn/DOT's current voice communications system, serve all state agencies and be made available to share with all local public safety agencies.

The citizens of Minnesota have high expectations of their public safety and emergency service providers who rely upon these services to meet their ongoing business needs. Emergency operations extend around the clock and the communications systems must provide reliable service 24 hours a day, seven days a week, 365 days a year.

Services Provided

Electronic Communications Investment and Planning:

This service provides engineering and technical expertise in wireless communication systems and other electronic technologies. Activities include:

- ◆ Provide overall electrical engineering direction for the strategic and tactical planning of state government's voice and data telecommunications systems involving public safety radio.

Activity at a Glance

System Planning:

- ◆ 165 ARMER network sites in project development process

ARMER System Implementation:

- ◆ 32 metro sites and 14 non-metro sites completed and being operated
- ◆ 111 sites in design, construction or equipment installation stages

Communication System Upgrades:

- ◆ 383 mobile and portable radio installations
- ◆ 37 base station installations

Communications Infrastructure Maintenance:

- ◆ 1,261 mobile radio repairs
- ◆ 166 base station repairs
- ◆ 938 preventative maintenance inspections
- ◆ 500 tower/building sites maintained

Electric Equipment Repair:

- ◆ Serve Mn/DOT, DPS, DNR electronic equipment repairs – TOCC's, Road Weather Information System, ITS devices, weight scales, gate controls, mobile data computers

Inventory Control:

- ◆ Supplies to 16 repair facilities statewide

TRANSPORTATION DEPT

Program: STATE ROADS

Activity: ELECTRONIC COMMUNICATIONS

Narrative

- ◆ Provide electronic and communication system engineering expertise to Mn/DOT offices and districts, other state agencies and local agencies.
- ◆ Design and build new and upgraded radio communication and other electronic systems.
- ◆ Administer and operate the ARMER backbone used by state and local government in their delivery of public safety services, management of public resources and performance of daily operations.
- ◆ Act as public safety frequency advisor for the state of Minnesota, responsible for radio spectrum allocation for virtually all city and county governments in the state.

Electronic Communications Management:

This service provides for the ongoing maintenance and repair of the communications and electronic equipment used in the daily operations and emergency response activities of state and local agencies. Activities include:

- ◆ Install, repair, replace, upgrade and maintain the electronics of the communications infrastructure.
- ◆ Maintain the facilities (towers, shelters, generators) needed to support the state's wireless infrastructure.
- ◆ Provide maintenance for electronic equipment, such as road weather systems, traffic weight scales, vehicle location systems, etc.
- ◆ Provide emergency technical on-call response for public safety electronic communications systems.

External Transportation Systems Support:

This service provides for sharing of expertise and technical services with other state and local agencies. OEC provides radio and electronics services to the DPS, the DNR, the National Weather Service and other state and local agencies upon request.

Electronic Communications Administration:

This service provides for the administrative support needed to deliver the products and services of the OEC. Activities include:

- ◆ Perform fiscal operations, manage human resources, process accounts receivable and provide clerical support.
- ◆ Coordinate, process and track leases for Mn/DOT and other OEC customers to obtain and manage communications tower sites.
- ◆ Operate the inventory control center to assure that parts and equipment are supplied when needed to 16 field radio repair shops located throughout the state.

Historical Perspective

The legislature provided capital funding in the 2005 and 2007 sessions to extend the shared public safety radio system, known as ARMER, beyond the metropolitan area to the remaining counties of the state. Under the direction of the Statewide Radio Board, the Departments of Public Safety and Transportation have been working in partnership to plan, design, construct and operate the backbone of the ARMER system. As it is completed, the ARMER backbone will be made available to local agencies for their public safety communications needs. Presently, about 46 ARMER tower sites are in operation on the network. A total of about 322 sites (including about 70 existing Mn/DOT sites) will be needed for the completed system.

Key Activity Goals

With the emphasis on completion of the ARMER system and the urgency created by FCC requirements for narrow banding frequencies by 2013, OEC resources are focused upon completing the ARMER backbone and achieving the goal set forth by the Statewide Radio Board to improve the safety and security of Minnesota citizens and the state and local government workforce that serves them and to also improve public safety providers' ability to communicate and respond in a coordinated manner to natural and man made disasters. [Source: Conceptual Statewide Plan, adopted by the Statewide Radio Board pursuant to M.S. 403.36.].

TRANSPORTATION DEPT

Program: STATE ROADS

Activity: ELECTRONIC COMMUNICATIONS

Narrative

Key Measures

With the emphasis on completion of the ARMER system and the urgency created by FCC requirements for narrow banding frequencies by 2013, OEC resources are focused upon completing the ARMER backbone. With that focus, the traditional measures of coverage area and maintenance performance on the legacy systems no longer provide a meaningful measure of the performance of this activity. At this time and for the next five years, the most meaningful measure of success is the measure of progress towards the completion of the ARMER system.

Measure: Number of ARMER Sites In Operation

FY	2004	2004	2004	2007	2008	2009 planned
Site Count	32	32	32	36	46	141
Target	32	32	32	36	46	141

Activity Funding

This activity is funded by appropriations from the trunk highway fund and the state government special revenue fund for 911 (administered by the DPS), as well as reimbursements for the cost of services provided to other agencies and lease receipts from state-owned tower facilities.

The 911 funds are used for operating and maintaining the statewide ARMER backbone. This appropriation allows Mn/DOT to provide local agencies access to the backbone network without assessing user fees. This appropriation will need to increase as tower sites become complete and operate on the system.

The trunk highway funds are used to support the electronic communications needs of Mn/DOT and the State Patrol. Costs directly attributable to the State Patrol are reimbursed to the trunk highway fund by the Department of Public Safety. The Department of Public Safety reimburses the trunk highway fund an amount that is about 8.5% of the office's annual operating expenses.

All other expenditures are billed to the agencies requesting the services and the receipts reimburse the operating budget of the Office of Electronic Communications for providing those services. The largest users of OEC services are the DNR and the National Weather Service. External services reimburse the office budget for about 6% of its annual operating expenses.

To maximize funding resources the department is sharing and exchanging tower facilities with local governments to minimize the cost of new construction and the number of towers.

Contact

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TRANSPORTATION DEPT

Program: STATE ROADS

Activity: ELECTRONIC COMMUNICATIONS

Budget Activity Summary

<i>Dollars in Thousands</i>					
	Current		Governor's Recomm.		Biennium
	FY2008	FY2009	FY2010	FY2011	2010-11
<u>Direct Appropriations by Fund</u>					
General					
Current Appropriation	9	9	9	9	18
Subtotal - Forecast Base	9	9	9	9	18
Total	9	9	9	9	18
Trunk Highway					
Current Appropriation	4,902	5,029	5,029	5,029	10,058
Technical Adjustments					
Approved Transfer Between Appr			139	139	278
Subtotal - Forecast Base	4,902	5,029	5,168	5,168	10,336
Total	4,902	5,029	5,168	5,168	10,336
<u>Expenditures by Fund</u>					
Direct Appropriations					
General	2	16	9	9	18
Trunk Highway	4,786	5,470	5,168	5,168	10,336
Statutory Appropriations					
State Government Spec Revenue	7,642	5,083	2,641	0	2,641
Miscellaneous Special Revenue	549	479	469	469	938
Trunk Highway	139	855	625	575	1,200
Total	13,118	11,903	8,912	6,221	15,133
<u>Expenditures by Category</u>					
Total Compensation	5,261	5,830	6,104	6,287	12,391
Other Operating Expenses	7,843	6,073	7,868	4,994	12,862
Capital Outlay & Real Property	14	0	0	0	0
Transfers	0	0	(5,060)	(5,060)	(10,120)
Total	13,118	11,903	8,912	6,221	15,133
Full-Time Equivalents (FTE)	68.2	74.4	74.4	74.4	

Program Description

The purpose of the Local Roads Program is to supervise the distribution of county and municipal state aid highway funds and federal aid funds to counties and cities, and to provide direction and assistance to the counties and cities in the use of these monies for the construction and maintenance of local roads and bridges on their transportation network. The Local Roads Program also includes minor funding for other transportation systems, including townships, and support and oversight activities for the local bridge replacement program.

Budget Activities

- ⇒ County State Aid Roads
- ⇒ Municipal State Aid Roads

TRANSPORTATION DEPT
Program: LOCAL ROADS

Program Summary

<i>Dollars in Thousands</i>					
	Current		Governor Recomm.		Biennium
	FY2008	FY2009	FY2010	FY2011	2010-11
<u>Direct Appropriations by Fund</u>					
Municipal State Aid Street					
Current Appropriation	120,348	132,680	132,680	132,680	265,360
Technical Adjustments					
November Forecast Adjustment			4,846	15,029	19,875
Subtotal - Forecast Base	120,348	132,680	137,526	147,709	285,235
Governor's Recommendations					
Administrative Costs		0	(702)	(753)	(1,455)
Total	120,348	132,680	136,824	146,956	283,780
County State Aid Highway					
Current Appropriation	433,324	492,748	492,748	492,748	985,496
Technical Adjustments					
November Forecast Adjustment			13,134	54,677	67,811
Subtotal - Forecast Base	433,324	492,748	505,882	547,425	1,053,307
Total	433,324	492,748	505,882	547,425	1,053,307
<u>Expenditures by Fund</u>					
Direct Appropriations					
General	211	2,289	0	0	0
Municipal State Aid Street	114,033	132,680	136,824	146,956	283,780
County State Aid Highway	416,337	474,598	505,882	547,425	1,053,307
Trunk Highway	0	229	0	0	0
Open Appropriations					
Municipal State Aid Street	2,307	2,440	3,507	3,768	7,275
County State Aid Highway	7,513	11,534	11,505	11,718	23,223
Statutory Appropriations					
Miscellaneous Special Revenue	26	125	125	125	250
County State Aid Highway	953	1,583	1,466	2,318	3,784
Federal	133,534	100,000	100,000	100,000	200,000
Total	674,914	725,478	759,309	812,310	1,571,619
<u>Expenditures by Category</u>					
Total Compensation	5,681	9,805	10,099	10,402	20,501
Other Operating Expenses	5,231	5,877	6,504	7,527	14,031
Capital Outlay & Real Property	1,021	1,229	1,000	1,000	2,000
Local Assistance	664,981	708,567	741,706	793,381	1,535,087
Other Financial Transactions	(2,000)	0	0	0	0
Total	674,914	725,478	759,309	812,310	1,571,619
<u>Expenditures by Activity</u>					
County State Aid Roads	558,363	588,069	618,978	661,586	1,280,564
Municipal State Aid Roads	116,551	137,409	140,331	150,724	291,055
Total	674,914	725,478	759,309	812,310	1,571,619
Full-Time Equivalents (FTE)	62.0	103.3	103.3	103.3	

TRANSPORTATION DEPT

Program: LOCAL ROADS

Activity: COUNTY STATE AID ROADS

Narrative

Activity Description

The County State Aid activity primarily deals with the 29% of the Highway User Tax Distribution Fund (HUTDF) that is allocated to counties. These funds are apportioned to the individual counties according to a formula prescribed in law, and by the commissioner of transportation with the advice of a screening board consisting of county engineers. These dollars are apportioned to the counties for both maintenance and construction activities on the 30,546 miles of county state aid highways. Dollars spent in rural areas generally improve safety and the structural capacity of the roads to move goods, while the dollars spent in the Twin Cities metro area are often for safety and capacity improvements. Counties select construction projects and perform maintenance activities within their jurisdictions. The State Aid for Local Transportation (SALT) Division reviews and approves individual construction plans for compliance with standards and rules.

Activity at a Glance

- ◆ Supervise the distribution of funds to the 87 counties for their use in building and maintaining the County State Aid Highway system
- ◆ Authorize grants for bridge construction
- ◆ Provide technical assistance in areas of design, construction and maintenance
- ◆ Promulgate rules and procedures for management of the State Aid system
- ◆ Administer grants and loans for Local Road Improvement Program

The County State Aid Highways (CSAH) system is continuing to age and the miles of highway in poor condition increased by more than 400 miles during the past biennium.

Population Served

The SALT Division provides program support and project delivery services to 87 counties, and to townships and other government agencies with state-aid or federal-aid projects.

Services Provided

County State Aid Administration Services support the county state-aid program, including the needs study; information resources, such as access to accident records; payment services; technical and financial advice, oversight, coordination and representation. It provides counties with guidance in establishing or modifying a state aid system that moves people and goods. Support and oversight activities for the local bridge replacement program are included in this activity. The bridge replacement program and the Local Road Improvement Plan were addressed during the capital bonding session in 2008 and therefore are not addressed in this program narrative.

County State Aid Investment Services pertain to the county's construction, maintenance and project delivery costs. It also includes the SALT Division's project specific activities and the research program. The SALT Division is responsible for the design, construction and maintenance of the CSAH system. The SALT Division approves construction plans and project funding requests to ensure consistency with the rules for State Aid Operation.

Federal Local Aid Services are activities resulting from the federal transportation act funds that are available to cities, counties, and other agencies for road and bridge construction and transportation enhancement projects. In addition to doing all the project specific activities as it does for state aid projects, the SALT Division acts as agent for the local authorities in the administration of their federal construction contracts and also fulfills the state's obligations for federal oversight of all local federal aid projects. SALT Division assists agencies in fulfilling the requirements for federal aid requirement, such as public involvement, and in developing documentation to comply with environmental and historical requirements.

The Local Roads program also receives funding for some other accounts that have been included in the county state aid activity. The state park road account funds projects selected by the Department of Natural Resources (DNR) to provide access to state parks and recreational areas. The town road account is distributed to township governments for the maintenance of township roads, and the town bridge account is allotted to the counties for their use in replacing deficient township bridges.

TRANSPORTATION DEPT

Program: LOCAL ROADS

Activity: COUNTY STATE AID ROADS

Narrative

Historical Perspective

The SALT Division assists the counties in using their dollars on the priority projects in their areas, but there is increasing pressure to use the available dollars on preservation-type projects rather than long-term system improvements because of the compelling need to preserve what exists.

Key Activity Goals

The key goals of the County State Aid budget activity are to:

- ◆ Safeguard what exists by administering the distribution of funds to the 87 counties to build, and maintain the State's 30,546 mile system of County State Aid Highways
- ◆ Improve Safety by administering the local bridge replacement program and the local road improvement program.
- ◆ Make the system work better, by providing technical support, oversight, and coordination to ensure smooth integration of the County and State Trunk Highway systems.

Additional information on the Agency's strategic goals can be found at:

<http://www.dot.state.mn.us/information/statplan00/index.html> or at the governor's department results page at:

<http://www.departmentresults.state.mn.us>.

Key Measures

The products and services provided by the SALT Division are monitored through performance measures based upon customer satisfaction and through direct measures of level of service provided in key areas.

Age of System

- ◆ Currently about 30% of the system mileage is considered to be in good condition (less than 25 years since the roadway was last graded).
- ◆ Currently about 42% of the system mileage is considered to be in fair condition (more than 25 years, but less than 50 years since the roadway was last graded).
- ◆ Currently about 28% of the system mileage is considered to be in poor condition (more than 50 years since the roadway was last graded).

The need of our customers includes a desire for a smooth, uninterrupted trip, with no delays from road surface conditions. This expectation implies that the system age should not deteriorate from the present condition and that investments will be made at a rate at or above the aging rate; this is not the case. To keep the system from deteriorating, 610 miles of road need to be rebuilt each year; currently an average of 290 miles are being rebuilt.

Activity Funding

Funds in the HUTDF are distributed to state roads, county state-aid highways, and municipal state-aid streets by a constitutionally defined formula of 62% state, 29% county, and 9% municipal. Of the funds designated for counties and cities, 2% is set aside by statute for the operating expenses of SALT Division and for system-wide expenditures.

Federal funds are distributed by the Area Transportation Partnerships (ATP) in each of the Minnesota Department of Transportation (Mn/DOT) districts. Local roads receive a portion of the total federal funding available based upon a competitive system, which varies by ATP. The federal funding product activity involves not only roadway projects, but also other federal highway administration aid directed to local agencies, including program categories such as transportation enhancements and scenic byways.

Counties remain interested in taking over jurisdiction of lower priority trunk highways. The 1998 Legislature created a flexible account to be used for trunk highway and turn back program needs. The commissioner of transportation consults with committees representing statewide county and municipal associations before determining how to propose the biennial budget for flexible account dollars. The 2008 Legislature modified the flexible account to eliminate use for Trunk Highway improvements as a use, and added the Local Road

TRANSPORTATION DEPT

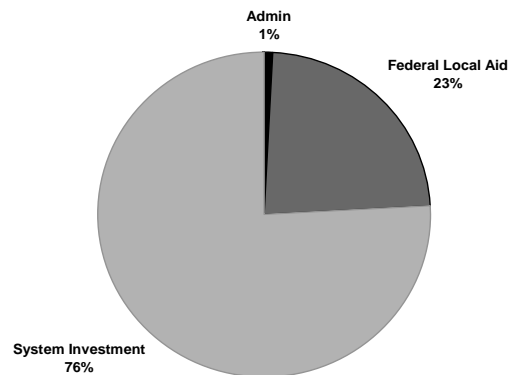
Program: LOCAL ROADS

Activity: COUNTY STATE AID ROADS

Narrative

improvement program as a use. The priority remains turnbacks and it is anticipated that the fund will be used for that purpose for the foreseeable future.

County State Aid
FY2007 Expenditures by Product/Service
Fy 2007 Total = \$537.6 Million
Data as of August 30, 2008



Contact

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TRANSPORTATION DEPT

Program: LOCAL ROADS

Activity: COUNTY STATE AID ROADS

Budget Activity Summary

<i>Dollars in Thousands</i>					
	Current		Governor's Recomm.		Biennium
	FY2008	FY2009	FY2010	FY2011	2010-11
<u>Direct Appropriations by Fund</u>					
County State Aid Highway					
Current Appropriation	433,324	492,748	492,748	492,748	985,496
Technical Adjustments					
November Forecast Adjustment			13,134	54,677	67,811
Subtotal - Forecast Base	433,324	492,748	505,882	547,425	1,053,307
Total	433,324	492,748	505,882	547,425	1,053,307
<u>Expenditures by Fund</u>					
Direct Appropriations					
County State Aid Highway	416,337	474,598	505,882	547,425	1,053,307
Trunk Highway	0	229	0	0	0
Open Appropriations					
County State Aid Highway	7,513	11,534	11,505	11,718	23,223
Statutory Appropriations					
Miscellaneous Special Revenue	26	125	125	125	250
County State Aid Highway	953	1,583	1,466	2,318	3,784
Federal	133,534	100,000	100,000	100,000	200,000
Total	558,363	588,069	618,978	661,586	1,280,564
<u>Expenditures by Category</u>					
Total Compensation	4,097	8,292	8,541	8,797	17,338
Other Operating Expenses	4,508	4,950	4,555	5,364	9,919
Capital Outlay & Real Property	1,021	1,229	1,000	1,000	2,000
Local Assistance	550,737	573,598	604,882	646,425	1,251,307
Other Financial Transactions	(2,000)	0	0	0	0
Total	558,363	588,069	618,978	661,586	1,280,564
Full-Time Equivalents (FTE)	44.4	87.0	87.0	87.0	

TRANSPORTATION DEPT

Program: LOCAL ROADS

Activity: MUNICIPAL STATE AID ROADS

Narrative

Activity Description

The Municipal State Aid activity primarily deals with the 9% of the Highway User Tax Distribution Fund (HUTDF) that is allocated to cities with more than 5,000 in population. These funds are apportioned to the individual cities according to a formula prescribed in law, and by the commissioner of transportation with the advice of a screening board consisting of city engineers. These dollars are apportioned to cities for both maintenance and construction on the 3,492 miles of state aid streets. Construction projects improve safety. Many projects are designed to relieve congestion and improve structural capacity to improve the movement of goods. The cities select the construction projects and perform maintenance activities within their jurisdictions. The State Aid for Local Transportation (SALT) Division reviews and approves individual construction plans for compliance with standards and rules.

Activity at a Glance

- ◆ Supervise the distribution of funds to 130 cities for their use in building and maintaining the MSAS system
- ◆ Authorize grants for bridge construction
- ◆ Provide technical assistance in areas of design, construction, and maintenance
- ◆ Promulgate rules and procedures for management of the State Aid system
- ◆ Administer loans and grants from Local Road Improvement Program

The Municipal State Aid Street (MSAS) system has grown by 200 miles in the past four years. The overall condition has improved slightly, and the increased miles has increased in the good and fair categories and the mileage considered being in poor condition has remained the same.

Population Served

The SALT Division provides program support and project delivery services to approximately 143 cities.

Services Provided

Municipal State Aid Administration Services support the municipal state aid program, including the needs study; information resources, such as access to accident records; payment services; technical and financial advice; oversight; coordination; and representation. This service provides cities with guidance in establishing or modifying a state aid system that moves people and goods.

Municipal State Aid System Investment Services pertain to the city's construction, maintenance and project delivery costs. It also includes the SALT Division's project specific activities and the research program. The SALT Division is responsible for the design, construction, and maintenance of the MSAS system. The SALT Division approves construction plans and project funding requests to ensure consistency with the rules for State Aid Operation.

Historical Perspective

The number of cities sharing in the 9% Municipal State Aid Fund has increased from 112 in 1990 to 143 in 2009, which means that more cities are sharing in the allotments. SALT assists the cities in using their dollars on the priority projects in their areas, but there is increasing pressure to use the available dollars on preservation-type projects rather than long-term system improvements because of the compelling need to preserve what is in place.

Key Activity Goals

The key goals of the Municipal State Aid Roads budget activity are to:

- ◆ Safeguard what exists by administering the distribution of funds to the 87 counties to build, and maintain the State's 3,492 mile system of state aid streets.
- ◆ Make the system work better, by providing technical support, oversight, and coordination to guide cities in establishing or modifying a state-aided system of local streets to move people and goods.

Additional information on the Agency's strategic goals can be found at:

<http://www.dot.state.mn.us/information/statplan00/index.html> or at the governor's department results page at:
<http://www.departmentresults.state.mn.us>

TRANSPORTATION DEPT

Program: LOCAL ROADS

Activity: MUNICIPAL STATE AID ROADS

Narrative

Key Measures

The products and services provided by the SALT Division are monitored through performance measures based upon customer satisfaction and through direct measures of level of service provided in key areas.

Age of System

- ◆ Currently about 39% of the system mileage is considered to be in good condition (less than 20 years since the roadway was last graded).
- ◆ Currently about 29% of the system mileage is considered to be in fair condition (more than 20 years, but less than 40 years since the roadway was last graded).
- ◆ Currently about 32% of the system mileage is considered to be in poor condition (more than 40 years since the roadway was last graded).

Our customers desire a smooth, uninterrupted trip, with no delays from road surface conditions. This expectation implies that the system age should not deteriorate from the present condition and that investments will be made at a rate at or above the aging rate; this is not the case. To keep the system from deteriorating, 87 miles of road need to be rebuilt each year; currently an average of 50 miles are being rebuilt.

Activity Funding

Funds in the HUTDF are distributed to state roads, county state-aid highways, and municipal state-aid streets by a constitutionally defined formula of 62% state, 29% county, and 9% municipal. Of the funds designated for cities, 1.5% is set aside by statute for the operating expenses of SALT Division and for system-wide expenditures. This set-aside is proposed to be increased to 2% due to the city engineers desiring and needing more centralized assistance, such as bridge inspection, and centralized purchases, such as precipitation maps. The fund has been fully spent the past several years. Unused money is returned to following years MSAS allocation.

Federal funds are distributed by the Area Transportation Partnerships (ATP) in each of the Minnesota Department of Transportation (Mn/DOT) districts. Local roads receive a portion of the total federal funding available based upon a competitive system, which varies by ATP. The federal funding product activity involves not only roadway projects, but also other Federal Highway Administration aid directed to local agencies, including program categories such as transportation enhancements and scenic byways. The dollars flow through the county state aid road program since it is the primary local agency receiving these funds.

Cities remain interested in taking over jurisdiction of lower priority trunk highways. The 1998 Legislature created a flexible account to be used for trunk highway and turn back program needs. The commissioner of transportation consults with committees representing statewide county and municipal associations before determining how to propose the biennial budget for flexible account dollars. The 2008 Legislature modified the flexible account to eliminate use for Trunk Highway improvements as a use, and added the Local Road improvement program as a use. The priority remains turnbacks and it is anticipated that the fund will be used for that purpose for the foreseeable future.

Contact

For additional information about this program contact:

Julie Skallman, Director

State Aid Division

Mail Stop 500

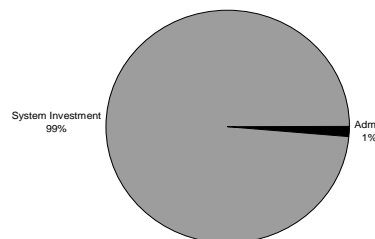
395 John Ireland Boulevard

Saint Paul, Minnesota 55155-1899

Phone: (651) 366-4831

Email: Julie.Skallman@dot.state.mn.us

Municipal State Aid
FY2007 Expenditures by Product/Service
Fy 2007 Total = \$131.2 Million
Data as of August 30, 2008



TRANSPORTATION DEPT

Program: LOCAL ROADS

Activity: MUNICIPAL STATE AID ROADS

Budget Activity Summary

<i>Dollars in Thousands</i>					
	Current		Governor's Recomm.		Biennium
	FY2008	FY2009	FY2010	FY2011	2010-11
<u>Direct Appropriations by Fund</u>					
Municipal State Aid Street					
Current Appropriation	120,348	132,680	132,680	132,680	265,360
Technical Adjustments					
November Forecast Adjustment			4,846	15,029	19,875
Subtotal - Forecast Base	120,348	132,680	137,526	147,709	285,235
Governor's Recommendations					
Administrative Costs		0	(702)	(753)	(1,455)
Total	120,348	132,680	136,824	146,956	283,780
<u>Expenditures by Fund</u>					
Direct Appropriations					
General	211	2,289	0	0	0
Municipal State Aid Street	114,033	132,680	136,824	146,956	283,780
Open Appropriations					
Municipal State Aid Street	2,307	2,440	3,507	3,768	7,275
Total	116,551	137,409	140,331	150,724	291,055
<u>Expenditures by Category</u>					
Total Compensation	1,584	1,513	1,558	1,605	3,163
Other Operating Expenses	723	927	1,949	2,163	4,112
Local Assistance	114,244	134,969	136,824	146,956	283,780
Total	116,551	137,409	140,331	150,724	291,055
Full-Time Equivalents (FTE)	17.6	16.3	16.3	16.3	

Program Description

The General Support and Services program provides policies, procedures, and practices that allow the agency to effectively and efficiently use the public's money to build, maintain, and operate the state's multimodal transportation system. The goal of this program is to have effective and efficient business practices at the Minnesota Department of Transportation (Mn/DOT).

Budget Activities

- ⇒ Department Support
- ⇒ Buildings

TRANSPORTATION DEPT

Program: GENERAL SUPPORT & SERVICES

Program Summary

Dollars in Thousands					
	Current		Governor Recomm.		Biennium
	FY2008	FY2009	FY2010	FY2011	2010-11
<u>Direct Appropriations by Fund</u>					
General					
Current Appropriation	56	56	56	56	112
Subtotal - Forecast Base	56	56	56	56	112
Total	56	56	56	56	112
State Airports					
Current Appropriation	25	25	25	25	50
Subtotal - Forecast Base	25	25	25	25	50
Total	25	25	25	25	50
Trunk Highway					
Current Appropriation	56,128	56,987	56,987	56,987	113,974
Technical Adjustments					
Approved Transfer Between Appr			5,204	5,204	10,408
Subtotal - Forecast Base	56,128	56,987	62,191	62,191	124,382
Total	56,128	56,987	62,191	62,191	124,382
<u>Expenditures by Fund</u>					
Direct Appropriations					
General	56	56	56	56	112
State Airports	0	50	25	25	50
Trunk Highway	49,561	67,778	62,191	62,191	124,382
Open Appropriations					
State Airports	61	65	65	65	130
Trunk Highway	5,080	5,126	5,126	5,126	10,252
Highway Users Tax Distribution	185	194	194	194	388
Statutory Appropriations					
Miscellaneous Special Revenue	1,100	3,038	2,476	2,476	4,952
Federal	148	64	0	0	0
Total	56,191	76,371	70,133	70,133	140,266
<u>Expenditures by Category</u>					
Total Compensation	29,076	31,605	32,553	33,530	66,083
Other Operating Expenses	23,615	40,162	32,976	31,999	64,975
Capital Outlay & Real Property	3,414	4,604	4,604	4,604	9,208
Local Assistance	86	0	0	0	0
Total	56,191	76,371	70,133	70,133	140,266
<u>Expenditures by Activity</u>					
Department Support	42,966	54,588	51,368	51,368	102,736
Buildings	13,225	21,783	18,765	18,765	37,530
Total	56,191	76,371	70,133	70,133	140,266
Full-Time Equivalents (FTE)	355.8	374.6	374.6	374.6	

TRANSPORTATION DEPT

Program: GENERAL SUPPORT & SERVICES

Activity: DEPARTMENT SUPPORT

Narrative

Activity Description

This activity provides executive leadership, sets policy, and determines strategic direction to ensure the Minnesota Department of Transportation (Mn/DOT) provides a coordinated transportation network that is safe, user-friendly, and responds to the values of Minnesota's citizens. Department Support also provides general management and specialized support services that directs the management and administration of the department's financial, human, and capital resources.

Activity at a Glance

- ◆ Department Support consists of approximately 360 employees
- ◆ Department Support serves all of Mn/DOT, approximately 4,600 employees
- ◆ Department Support accounts for approximately 3% of the department's budget

Population Served

This activity directly serves internal customers including: Mn/DOT executives and senior managers, managers and supervisors, general support and services employees, and all employees. Indirectly this activity serves all of Mn/DOT's stakeholders including: commuters, personal travelers, emergency vehicle operators, farmers, carriers, shippers using trucks, and shippers using multimodal transport modes. Additional main customers include other state and federal agencies.

Services Provided

- ◆ **Department Leadership and Management** services include strategic planning, policy, and goal setting, system planning, and integration efforts including activities such as government relations, communication, transportation ombudsman and management of partnerships that make the transportation system work.
- ◆ **Financial Services** include statewide financial planning, forecasting, analysis, budgeting and management of federal and state funds, and project and innovative finance initiatives.
- ◆ **Communications Services** includes strategic communications planning and consultation that help Mn/DOT gather customer input for improved decision making, manage media relations to enhance public understanding of transportation objectives, provide information to the public upon which they can rely, update travelers on travel options and traffic conditions, and communicate with employees so they can perform their jobs more effectively.
- ◆ **General Administrative Support** incorporates a wide range of services including materials management, contracting and purchasing activities, accounting and payroll services, employee services, contingency planning, security, mail and document services, administrative rule-making, occupational safety and health services including workers compensation, and equal employment opportunity guidance.
- ◆ **Human Resources/Workforce Management Services** provides the full range of human resource management and staffing services, workforce planning, recruitment, development and retention, diversity and affirmative action initiatives, labor relations, employee and policy development, and oversight.
- ◆ **Technology Services** includes leadership and management of enterprise-wide and specialized information technology plans and investments, operation and support of information technology services and systems, and development of information resource systems and applications.

Key Activity Goals

The key goals of the General Support and Services budget activity are to:

- ◆ Make Mn/DOT work better by providing the Agency's "internal infrastructure"—a skilled, productive, and diverse workforce as well as financial, technical and administrative systems that allow Mn/DOT to accomplish its mission.

Additional information on the Agency's strategic goals can be found at:

<http://www.dot.state.mn.us/information/statplan00/index.html> or at the governor's department results page at:

<http://www.departmentresults.state.mn.us>

TRANSPORTATION DEPT

Program: GENERAL SUPPORT & SERVICES

Activity: DEPARTMENT SUPPORT

Narrative

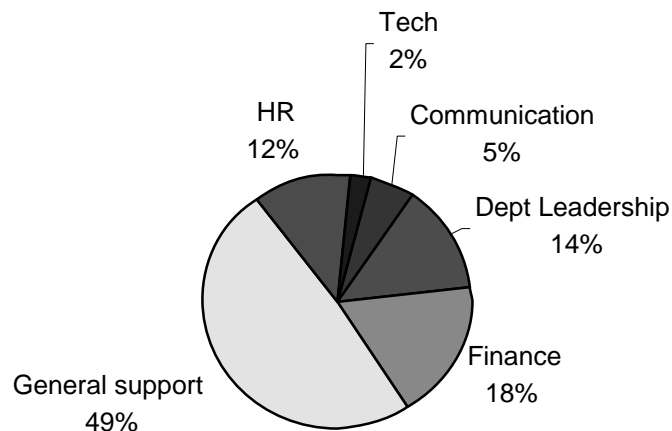
Key Measures

- ◆ Hire and retain a skilled, productive and diverse workforce.
- ◆ Current efforts are in place to track and monitor our workforce trends. Strategies are being developed to identify the availability of candidates that match our needed skill sets to support the department's program needs. This includes information on employee turnover and diversity of our workforce.
- ◆ Technology: In FY 2005, 92% of projects were on schedule and 100% of projects were on budget. Targets are 80%.

Activity Funding

This activity is primarily funded by direct appropriation from the Trunk Highway Fund.

Allocations Among General Support Services



Contact

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TRANSPORTATION DEPT

Program: GENERAL SUPPORT & SERVICES

Activity: DEPARTMENT SUPPORT

Budget Activity Summary

<i>Dollars in Thousands</i>					
	Current		Governor's Recomm.		Biennium
	FY2008	FY2009	FY2010	FY2011	2010-11
<u>Direct Appropriations by Fund</u>					
State Airports					
Current Appropriation	25	25	25	25	50
Subtotal - Forecast Base	25	25	25	25	50
Total	25	25	25	25	50
Trunk Highway					
Current Appropriation	39,531	40,327	40,327	40,327	80,654
Technical Adjustments					
Approved Transfer Between Appr			4,080	4,080	8,160
Subtotal - Forecast Base	39,531	40,327	44,407	44,407	88,814
Total	39,531	40,327	44,407	44,407	88,814
<u>Expenditures by Fund</u>					
Direct Appropriations					
State Airports	0	50	25	25	50
Trunk Highway	36,972	47,399	44,407	44,407	88,814
Open Appropriations					
State Airports	61	65	65	65	130
Trunk Highway	5,080	5,126	5,126	5,126	10,252
Highway Users Tax Distribution	185	194	194	194	388
Statutory Appropriations					
Miscellaneous Special Revenue	520	1,690	1,551	1,551	3,102
Federal	148	64	0	0	0
Total	42,966	54,588	51,368	51,368	102,736
<u>Expenditures by Category</u>					
Total Compensation	27,170	29,723	30,615	31,533	62,148
Other Operating Expenses	15,710	24,865	20,753	19,835	40,588
Local Assistance	86	0	0	0	0
Total	42,966	54,588	51,368	51,368	102,736
Full-Time Equivalents (FTE)	332.1	351.9	351.9	351.9	

TRANSPORTATION DEPT

Program: GENERAL SUPPORT & SERVICES

Activity: BUILDINGS

Narrative

Activity Description

This activity plans, programs, designs, builds, maintains, repairs, operates and administers buildings owned or occupied by the Minnesota Department of Transportation (Mn/DOT). This includes leased space and facilities in partnership with other political subdivisions.

This activity is governed by M.S., Ch. 174.03 Duties of the Commissioner, Subd. 4 (1), construct and maintain transportation facilities as authorized by law, and MS 161.20 Powers of the Commissioner, Subd 2.

Population Served

Mn/DOT facilities are built and maintained to support and meet transportation systems user requirements and to respond to environmental and safety concerns. Space is required for vehicle storage and repairs, ancillary and installed supporting equipment. Facilities allow Mn/DOT employees to respond efficiently and promptly to customer needs.

Mn/DOT also provides space for other state agencies to perform their missions including The Minnesota State Patrol and Driver and Vehicle Services.

Services Provided

This activity provides support facilities to Mn/DOT through two product and service lines:

- ◆ **Facilities Investment and Planning:** provides planning, programming, budget development, design and construction of department facilities.
- ◆ **Facilities Operations and Maintenance:** keeps facilities useful for their intended purpose. It includes development and enforcement of facility standards, building codes, other regulatory requirements compliance and partnership agreements with other political subdivisions. It also includes the administrative functions associated with custodial work, supplies and services and telecommunications support.

Historical Perspective

Every year, Mn/DOT uses the building budget process to review and plan with building users and division staff, the deficiencies and needs for immediate maintenance, future building space requirements and renewals. The process generally results in a six-year construction plan. This process also develops annual maintenance and repair projects that require plans and/or specifications be developed by licensed professionals. Over 139 major maintenance and repair projects were planned, bid and awarded for completion in FY 2008, 240 remain "backlogged" or unfunded, and, at present, an additional 230 projects have been requested for FY 2009.

Wherever and whenever possible, Mn/DOT partners with local government subdivisions to construct facilities that will provide savings in effort and methods of operation and efficiencies in manpower and taxpayer monies. Mn/DOT has a limited in-house engineering and architectural design and construction staff capable of producing project documentation, bidding, construction supervision and inspection. When in-house service capabilities are reached, projects are reviewed and grouped for efficiencies and location, then contracted with consultants for design and limited construction services. Mn/DOT staff continues to provide facility standards, equipment requirements and specification details. Further, this staff supervises and coordinates consultant services as project managers.

Activity at a Glance

Mn/DOT owns and operates 1,049 buildings with a total of 5,511,704 square feet, including:

- ◆ 131 Truck Station Sites
- ◆ 18 Regional/HQ maintenance sites
- ◆ Five Special Service Sites
- ◆ 50 Class I Rest Area Sites
- ◆ 18 Class II Rest Area Sites
- ◆ Eight Truck Weigh Stations
- ◆ 168 Radio Communication Sites
- ◆ 272 Salt/Sand Loading Sites
- ◆ Facilities estimated replacement cost of \$721,937,555 (at \$131.00 per square foot)
- ◆ Funded by direct appropriation from the trunk highway fund

TRANSPORTATION DEPT

Program: GENERAL SUPPORT & SERVICES

Activity: BUILDINGS

Narrative

Key Activity Goals

The key goal of the General Support and Services budget activity is to:

- ◆ Make Mn/DOT work better by planning, building, and maintaining the structures necessary to house the personnel, equipment and supplies the Agency needs to respond to the transportation using public's needs promptly and efficiently.

Additional information on the Agency's strategic goals can be found at:

<http://www.dot.state.mn.us/information/statplan00/index.html> or at the governor's department results page at:

<http://www.departmentresults.state.mn.us>

Key Measures include:

- ◆ **Building Adequacy – Target: 80% of Mn/DOT buildings meeting functional needs.**

The measure is based on the **Facilities Assessment Report** developed by Mn/DOT Facilities Management Services and performed by the district physical plant supervisors. The number of facilities scoring a certain number of points determines the percent, (500 points of a possible 625 total points). These assessments provide Mn/DOT facility planners with information concerning building primary and secondary systems, site conditions, safety concerns, functional standards, energy conservation, barrier-free access and environmental conditions. In 2006, 67.62% of Mn/DOT buildings met functional needs. FY 2009 assessments are scheduled.

- ◆ **Building Improvement and Replacement – 100% of current biennium six-year capital budget design and construction program on schedule.**

Using the six-year construction plan, design and construction project schedules were developed and are tracked monthly to ensure remedial action can be taken to produce plans, specifications and construction of a facility on time and on budget. Current projects are within accepted project schedules.

Using additional funds allocated to the Facilities Operations and Maintenance Program last legislative session for construction of replacement facilities under \$1.5 million, Mn/DOT has the following projects under construction:

- ◆ Lakeville Truck Station Addition
- ◆ Fergus Falls Truck Station Addition
- ◆ Baudette Truck Station Replacement
- ◆ Illgen City Truck Station Replacement in Silver Bay
- ◆ Paynesville Truck Station Replacement
- ◆ Caledonia, Houston and Morris Salt Storage Building Replacements
- ◆ Cedar Avenue Unheated Storage Building: New

Contact

Facilities Program Director
Office of Administration
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Saint Paul, Minnesota 55155
Phone: (651) 366-3573

TRANSPORTATION DEPT

Program: GENERAL SUPPORT & SERVICES

Activity: BUILDINGS

Budget Activity Summary

<i>Dollars in Thousands</i>					
	Current		Governor's Recomm.		Biennium
	FY2008	FY2009	FY2010	FY2011	2010-11
<u>Direct Appropriations by Fund</u>					
General					
Current Appropriation	56	56	56	56	112
Subtotal - Forecast Base	56	56	56	56	112
Total	56	56	56	56	112
Trunk Highway					
Current Appropriation	16,597	16,660	16,660	16,660	33,320
Technical Adjustments					
Approved Transfer Between Appr			1,124	1,124	2,248
Subtotal - Forecast Base	16,597	16,660	17,784	17,784	35,568
Total	16,597	16,660	17,784	17,784	35,568
<u>Expenditures by Fund</u>					
Direct Appropriations					
General	56	56	56	56	112
Trunk Highway	12,589	20,379	17,784	17,784	35,568
Statutory Appropriations					
Miscellaneous Special Revenue	580	1,348	925	925	1,850
Total	13,225	21,783	18,765	18,765	37,530
<u>Expenditures by Category</u>					
Total Compensation	1,906	1,882	1,938	1,997	3,935
Other Operating Expenses	7,905	15,297	12,223	12,164	24,387
Capital Outlay & Real Property	3,414	4,604	4,604	4,604	9,208
Total	13,225	21,783	18,765	18,765	37,530
Full-Time Equivalents (FTE)	23.7	22.7	22.7	22.7	

TRANSPORTATION DEPT

Agency Revenue Summary

Dollars in Thousands

	Actual FY2008	Budgeted FY2009	Governor's Recomm. FY2010 FY2011		Biennium 2010-11
<u>Non Dedicated Revenue:</u>					
Departmental Earnings:					
General	193	150	150	150	300
State Airports	8	10	10	10	20
Trunk Highway	7,107	7,235	7,235	7,235	14,470
Grants:					
Municipal State Aid Street	211	179	179	179	358
County State Aid Highway	250	300	300	300	600
Trunk Highway	662,905	394,442	375,800	550,600	926,400
Other Revenues:					
General	57	50	50	50	100
State Airports	1,427	593	293	493	786
Municipal State Aid Street	4,731	4,500	4,800	5,200	10,000
County State Aid Highway	14,680	13,000	14,000	14,500	28,500
Trunk Highway	17,648	34,167	15,417	15,667	31,084
Highway Users Tax Distribution	1,599	2,100	2,100	2,100	4,200
Other Sources:					
General	24	0	0	0	0
Taxes:					
General	1,646	0	0	0	0
State Airports	15,764	14,423	14,106	14,106	28,212
Highway Users Tax Distribution	0	0	0	400	400
Total Non-Dedicated Receipts	728,250	471,149	434,440	610,990	1,045,430
<u>Dedicated Receipts:</u>					
Departmental Earnings (Inter-Agency):					
Miscellaneous Special Revenue	89	911	875	875	1,750
Departmental Earnings:					
Miscellaneous Special Revenue	1,325	2,725	3,625	4,625	8,250
State Airports	503	500	500	500	1,000
Trunk Highway	6,217	3,976	3,978	3,978	7,956
Miscellaneous Agency	0	1	1	1	2
Grants:					
State Government Spec Revenue	5,235	1,270	2,641	0	2,641
Miscellaneous Special Revenue	24,534	53,751	42,581	6,215	48,796
Trunk Highway	41,712	40,000	40,000	40,000	80,000
Federal	283,850	290,419	360,489	253,296	613,785
Other Revenues:					
Miscellaneous Special Revenue	15,327	13,012	19,558	19,858	39,416
State Airports	9	3	3	3	6
Trunk Highway	2,305	2,076	2,046	2,046	4,092
Federal	437	169	169	167	336
Miscellaneous Agency	242	476	476	476	952
Other Sources:					
Miscellaneous Special Revenue	1,830	2,000	1,200	1,200	2,400
State Airports	603	700	700	700	1,400
Trunk Highway	0	4,200	4,200	4,200	8,400
Miscellaneous Agency	5	50	50	50	100
Total Dedicated Receipts	384,223	416,239	483,092	338,190	821,282
Agency Total Revenue	1,112,473	887,388	917,532	949,180	1,866,712

Federal Funds Summary

Federal Program (\$ in Thousands)	Related SFY 2008 Spending	Primary Purpose	SFY 2008 Revenues	SFY 2009 Revenues	Estimated SFY 2010 Revenues	Estimated SFY 2011 Revenues
AERONAUTICS						
Federal Airports	Variable local	GPS	66,080	100,000	100,000	100,000
TRANSIT						
Vehicle Disposition FTA Section 16 (190821)	0% match	GPS	88	50	50	50
FTA Capital Purchases (190822)	20% local match- vehicles 20% state match- admin.	GCBO/SO	1,056	1,901	1,901	1,901
FTA Section 18 (190823)	Operating: matches with Greater MN funds & local, Capital match with 20% local	GPS/SO	11,869	15,805	15,805	15,805
Rideshare - Federal (190824)	Rideshare Grants: 20% local	GPS/SO	81	80	150	150
Planning FTA Section 5303/5313 (190831)	20% local	GPS	6,055	5,664	5,451	5,451
Central Corridor 20.500 (190833)	20% local/TH	GPS	362	1,529	1,609	0
Transitways 20.500 (190838)	20% local	GPS	2,643	8,298	8,315	0
Northstar Commuter Bus MN030069 (190914)	20% state	GPS	414	1,288	1,288	0
Transitways /Red Rock/N*	20% local	GPS	240	2,059	2,059	0
Mower County Facility	20% local	GPS	0	495	495	0
Rush Line	20% local	GPS	36	465	301	326
United We Ride	20% state or local	GPS/SO	34	0	0	0
Safe Routes to School	0% match	SO	154	200	200	200
Isanti Transit Garage	20% local	GPS	242	242	0	0
Becker County Bus Facility	20% local	GPS	194	0	0	0
Arrowhead Koochiching	20% local	GPS	0	281	281	0
Non-Motorized Evaluation	0% match	GPS	195	135	134	134
Northstar Corridor FY2003	20% local	GPS/SO	40	1	1	0
Red Lake Reservation Bus Facility			48	112	65	0
FTA 03-0128 North * FFY2004			5,659	0	0	0
FTA Northstar Corridor FY2005	20% local	GPS/SO	4,960	0	0	0
FTA Northstar Construction	50% local	GPS/SO	36,960	18,900	71,200	0
FTA MN-04-008 Forest Lake Tran			0	85	85	0

Federal Funds Summary

Federal Program (\$ in Thousands)	Related SFY 2008 Spending	Primary Purpose	SFY 2008 Revenues	SFY 2009 Revenues	Estimated SFY 2010 Revenues	Estimated SFY 2011 Revenues
FTA 04-0005 Fond Du Lac			59	0	65	0
FTA 04-0011 Rock County Facil				495	495	
JARC	50% local operating 20% local capital	GPS/SO GCBO	191	677	509	0
New Freedom	50% local operating 20% local capital	GPS/SO GCBO	31	607	586	0
MVTA Buses					4,680	0
Ramsey, City of Star Express					416	416
FTA Transit Capital					1,000	1,000
Grand Portage Band of Chippewa					60	0
Northfield Environment Assessor					277	277
Rushline: Chisago County					285	0
FTA Cedar Valley/Albert Lea					294	0
FTA MN -04-0021 St. Peter					248	0
FREIGHT						
Federal/Local Rail Project (190819)	Variable local	GCBO	3,097	4,500	4,500	4,500
MVRRRA	None	GPS	0	9	9	9
Federal Rail Safety	Variable local	GPS	31	0	0	0
MVRRRA Amendment 01	20% local	GCBO	244	3	0	0
Motor Carrier Safety (190825)	80/20 after first \$213,000	SO	924	1,320	1,320	1,320
New Entrant Safety Assurance	None	SO	62	0	0	0
MVRRRA Amend 2 FY2008			419	494	0	0
Northern Lights Express PEIS					1,100	0
<i>Subtotal Multimodal</i>			<i>142,468</i>	<i>165,695</i>	<i>225,234</i>	<i>131,539</i>
STATE ROADS						
Pooled Fund Project (190830)	20% state	SO	590	600	600	600
Bike/Ped Coordinators (190835)	State Match 0%: bike registrations	SO	57	80	80	80
Towards Zero Deaths Committee	None	SO	130	40	130	130
Seat belt incentive funds		SO			11,000	
Pie/Tero Roads			0	270	200	200
PIE/TERO (190879)	20% state	SO	15	73	73	73
G CBD – Mn/Road TPF	None	SO	15	10	10	10
STP/OJT 04			0	120	120	120

Federal Funds Summary

Federal Program (\$ in Thousands)	Related SFY 2008 Spending	Primary Purpose	SFY 2008 Revenues	SFY 2009 Revenues	Estimated SFY 2010 Revenues	Estimated SFY 2011 Revenues
Amber Alert	20% state	SO	13	0	0	0
I-394 MnPass Enf, Pln, Edu	20% state	SO	498	1,000	0	0
CICAS	None	SO	1,296	2,130	1,300	1,300
Integrated Corridor Management Stage One	None	SO	124	196	80	80
Collab 89261 40 FP8806	20% state	SO	50	0	0	0
Public Accpt Mileage- Based			40	188	188	188
Parking Pricing Demonstr Study			177	54	54	54
Fast Miles Pricing I394			0	75	75	75
TH61 Concrete Median			300	0	0	0
OJT/SS8701 (152) (153)			71	9	9	9
SPNR Mn/Road Allocation			1	150	150	150
Cost Estimating Capacity Bldg			101	95	38	38
MN Tech Transfer Fund			106	280	280	280
SPNR Mn/Road PF100%			2,209	3,000	3,000	3,000
SPNR Mn/Road PF80%			718	1,500	1,500	1,500
Research Pooled Fund				3,000	3,000	3,000
SPNR Research 100%			29	120	120	120
SPNR Research 80%			707	4,000	4,000	4,000
Hazard Elim/Pavement Marking				3,000	500	0
Cable Median Barrier				1,500	1,500	1,500
NSTI FLRCC 8808 (196)				40	40	40
NSTI WCTCC 8808 (196)				40	40	40
UPA Value Pricing Funds			924	830	0	0
Fact Prog-EEO/Cont Mgt			60	0	0	0
Reheat-Speeding				20	20	20
GAP Project TH60 TH14			0	700	300	0
GAP Projects Statewide			0	300	3,000	2,000
Road Safety Plans			0	200	800	100
HSIP Supplemental Construction			0	1,000	2,000	2,000
Conferences, workshops and research and other cooperative studies					1,000	1,000
Federal Formula Highway Agreements	Variable state	SO	446,030	394,442	333,300	420,700
Total Constr Agreements						
<i>Subtotal State Roads</i>			<i>454,261</i>	<i>419,062</i>	<i>367,507</i>	<i>441,407</i>
LOCAL ROADS						
Fed. County Road & Bridge (190834)	Variable local	GPS	133,534	100,000	100,000	100,000
GENERAL SUPPORT						
Disadvantage Business Ent (190907)	None	SO	0	6	6	6
Biztrak (190922)	20% state	SO	0	64	64	64
DBE Support	None	SO	0	6	0	0
DBE SS02	None	SO	35	28	28	28
DBE SS03	None	SO	27	43	43	43

Federal Funds Summary

Federal Program (\$ in Thousands)	Related SFY 2008 Spending	Primary Purpose	SFY 2008 Revenues	SFY 2009 Revenues	Estimated SFY 2010 Revenues	Estimated SFY 2011 Revenues
DBE Support SS04	None	SO	0	124	76	76
<i>Subtotal General Support</i>			62	271	217	217
Total federal Funds			730,325	685,028	691,958	672,163
Less Federal Formula			(446,030)	(394,442)	(332,300)	(419,700)
Net federal funds in BBS			284,295	290,586	360,092	252,897
Non-dedicated receipts only						
Reimb for grant expenses municipal (MSAS)			211	179	179	179
Reimb for grant expenses county (CSAH)			250	300	300	300

Key:

Primary Purpose

SO = State Operations

GPS = Grants to Political Subdivision

GI = Grants to Individuals

GCBO = Grants to Community Based Organizations

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➡ Designates that this item is a change item



January 27, 2009

To the 2009 Legislature:

I respectfully submit for your consideration the Governor's FY 2010-11 budget proposals for the judicial branch agencies, including the Supreme Court, the Court of Appeals, the Trial Courts, the Legal Professions Boards, and the Board of Public Defense. The Governor respects the separation of powers and the desire of constitutional officers and officials in the judicial and legislative branches to independently present their budget requests directly to the legislature without specific recommendations for the Governor. However, since the Governor is required by law to submit a balanced budget to the legislature, it is necessary to identify funding for those offices as part of preparing a complete budget.

The Governor's general recommendations for the judicial and legislative branches and other constitutional officers reflect his concern with the magnitude of the projected budget shortfall and the desire to protect core government functions. As with the executive branch, the Governor suggests that these offices and institutions individually redesign their operations to increase efficiencies while minimizing the disruption of public services as much as possible.

For the Supreme Court, Court of Appeals, Trial Courts, and the Board of Public Defense, the Governor recommends a general 5% reduction in appropriations for the FY 2010-11 biennium. For the Trial Courts, the Governor also recommends \$5.586 million for increased costs for mandated services. The Legal Profession Boards are fully funded by fees collected under court rules, so no further actions are required on their budgets. The Governor makes no other recommendation regarding specific initiatives put forward by these agencies.

Sincerely,

A handwritten signature in dark ink that reads "Tom J. Hanson". The signature is written in a cursive, slightly slanted style.

Tom J. Hanson
Commissioner

Agency Purpose

The Minnesota's trial courts resolve citizens' criminal cases and civil disputes.

- ◆ **Mission** – To provide justice through a system that assures equal access for the fair, competent, and timely resolution of cases and controversies.
- ◆ **Vision** – The general public and those who use the court system will refer to it as accessible, fair, consistent, responsive, free of discrimination, independent, and well managed.

Core Functions

The trial court has original statewide jurisdiction in all civil and criminal actions within district boundaries. There are ten judicial districts, and 289 district court judges. A family court division, juvenile court division, probate division, conciliation court division, and a traffic and ordinance violations bureau exist in the district court.

In support of these core functions, the trial courts are implementing the following service strategies:

- ◆ Set case processing and case management standards, and institute monitoring programs for exceptions to ensure timely disposition of cases.
- ◆ Develop programs to allow litigants meaningful access to the court process, e.g., court interpreter programs, free legal services for the poor, and self-help programs for persons who choose to guide their own litigation.
- ◆ Explore ways to use technology to improve and expedite the work of the courts, including making justice more consumer oriented.
- ◆ Develop programs and technologies to provide judges the critical information needed to make timely and sound case and policy decisions.
- ◆ Delegate legal research and where possible draft decision writing to law clerks, freeing judges to spend more time hearing cases or directing the case dispositional activities.
- ◆ Review and evaluate court practices and policies to identify the need for systemic improvement through the Judicial Council and its committees.
- ◆ Explore greater integration and coordination with other justice and social service agencies.
- ◆ Develop an adequate and stable funding base, and develop a long-term allocation formula to equitably distribute state funding among the ten judicial districts.

Operations

With more than two million cases filed each year, the work of the trial courts has a substantial impact on Minnesotans.

Judges are assisted in their adjudicative work by law clerks (who perform legal research) and court reporters (who record trial proceedings). Court administrative staff at the county and district level manage scheduling, case flow, finance, personnel, and juries. Judicial District Administrators and staff assist the Chief Judge in each district in carrying out his/her responsibility as the administrative head of all courts within the district.

At A Glance

- ◆ Each year, there are more than two million cases filed in Minnesota's trial courts.
- ◆ Trial court judges in Minnesota are among the hardest working in the country. They handle an average of 49% more cases each than do judges in states with comparable court systems.
- ◆ Caseloads continue to increase while time per case is being cut.
- ◆ The judiciary has completed a massive transformation, moving from a county-funded to state-funded system. As of FY 2006 all trial courts were state funded.
- ◆ The trial courts have fully implemented in 2008 its new Minnesota Court Information System (MNCIS) technology application.
- ◆ The judicial branch operates in a constantly changing environment.
 - ⇒ Laws, case types, and legal sanctions change annually.
 - ⇒ Caseload volume is determined by other branches and levels of government.
- ◆ The Minnesota courts regularly review their effectiveness by monitoring:
 - ⇒ case filing trends;
 - ⇒ case clearance rates; and
 - ⇒ elapsed case time from filing to disposition.

Key Goals

The Trial Courts Court conducts its administrative functions in support of the following three strategic priority areas:

- ◆ **Access to Justice** – A justice system that is open, affordable, understandable, and provides appropriate levels of service to all users.
- ◆ **Administering Justice for More Effective Results** – Adopting approaches and processes for the resolution of cases that enhance the outcomes for individual participants and the public.
- ◆ **Public Trust Accountability and Impartiality** – A justice system that engenders public trust and confidence through impartial decision-making and accountability for the use of public resources.

Key Measures

To further the three goals contained in the branch's strategic plan – Access to Justice; Administering Justice for More Effective Results; and Public Trust Accountability and Impartiality – the strategic plan outlines future priorities. Each of these specific priorities addresses challenges facing the court system by targeting judicial branch resources in a focused manner on achievable and measurable strategies. Implementation of these priorities will take place over the life of the strategic plan with specific performance measures to evaluate their success.

http://www.mncourts.gov/documents/0/Public/Court_Administration/Strategic_Plan_for_Minnesota_Courts.pdf

Budget

Of the funding for the trial courts, over 99% is from general fund direct appropriations. Federal (and other) grants and Guardian ad Litem reimbursements represent a very small source of funding.

Contact

Sue Dosal
State Court Administrator
135 Minnesota Judicial Center
25 Reverend Dr. Martin Luther King Jr. Boulevard
Saint Paul, Minnesota 55155
Phone: (651) 296-2474
Fax: (651) 297-5636
Home Page: <http://www.mncourts.gov>

<i>Dollars in Thousands</i>					
	Current		Governor Recomm.		Biennium
	FY2008	FY2009	FY2010	FY2011	2010-11
<u>Direct Appropriations by Fund</u>					
General					
Current Appropriation	246,077	252,116	252,116	252,116	504,232
Recommended	246,077	252,116	241,340	243,266	484,606
Change		0	(10,776)	(8,850)	(19,626)
% Biennial Change from 2008-09					-2.7%
<u>Expenditures by Fund</u>					
Carry Forward					
Miscellaneous Special Revenue	117	0	0	0	0
Direct Appropriations					
General	239,913	258,280	241,340	243,266	484,606
Statutory Appropriations					
General	600	1,369	1,249	1,150	2,399
Miscellaneous Special Revenue	272	374	340	338	678
Federal	982	1,014	990	990	1,980
Miscellaneous Agency	1,173	8,021	16,020	16,020	32,040
Gift	35	46	0	0	0
Total	243,092	269,104	259,939	261,764	521,703
<u>Expenditures by Category</u>					
Total Compensation	204,120	215,755	203,385	203,385	406,770
Other Operating Expenses	37,406	44,932	40,224	42,049	82,273
Payments To Individuals	2	6	6	6	12
Local Assistance	412	611	524	524	1,048
Other Financial Transactions	1,152	7,800	15,800	15,800	31,600
Total	243,092	269,104	259,939	261,764	521,703
<u>Expenditures by Program</u>					
Trial Courts	243,092	269,104	259,939	261,764	521,703
Total	243,092	269,104	259,939	261,764	521,703
Full-Time Equivalents (FTE)	2,607.1	2,743.0	2,485.3	2,375.1	

TRIAL COURTS

Change Summary

<i>Dollars in Thousands</i>				
	FY2009	Governor's Recomm.		Biennium
		FY2010	FY2011	2010-11
Fund: GENERAL				
FY 2009 Appropriations	252,116	252,116	252,116	504,232
Subtotal - Forecast Base	252,116	252,116	252,116	504,232
Change Items				
Mandated Services (Gov)	0	1,830	3,756	5,586
Operating Budget Reduction	0	(12,606)	(12,606)	(25,212)
Total Governor's Recommendations	252,116	241,340	243,266	484,606
Fund: GENERAL				
Planned Statutory Spending	1,369	1,249	1,150	2,399
Total Governor's Recommendations	1,369	1,249	1,150	2,399
Fund: MISCELLANEOUS SPECIAL REVENUE				
Planned Statutory Spending	374	340	338	678
Total Governor's Recommendations	374	340	338	678
Fund: FEDERAL				
Planned Statutory Spending	1,014	990	990	1,980
Total Governor's Recommendations	1,014	990	990	1,980
Fund: MISCELLANEOUS AGENCY				
Planned Statutory Spending	8,021	16,020	16,020	32,040
Total Governor's Recommendations	8,021	16,020	16,020	32,040
Fund: GIFT				
Planned Statutory Spending	46	0	0	0
Total Governor's Recommendations	46	0	0	0

TRIAL COURTS

Change Item: Mandated Services

Fiscal Impact (\$000s)	FY 2010	FY 2011	FY 2012	FY 2013
General Fund				
Expenditures	\$1,830	\$3,756	\$3,756	\$3,756
Revenues	0	0	0	0
Other Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact	\$1,830	\$3,756	\$3,756	\$3,756

Recommendation

The Governor recommends \$1.830 million in FY 2010 and \$3.756 million in FY 2011 for mandated services in the courts.

Background

The Minnesota Constitution, federal and state laws, and Minnesota Court Rules mandate that certain services be provided to individuals in the court system. These services are generally referred to as “mandated services” and include Psychological Services, Interpreter Services, In Forma Pauperis, Guardian Ad Litem and Jury Services.

Psychological Services:

M.S. 480.182 provides that the courts will pay the court related costs of examinations under Rule 20 of the Criminal Rules of Procedure and under M.S. Chapter 253B, the civil commitments, including commitments of persons who are mentally ill and dangerous, persons with sexual psychopathic personalities, and sexually dangerous persons. Each court in counties throughout the state requires the services of licensed psychologists, licensed psychiatrists, and licensed medical doctors for these cases. For the past several years the courts have seen substantially increasing costs for psychological examination services. A large part of the increase is due to escalating costs for sexually dangerous person and sexually psychopathic personality examinations and more recent changes in this area of the law. Expenditures for psychological services are expected to increase annually by 11%. The Judicial Branch has moved from individual county to state oversight of this program. Several cost containment measures have been implemented. Initiatives include a statewide payment policy which caps the hourly rate paid for psychological examinations, statewide contracts for services, hiring employee examiners, creation of a roster to ensure quality of the services provided to the court as well as other business practice improvements to conduct business as efficiently as possible while containing costs. Still significant cost increases are expected in FY 2010-11. The biennial recommendation relating to psychological services is \$1.239 million.

Interpreter Services:

Both federal and state law mandate that courts provide interpreter services for individuals who are “disabled in communication” (Minnesota Human Rights Act (M.S. § 363.03); Americans with Disabilities Act; Rule 8 of the Minnesota District Court General Rules of Practice; M.S. § 611.31-34) to ensure that they are provided equal access to the courts. This includes both deaf/hard of hearing and non-English speaking persons. The courts have faced an average annual court interpreter expenditure increase of 6% per year since FY 2003. The increasing trend is expected to continue at a rate of 5% each year of the new biennium. The increase in interpreter need has paralleled the increase in non-English speaking persons in Minnesota during the same time period. For example, pursuant to statistics provided by the U.S. Department of Homeland Security and Immigration and Naturalization Services, more immigrants arrived in Minnesota by year end 2006 than in any of the previous 25 years. In that year the number of immigrants coming to Minnesota increased by 18,254. In 2007 another 13,814 immigrants made Minnesota their home. As the non-English speaking population increases, it is anticipated that more individuals appearing in courts across the state will have interpreter needs. The biennial recommendation relating to interpreter services is \$653,000.

In Forma Pauperis:

M.S. 563.01 provides that persons who are financially unable to pay the fees and costs related to a non-criminal court case may proceed in forma pauperis (without cost) upon approval by the court. The cost of the service fees, civil transcripts, witness fees, publication costs, courtroom visitors, guardians, substitute decision makers, and guardian background checks needed in these cases is borne by the court system. Expenditures in this budget

have also increased over the last biennium and are expected to continue given the economic downturn and increase in unemployment and poverty. The biennial recommendation relating to in forma pauperis services is \$161,000.

Guardian Ad Litem:

Federal and state laws require the appointment of a guardian ad litem in every judicial proceeding involving an abused or neglected child. State law also provides for the permissive appointment of a guardian ad litem in every family court proceeding where the judicial officer has concerns about the child's welfare. The Judicial Branch Guardian Ad Litem (GAL) program has made great strides in making improvements to the GAL system since state funding began in 2001. Current efforts are aimed at improving the qualifications, training, and preparation of GALs. It is becoming increasingly challenging for the program budget to keep pace with the need for guardian ad litem services for all cases. There was growth of 11.6% (789 cases) in GAL appointments across a variety of case types during the last biennium. This includes moderate increases in abuse and neglect and termination of parental rights cases as well as significant increases in mandatory as well as permissive GAL appointments in custody, dissolution, domestic abuse and paternity cases. The biennial recommendation relating to guardian ad litem services is \$3.533 million.

Jury Services:

In response to the budget cut in FY 2009, the juror per diem was cut from \$20.00 to \$10.00, which has currently mitigated cost increases in the jury program. No funding increase in the jury program is recommended for FY 2010-11.

Relationship to Base Budget

Federal law, Minnesota statutes, Minnesota court rules, and constitutional due process requirements mandate the provision of interpreters and guardians ad litem, psychological examinations and IFP services. Based on historical increases, caseload increases and demographic projections, a base budget increase is recommended for four out of the five mandated services areas. In addition, due to a lack of financial flexibility caused by base budget cuts in FY 2004-05, budget shortfalls in FY 2006-07 and FY 2008-09, each of these budgets is experiencing a structural deficit. A portion of the budget request is to address this deficit.

This request represents a 1.1% increase to the Trial Court biennial base budget.

Key Goals and Measures

The key measure for the Psychological Services change level request will be the number of psychological examinations performed and in particular, the number of the most complex civil commitment cases (Sexually Dangerous Persons/Sexually Psychopathic Personality) filed. This will be reflected primarily in the total statewide number of cases filed and examinations ordered by the courts.

The key measure for the Interpreter change level request will be the number of deaf and hard of hearing and non-English speaking persons for whom interpreter services are provided. This will be reflected primarily in the total statewide number of requests for court interpreter services and the number of courtroom events for each case where interpreter services are required.

The key measure for the In forma Pauperis change level request will be the number of persons who are granted IFP status. This will be reflected primarily in the total statewide number of service fees, civil transcripts, witness fees, publication costs, courtroom visitors, guardians, substitute decision makers, and guardian background checks paid for from court funds.

The key measure for the Guardian Ad Litem change level request will be the number of cases and children served as well as the number of hours the GAL is required to spend per case. This will be reflected primarily in the total statewide number of child protection and termination of parental rights cases filed in the courts as well as in the number of family cases where GAL appointments are ordered.

The key measure for jury change level request will be the number of jury trials scheduled across the state and the type of jury trials (civil or criminal) requested; as well as the number of summoned jurors who must report to courthouses for jury service and those that are selected and sworn as jurors on a case. Judicial Council policy on jury management is in place and includes "Key Results and Measures" for monitoring the efficient and effective use of jurors as well as juror satisfaction and fairness and equity for citizens.

Alternatives Considered

Data on all four mandated services programs are continually being monitored and analyzed in order to identify program efficiencies and cost-savings strategies. Strategies that are currently being contemplated or utilized include:

- ◆ Development of a web-based invoicing system for interpreter and psychological examination programs aimed at providing more detailed financial information about each service area, e.g. cost per psychological examination, examiner's hourly rates, travel costs.
- ◆ Implementation of statewide hourly rate and travel policies for psychologists and psychiatrists and other cost containment strategies including hiring staff positions and regional and centralized Request for Proposal (RFP) contracting strategies.
- ◆ Identification and implementation of best practices and other measures to help contain costs.
- ◆ Use of telephone interpreting where feasible and appropriate.
- ◆ Provision of quality training aimed at raising skill levels for guardians ad litem
- ◆ Continuous recruitment of interpreters, especially in the rural area.

However, even with implementation of these strategies, increased caseloads and significant budget pressures will continue in the mandated services area. No additional significant reductions or efficiencies are possible without risking violation of federal, state, or constitutional due process requirements as well as federal and state laws.

Statutory Change: Not Applicable.

TRIAL COURTS**Change Item: Operating Budget Reduction**

Fiscal Impact (\$000s)	FY 2010	FY 2011	FY 2012	FY 2013
General Fund				
Expenditures	\$(12,606)	\$(12,606)	\$(12,606)	\$(12,606)
Revenues	0	0	0	0
Other Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact	\$(12,606)	\$(12,606)	\$(12,606)	\$(12,606)

Recommendation

The Governor recommends a 5% reduction in the agency's base budget.

Background

The Governor respects the separation of powers and the desire of officials in the judicial and legislative branches and other constitutional officers to independently present their budget requests directly to the legislature without specific recommendations from the Governor. However, since the Governor is required by law to submit a balanced budget to the legislature, it is necessary to identify funding for those offices as part of preparing a complete and balanced budget.

The Governor's general recommendations for the judicial and legislative branches and other constitutional officers reflect his concern with the magnitude of the projected budget shortfall and the desire to protect core government functions. As with the executive branch, the Governor suggests that these offices and institutions individually redesign their operations to increase efficiencies while minimizing the disruption to public services as much as possible.

Relationship to Base Budget

This reduction represents 5% of the base funding for the FY 2010-11 biennium.

Statutory Change: Not Applicable

TRIAL COURTS

Agency Revenue Summary

Dollars in Thousands

	Actual FY2008	Budgeted FY2009	Governor's Recomm. FY2010 FY2011		Biennium 2010-11
<u>Non Dedicated Revenue:</u>					
Other Revenues:					
General	28,499	27,841	27,850	27,850	55,700
Other Sources:					
General	58	0	0	0	0
Total Non-Dedicated Receipts	28,557	27,841	27,850	27,850	55,700
<u>Dedicated Receipts:</u>					
Departmental Earnings:					
Miscellaneous Special Revenue	27	33	33	33	66
Grants:					
Federal	982	990	990	990	1,980
Gift	15	0	0	0	0
Other Revenues:					
General	620	585	585	585	1,170
Miscellaneous Special Revenue	106	150	150	150	300
Miscellaneous Agency	5,101	11,977	16,000	16,000	32,000
Gift	44	0	0	0	0
Other Sources:					
Miscellaneous Agency	19	20	20	20	40
Total Dedicated Receipts	6,914	13,755	17,778	17,778	35,556
Agency Total Revenue	35,471	41,596	45,628	45,628	91,256



THE SUPREME COURT OF MINNESOTA
MINNESOTA JUDICIAL CENTER
25 REV. DR. MARTIN LUTHER KING JR. BLVD.
SAINT PAUL, MINNESOTA 55155

CHAMBERS OF
ERIC J. MAGNUSON
CHIEF JUSTICE

(651) 296-3380

January 20, 2009

To the Honorable Tim Pawlenty and
Members of the 2009 Legislature:

On behalf of the hundreds of thousands of citizens who come before the Minnesota courts and the 315 judges and 2900 employees of the Judicial Branch, I transmit the FY10-11 budget request for the Minnesota Judicial Branch. I am also providing information on the Judicial Branch mission, services, transformational initiatives now underway, and financial challenges that drive our funding needs.

The Minnesota judiciary is an open door for justice. Our workload is dictated by the needs of citizens and businesses for redress, the needs of children and vulnerable adults for protection, and the policies and practices of law enforcement and prosecutors enforcing state and local laws. The Judicial Branch is unable turn away those who enter the courthouse to seek our services. Unlike state agencies, the Judicial Branch has no discretionary services. The court system adjudicates approximately two million cases brought to it by the citizens of the state on an annual basis.

Article 8, section 1 of the Minnesota Constitution provides that the object of government is to ensure the security, benefit and protection of the people. Government fulfills that obligation by passing and enforcing laws. Without adequate funding, the courts cannot perform their vital role in that process.

The Judicial Council and I want to join with the Governor and Legislature in finding collaborative solutions to stabilize our Judicial Branch budget and provide the citizens of this state with the level of services guaranteed by the Minnesota Constitution and state laws. However, I also need to clearly communicate our current dilemma. We now find ourselves at a tipping point where action is needed to avoid major service disruptions in the next biennium that will seriously jeopardize the justice function.

FY10-11 Biennial Budget Request

Our FY10-11 budget request seeks only to preserve core services and fund increased costs that are unavoidable. It is not a request for service expansion – rather, it is a request to maintain basic judicial operations that are constitutionally and statutorily required.

In addition to the FY10-11 base budget for the Supreme Court, the Court of Appeals, and the District Courts, I present five change requests addressing basic, non-discretionary needs of the Minnesota Judicial Branch for the next biennium. This includes an increase of \$43,035,000 to court operations, which represents a 7.31% increase to our biennial base, with an additional \$6,170,000 requested on behalf of our criminal justice partners and \$4,000,000 for civil legal services:

- \$29,879,000 in projected salary and insurance increases to maintain core justice operations by funding current staffing levels to handle the ever increasing caseloads in our courts. This money will go only to pay for current staff which is 9% short of our need. We are not asking for the restoration of positions lost or any new positions, and are not seeking compensation increases for judges or new judgeships. These estimates are based on potential negotiated settlements;
- \$5,586,000 for growth in mandated services: interpreters, psychological services, guardians ad litem, jury, and in forma pauperis costs which we are required by law to fund. We have no option of not paying these costs;
- \$5,651,000 to pursue strategic technology initiatives needed to transform operations and services provided by the branch. Without this investment in the future, we cannot realize our goals of increased efficiency and productivity;
- \$8,089,000 to continue funding for 37 existing problem-solving courts in the state, with investments included for related public partners costs (\$6,170,000 listed above). These courts represent the kind of creative and forward thinking solutions that, in the long run, result in a more highly functioning and effective justice system; and
- \$4,000,000 for Civil Legal Services for the poor. This is money that does not go to the Judicial Branch but which is still included in our request on a pass-through basis.

Transforming the Judicial Branch

The mission of the Judicial Branch is to provide equal access for the fair and timely resolution of cases and controversies. The Minnesota Judicial Branch is not a state agency – the Minnesota Constitution requires justice to be provided in all cases promptly and without delay.

The Minnesota judiciary recently completed its transformation from a confederation of 87 county-funded trial courts to a unified, state-funded branch of state government. The Judicial Council, a single statewide policy-making entity, has replaced the various policy groups associated with the prior court structure. These changes present a tremendous opportunity for the judicial branch to more equitably, efficiently, and effectively serve the citizens of Minnesota.

To address the historic disparity in county funding of trial courts, we've embarked on a long-term effort to equalize resources within our ten judicial districts. It is imperative that citizens of this state have access to similar levels of judicial services regardless of where they live to give meaning to our belief in equal justice under law. Although we have recently achieved an equitable distribution of resources among the ten districts, unfortunately these districts are now equally underfunded due to current budget constraints.

In recognition of the bleak economic outlook and increased demand for scarce state resources, this year we established an Access and Service Delivery Committee (ASD), charged with the responsibility to develop options for restructuring judicial delivery systems, redesigning business processes, expanding the use of technology, and prioritizing functions to provide appropriate levels of access and services at the lowest cost. These transformational goals include:

- Workflow re-engineering through technology enhancements aimed at improving services while cutting labor costs. This includes optimizing our case management system (MNCIS), implemented statewide in April, with web and voice payment options, the ability to process e-citations from local law enforcement agencies, automatic assessment of court fines, and electronically sending delinquent debt to a private collection agency.
- Legislative and court policy reforms, including implementing recommendations from the Non-Felony Enforcement Advisory Commission re-ranking some offenses to reduce workloads, expanding the number of payable offenses, and transferring enforcement of administrative regulations to other government entities to reduce the number of violations that require court appearances.
- Addressing structural and governance issues by administratively consolidating judicial districts or reducing their number through redistricting, expanding the use of less expensive subordinate judicial officers where possible, and centralizing service delivery through ITV to achieve greater efficiencies and effectiveness.

Challenges Facing Judicial Performance

Our courts have made enormous strides in recent times to improve the delivery of prompt, affordable, fair and effective results to a society that relies heavily on its legal system. Minnesota judges carry average caseloads that are 49% higher than in comparable states. Minnesota courts are trusted by the business community and the public – the National Chamber of Commerce survey ranks Minnesota in the top ten states for competence and fairness and a 2007 Minnesota Public Trust and Confidence Survey reflects that 80% of the public has confidence in the Minnesota courts.

We have done all of these things despite severe budget constraints through the innovation and industry of our judges and staff.

Current Cost Reductions and Efficiencies

Funding for all trial court operations became the sole responsibility of the state in 2005 when the transition from county to state funding was complete. During this transition, the Judicial Branch has experienced little financial flexibility because of base budget cuts and underfunding in FY04-05 (\$23 million), insufficient funding in FY06-07, and additional base budget reductions and underfunding in the current biennium (\$19 million).

There are no easy reductions left for us to make. Inadequate funding has already forced painful reductions in staff levels and service delivery. We already:

- Operate 9% short-staffed.
- Have instituted layoffs, voluntary separation programs, leaves without pay, and a hiring freeze.
- Hold open judge vacancies.
- Closed public counters a half day per week in the 3rd, 4th, and 10th judicial districts and permanently closed a satellite court in Washington County.
- Terminated the 4th Judicial District arbitration services, court supervised visitation services, and reduced staffing at the domestic abuse service center.
- Reduced juror per diem pay from \$20 to \$10.
- Cut funding for drug courts, retired judge services, and mandated services.
- Reduced operating costs to the lowest levels since the trial courts were brought into state funding.

As a result, delays in case processing and service delivery are occurring across the state.

Our Access and Service Delivery Workgroup is aggressively re-engineering our business practices so we can become as efficient and effective as possible. Unfortunately, progress on many of these initiatives, including our efforts to centralize and automate the 1.2 million payable citations, may be in jeopardy if further budget reductions are enacted.

Negative Impact of No Increased Funding or Base Budget Reductions

The negative impact of no new funding – or worse yet, funding reductions – will be immediate, unavoidable, and dramatic and will significantly affect the basic operation of Minnesota's courts with economic and other consequences for county and state government and public safety. Public trust and confidence in the courts and government will be significantly impacted.

Failure to provide adequate funding to cover unavoidable employee cost increases (mandatory employer health insurance and pension contributions) and budget cuts would require additional staff reductions of hundreds of positions depending on the results of our voluntary separation program, turnover rate over the next six months, and applicable severance costs. This reduction,

on top of our current 9% shortage, means that we will be unable to handle all of our current caseload.

In the interest of providing options to the Governor and the Legislature, at its December 2008 meeting, the Judicial Council reviewed 51 different case categories that are processed by the courts and assigned a priority level to each case type (see enclosed list). In general, lack of funding will force us to stop handling some or all of the following cases in the next biennium:

- Conciliation Court
- Consumer Credit
- Some Estate and Trust cases
- Property Damage
- Harassment
- Default Judgments
- Out of Custody Adult and Juvenile Non-targeted Misdemeanors (public defenders will not be able to assign attorneys for out-of-custody cases)
- Juvenile Status, Truancy, Runaway offenses
- Implied Consents
- Traffic, Ordinance, and Parking Violations, impacting the \$200 million annual revenue flow to cities, counties, and the state general fund.

In addition to not handling these types of matters, increased delays in criminal and juvenile case processing will produce collateral consequences to other public jurisdictions. Defendants will be incarcerated longer while awaiting trial, increasing costs at county jails that are already operating at 105% of capacity. Others will be out of custody longer awaiting disposition, increasing risks to public safety.

These proposed case processing priorities will appropriately generate a vigorous public debate about the stark implications associated with potential lack of funding or budget reductions. We welcome those discussions and are open to any specific suggestions for changes to our proposed priorities. However, any reprioritization must match the workload reduction needed to balance any budget cut imposed. Fewer reductions to our budget would allow us to limit the impact on some case types.

In addition, lack of funding or budget reductions could require us to close or significantly reduce hours/days of operation in some low volume rural courts and several of our high volume suburban courts because of the reduced workforce. Many of our drug courts, which save taxpayer money and improve public safety, could close as well.

At the appellate level, both the Supreme Court and Court of Appeals will be forced to further reduce personnel. Loss of crucial legal staff will result in an expanded backlog of cases at the Court of Appeals and significant delays at the Supreme Court. In the State Court

Administrator's Office, funding shortages will directly impact efforts currently underway to re-engineer business practices across the court system. Without sufficient funding, progress on technology initiatives such as e-citations, e-filing, e-payments, and automated collections--all of which save long term staff costs and increase state revenue collection--will be significantly impeded if not curtailed. And, cuts to civil legal services will mean that additional families will go without legal assistance in critical areas like mortgage foreclosure and housing, increasing public costs associated with homelessness and domestic violence.

Inadequate funding will jeopardize the justice system as we have known it in this state. Without adjudication of cases, civil and criminal consequences for illegal behavior will go unimposed. It is no exaggeration to say that the rule of law will be at stake.

In tough economic times, we must return to the basics. One of those is mandated by our Constitution: an adequately funded, functioning justice system that resolves disputes promptly in order to ensure the rule of law, protect public safety and individual rights, and promote a civil society. The Minnesota Judicial Branch is not a state agency. Funding should first be provided to institutions such as the Judicial Branch that deliver services directly required by the state Constitution. Justice is not an option. It is a constitutional obligation.

I look forward to the opportunity to discuss these matters with you in further detail.

Very truly yours,



Eric J. Magnuson
Chief Justice

TRIAL COURTS

Change Item: Maintain Core Justice Operations

Fiscal Impact (\$000s)	FY 2010	FY 2011	FY 2012	FY 2013
General Fund				
Expenditures	\$8,507	\$17,644	\$17,644	\$17,644
Revenues	0	0	0	0
Other Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact	\$8,507	\$17,644	\$17,644	\$17,644

Request

The Trial Courts request \$26.151 million in FY 2010-11 to maintain core justice operations.

Background

As of July 1, 2005, all employees of the trial courts in the state's ten judicial districts became state employees as the judicial branch transitioned to state funding. Currently, the trial courts have 2,454 employee FTEs and 289 judges. The judicial branch is heavily reliant on state general fund appropriations. Less than half of one percent of the employee FTE's are funded from sources other than the state general fund. Trial court employees are compensated under three different union contracts or, for those who are not members of a union, under the judicial branch compensation and pay plan administered by the State Court Administrator's Office (SCAO) under the direction of the Judicial Council.

The judicial branch non-judicial pay plan consists of the same four basic components as the executive branch: across the board adjustments to the salary range, merit or step increases, employer retirement contributions, and the insurance programs negotiated by Minnesota Management & Budget for all state employees.

During the FY 2010-11 biennium, the judicial branch has estimated that additional salary funding will be necessary to implement a pay plan commensurate with other negotiated state and local agreements. This request does not include a comparable salary increase for judges in FY 2010 and FY 2011. Additional funding is also required to fully fund statutorily mandated increases in employer paid retirement plan contributions. Health insurance costs are estimated at 6% increases based on historical increases.

Relationship to Base Budget

This request represents a 5.1% increase to the Trial Court biennial base budget.

Key Goals and Measures

Failure to fund negotiated pay plans and mandated employee health insurance will result in large numbers of layoffs. This will significantly impact the ability of the judicial branch to fulfill its constitutional mandate to adjudicate and resolve cases promptly and without delay. The backlog of cases is expected to grow by 117,000 cases or 54% by the end of FY 2011. This will result in case processing delays across the board, but especially civil, family, probate and conciliation affecting businesses, parties to divorce, children receiving child support, families settling estates, landlords dealing with tenant issues and in out of custody criminal cases increasing risk to public safety. It will also mean collateral economic consequences for counties and the state.

Alternatives Considered

Because human resources costs are nearly 85% of the judicial branch budget, the effective alternatives available to fund salary and insurance costs are few. A reduction in the workforce is the most likely and least desirable. The Trial Courts have already absorbed cuts, combined court administrators in more than one-third of the counties, transferred funds across district and county lines and into the mandated services area to resolve shortfalls, closed some public counters and satellite courts, terminated services, and instituted layoffs, voluntary separation programs, leaves without pay and a hiring freeze. A reduction in the workforce will result in service reductions to the public.

Statutory Change: Not Applicable.

TRIAL COURTS

Change Item: Mandated Services

Fiscal Impact (\$000s)	FY 2010	FY 2011	FY 2012	FY 2013
General Fund				
Expenditures	\$1,830	\$3,756	\$3,756	\$3,756
Revenues	0	0	0	0
Other Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact	\$1,830	\$3,756	\$3,756	\$3,756

Request

The Trial Courts requests \$5.586 million in FY 2010-11 for mandated services.

Background

The Minnesota Constitution, federal and state laws, and Minnesota Court Rules mandate that certain services be provided to individuals in the court system. These services are generally referred to as “mandated services” and include Psychological Services, Interpreter Services, In Forma Pauperis, Guardian Ad Litem and Jury Services.

Psychological Services:

M.S. 480.182 provides that the courts will pay the court related costs of examinations under Rule 20 of the Criminal Rules of Procedure and under M.S. Chapter 253B, the civil commitments, including commitments of persons who are mentally ill and dangerous, persons with sexual psychopathic personalities, and sexually dangerous persons. Each court in counties throughout the state requires the services of licensed psychologists, licensed psychiatrists, and licensed medical doctors for these cases. For the past several years the courts have seen substantially increasing costs for psychological examination services. A large part of the increase is due to escalating costs for sexually dangerous person and sexually psychopathic personality examinations and more recent changes in this area of the law. Expenditures for psychological services are expected to increase annually by 11%. The Judicial Branch has moved from individual county to state oversight of this program. Several cost containment measures have been implemented. Initiatives include a statewide payment policy which caps the hourly rate paid for psychological examinations, statewide contracts for services, hiring employee examiners, creation of a roster to ensure quality of the services provided to the court as well as other business practice improvements to conduct business as efficiently as possible while containing costs. Still significant cost increases are expected in FY 2010-11. The biennial request relating to psychological services is \$1,239,000.

Interpreter Services:

Both federal and state law mandate that courts provide interpreter services for individuals who are “disabled in communication” (Minnesota Human Rights Act (M.S. § 363.03); Americans with Disabilities Act; Rule 8 of the Minnesota District Court General Rules of Practice; M.S. § 611.31-34) to ensure that they are provided equal access to the courts. This includes both deaf/hard of hearing and non-English speaking persons. The courts have faced an average annual court interpreter expenditure increase of 6% per year since FY 2003. The increasing trend is expected to continue at a rate of 5% each year of the new biennium. The increase in interpreter need has paralleled the increase in non-English speaking persons in Minnesota during the same time period. For example, pursuant to statistics provided by the U.S. Department of Homeland Security and Immigration and Naturalization Services, more immigrants arrived in Minnesota by year end 2006 than in any of the previous 25 years. In that year the number of immigrants coming to Minnesota increased by 18,254. In 2007 another 13,814 immigrants made Minnesota their home. As the non-English speaking population increases, it is anticipated that more individuals appearing in courts across the state will have interpreter needs. The biennial request relating to interpreter services is \$653,000.

In Forma Pauperis:

M.S. 563.01 provides that persons who are financially unable to pay the fees and costs related to a non-criminal court case may proceed in forma pauperis (without cost) upon approval by the court. The cost of the service fees, civil transcripts, witness fees, publication costs, courtroom visitors, guardians, substitute decision makers, and guardian background checks needed in these cases is borne by the court system. Expenditures in this budget

have also increased over the last biennium and is expected to continue given the economic downturn and increase in unemployment and poverty. The biennial request relating to in forma pauperis services is \$161,000.

Guardian Ad Litem:

Federal and state laws require the appointment of a guardian ad litem in every judicial proceeding involving an abused or neglected child. State law also provides for the permissive appointment of a guardian ad litem in every family court proceeding where the judicial officer has concerns about the child's welfare. The Judicial Branch Guardian Ad Litem (GAL) program has made great strides in making improvements to the GAL system since state funding began in 2001. Current efforts are aimed at improving the qualifications, training, and preparation of GALs. It is becoming increasingly challenging for the program budget to keep pace with the need for guardian ad litem services for all cases. There was growth of 11.6% (789 cases) in GAL appointments across a variety of case types during the last biennium. This includes moderate increases in abuse and neglect and termination of parental rights cases as well as significant increases in mandatory as well as permissive GAL appointments in custody, dissolution, domestic abuse and paternity cases. The biennial request relating to guardian ad litem services is \$3,533,000.

Jury Services:

In response to the budget cut in FY 2009, the juror per diem was cut from \$20.00 to \$10.00, which has currently mitigated cost increases in the jury program. No increased funding in the jury program is requested for FY 2010-11.

Relationship to Base Budget

Federal law, Minnesota statutes, Minnesota court rules, and constitutional due process requirements mandate the provision of interpreters and guardians ad litem, psychological examinations and IFP services. Based on historical increases, caseload increases and demographic projections, a base budget increase is requested for four out of the five mandated services areas. In addition, due to a lack of financial flexibility caused by base budget cuts in FY 2004-05, budget shortfalls in FY 2006-07 and FY 2008-09, each of these budgets is experiencing a structural deficit. A portion of the budget request is to address this deficit.

This request represents a 1.1% increase to the Trial Court biennial base budget.

Key Goals and Measures

The key measure for the Psychological Services change level request will be the number of psychological examinations performed and in particular, the number of the most complex civil commitment cases (Sexually Dangerous Persons/Sexually Psychopathic Personality) filed. This will be reflected primarily in the total statewide number of cases filed and examinations ordered by the courts.

The key measure for the Interpreter change level request will be the number of deaf and hard of hearing and non-English speaking persons for whom interpreter services are provided. This will be reflected primarily in the total statewide number of requests for court interpreter services and the number of courtroom events for each case where interpreter services are required.

The key measure for the In forma Pauperis change level request will be the number of persons who are granted IFP status. This will be reflected primarily in the total statewide number of service fees, civil transcripts, witness fees, publication costs, courtroom visitors, guardians, substitute decision makers, and guardian background checks paid for from court funds.

The key measure for the Guardian Ad Litem change level request will be the number of cases and children served as well as the number of hours the GAL is required to spend per case. This will be reflected primarily in the total statewide number of child protection and termination of parental rights cases filed in the courts as well as in the number of family cases where GAL appointments are ordered.

The key measure for jury change level request will be the number of jury trials scheduled across the state and the type of jury trials (civil or criminal) requested; as well as the number of summoned jurors who must report to courthouses for jury service and those that are selected and sworn as jurors on a case. Judicial Council policy on jury management is in place and includes "Key Results and Measures" for monitoring the efficient and effective use of jurors as well as juror satisfaction and fairness and equity for citizens.

Alternatives Considered

Data on all four mandated services programs are continually being monitored and analyzed in order to identify program efficiencies and cost-savings strategies. Strategies that are currently being contemplated or utilized include:

- ◆ Development of a web-based invoicing system for interpreter and psychological examination programs aimed at providing more detailed financial information about each service area, e.g. cost per psychological examination, examiner's hourly rates, travel costs.
- ◆ Implementation of statewide hourly rate and travel policies for psychologists and psychiatrists and other cost containment strategies including hiring staff positions and regional and centralized Request for Proposal (RFP) contracting strategies.
- ◆ Identification and implementation of best practices and other measures to help contain costs.
- ◆ Use of telephone interpreting where feasible and appropriate.
- ◆ Provision of quality training aimed at raising skill levels for guardians ad litem
- ◆ Continuous recruitment of interpreters, especially in the rural area.

However, even with implementation of these strategies, increased caseloads and significant budget pressures will continue in the mandated services area. No additional significant reductions or efficiencies are possible without risking violation of federal, state, or constitutional due process requirements as well as federal and state laws.

Statutory Change: Not Applicable.

TRIAL COURTS

Change Item: Drug/Mental Health Courts

Fiscal Impact (\$000s)	FY 2010	FY 2011	FY 2012	FY 2013
General Fund				
Expenditures	\$4,149	\$3,940	\$3,940	\$3,940
Revenues	0	0	0	0
Other Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact	\$4,149	\$3,940	\$3,940	\$3,940

Request

The Trial Courts request \$8.089 million in FY 2010-11 for drug and mental health court costs.

Background

The majority of cases coming to our courts involve alcohol and other drug (AOD) dependent/addicted persons. AOD use is a factor in 80-90% of Minnesota's criminal cases. It is a pervasive problem in juvenile delinquency, child protection, and family and mental health cases as well. It is estimated that 60-80% of the child protection cases that end up in the courts have AOD addiction as a contributing factor, if not the primary factor. Individuals appearing in court with co-occurring mental health and AOD issues are on the rise; many of which come from and often return to the expensive intervention of crisis medical care in hospitals.

The financial costs to the state for all of the aforementioned cases in adjudication, incarceration and treatment are substantial and rising. Felony drug cases rose from 5,035 in 1999 to 8,268 in 2007. Methamphetamine cases accounted for 36% of the total drug cases. Approximately one out of every nine Minnesotans has a DWI on their record. Every year there are almost 40,000 DWI offenses in Minnesota; 40% of which involve repeat offenders. In 1989 there were only 173 drug offenders which constituted 6% of the overall prison population. Last year, drug offenders accounted for 21% of Minnesota's inmates. During the five years since the enactment of the felony DWI law on August 1, 2002, the prison population has grown by 2,157 offenders. Felony DWI offenders have accounted for 29% of this growth. Combined, DWI and drug offenders were responsible for 53% of the prison population increase from July 2002-July 2007. Eighty percent of those who receive a second DWI are chemically dependent.

Studies conducted around the country show that positive cost-benefit ratios typically result for drug court participants who complete programs that adhere to established best practices. Recidivism is reduced as are incarceration costs. California found that an investment of \$14 million created a total cost avoidance of \$43.3 million over a two year period – 425,014 jail days (\$26 million) and 27,894 prison days (\$13 million) were avoided. Another economic analysis in California concluded that drug courts cost an average of about \$3,000 per client, but save an average of \$11,000 per client over the long term. New York saw an average 29% decrease in recidivism three years after arrest for offenders. Likewise, New York estimates that \$254 million in incarceration costs were saved by diverting 18,000 non-violent drug offenders to problem solving courts. Washington found that the average drug court participant produces approximately \$6,800 in benefits - \$3,800 in avoided criminal justice costs paid directly by taxpayers and \$3,000 in estimated avoided costs to victims.

A combination of federal, state and county funding in recent years has resulted in the development of thirty-seven specialty courts (35 drug and two mental health courts) throughout the state of Minnesota. These courts are still relatively new in Minnesota but are beginning to demonstrate those same positive outcomes proven elsewhere. For example, several drug courts have preliminarily identified avoided costs to the system as a result of an individual's participation in drug court. Wabasha County drug court, which began operations in 2005, estimates the avoidance of \$1.9 million of costs by not sending individuals to prison. Savings for just one family – a husband and wife, both of whom were presumptive commits to prison and whose children were taken into protective custody – are estimated at \$523,000 in prison costs and \$47,000 in out of home placement county costs because the three children were returned to their parents after only a few months. The children remain with their parents more than two years later, and both parents are fully employed. The Faribault-Martin-Jackson multi-county drug court, which started operating in late 2006 estimates, according to the actual stayed sentences of the drug court participants during a one year period, a total of \$466,000 in avoided jail (\$62,000) and prison (\$404,000) costs.

TRIAL COURTS

Change Item: Drug/Mental Health Courts

between the three counties and the state. The Brown-Nicollet-Watonwan drug court estimates 105.7 years of avoided prison time or a savings of \$2.9 million. A recidivism study of our five oldest drug courts will be available by the end of 2008.

This request seeks funding to sustain the 37 existing specialty courts in the next biennium. The total request is \$8.089 million. Of that amount, \$1.919 million is for court costs and \$6.17 million is funding for local justice system partners. The request includes support for courts initially funded by federal grants that terminate in FY 2010-11 and biennializing the cost of state funded courts which commenced operations at various points in the current biennium. These recommendations were developed by the multidisciplinary Drug Court Initiative Advisory Committee (DCI), which provides oversight for statewide drug court operations and advises the Judicial Council on drug court funding and policy.

Relationship to Base Budget

This request represents a 1.6% increase to the Trial Court biennial base budget.

Key Goals and Measures

The Judicial Council adopted three goals for all offender drug courts: Enhancing public safety, ensuring participant accountability, and reducing costs to society. The primary measure of success is reduced recidivism.

Alternatives Considered

Failure to fund the drug and mental health courts will result in shutting down many of these courts and the loss of at least \$20 million in federal, state and local investments; years of training and experience of drug court team members; local community support across the state; opportunity for offenders to be restored to sober, law-abiding, taxpaying lives; and cost savings to counties and the state. Felony drug cases continue to increase. Failure to address the underlying addiction and mental health issues of offenders will perpetuate a cycle of recidivism and an on-going drain on public resources. It costs approximately \$36,000 per year to incarcerate an addicted offender, compared to approximately \$7,000 to provide drug court services to the same individual. Former Chief Justice Russell Anderson perhaps said it best: "What we are doing now is not working. We have got to find a different solution – for the sake of our communities and the people that our courts serve. Drug courts are part of that solution."

Statutory Change: Not Applicable

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Agency Purpose

The eight commissioners on the Uniform Laws Commission participate, as Minnesota's members, in the activities of the National Conference of Commissioners on Uniform State Laws (NCCUSL), now also known as the Uniform Laws Commission (ULC). The ULC is a 116-year-old organization of approximately 350 members representing all fifty states. It drafts state legislation in the area of private law, focusing primarily on areas of significant legal complexity where uniformity of law among the states is particularly important. The commissioners serve without compensation.

At A Glance

Minnesota's eight commissioners on uniform state laws work with approximately 350 commissioners from the other 49 states in drafting uniform laws for the various state legislatures to consider and enact. The commissioners are uncompensated.

Currently Minnesota has 64 uniform laws in effect, and seven to nine will be presented to the legislature in 2009.

Core Functions

The core functions of the ULC are the drafting of uniform acts and codes and the presentation of these acts and codes to the state legislature for enactment. The ULC serves the state legislature by helping it on questions of complex private law. The ULC has provided Minnesota 64 currently effective laws, including such important laws as the Uniform Commercial Code, the Uniform Probate Code, the Uniform Anatomical Gift Act, the Uniform Environmental Covenants Act, the Uniform Partnership Act, the Uniform Fraudulent Transfers Act, the Uniform Child Custody Jurisdiction Act, and the Uniform Enforcement of Foreign Judgments Act.

Operations

The ULC work is done by committees of commissioners that meet in two-and-a-half-day weekend drafting meetings over a two to four year period. These committees are advised by interested groups, including consumer groups, industry groups, and the American Bar Association. Committee drafts are presented for consideration by the full ULC at two annual meetings before the acts are promulgated as uniform acts and submitted to the fifty state legislatures for enactment. A significant part of the energy of ULC leadership is expended evaluating subjects suggested as appropriate for drafting projects. Suggestions are received from many sources and are always welcomed. The ULC has a small staff of nine in a Chicago office.

Key Goals

The ULC seeks to help the Minnesota legislature, and all other legislatures, to address wisely issues of private law that are especially complex. The ULC marshals information and guidance from the nationwide community to a degree that no single legislature can manage. With its uncompensated membership, the work is done at a small cost to each state.

The drafting of each uniform act takes place over two or more years to ensure that the act, when finally promulgated, represents the best common sense and the best drafting that can be achieved. The Minnesota legislature, by making full use of the acts the ULC has drafted, can better serve our businesses and our families.

Key Measures

ULC success is measured by adoption of its acts by state legislatures and the extent to which the ULC can relieve legislatures of work by creating a community consensus on its draft acts. Legislators are the ULC's constituency. Every state has enacted dozens of uniform acts. Minnesota, among the leaders, has more than 64 uniform acts and codes in its statutes today. During the 2009-10 Minnesota legislative session, the Minnesota commissioners will bring to the legislature for consideration a major probate law act and several other uniform acts.

Budget

The ULC is supported by dues paid by each state from legislative appropriations. The Minnesota appropriation covers its dues and the reimbursement of food, lodging and travel expenses of the Minnesota commissioners for attendance at the weeklong annual meeting. Total funding for the FY 2008-09 biennium is \$110,000.

Contact

Robert Tennesen
Phone: (612) 669-9641

Dollars in Thousands					
	Current		Governor Recomm.		Biennium
	FY2008	FY2009	FY2010	FY2011	2010-11
<u>Direct Appropriations by Fund</u>					
General					
Current Appropriation	58	52	52	52	104
Recommended	58	52	52	52	104
Change		0	0	0	0
% Biennial Change from 2008-09					-5.5%
<u>Expenditures by Fund</u>					
Direct Appropriations					
General	55	55	52	52	104
Total	55	55	52	52	104
<u>Expenditures by Category</u>					
Other Operating Expenses	55	55	52	52	104
Total	55	55	52	52	104
<u>Expenditures by Program</u>					
Uniform Laws Cmsn	55	55	52	52	104
Total	55	55	52	52	104

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➡ Designates that this item is a change item



January 27, 2009

The 2009 Minnesota Legislature:

On behalf of Governor Tim Pawlenty, I am submitting the FY 2010-2011 budget recommendations for higher education. These recommendations would reduce general fund appropriations to the Office of Higher education, the University of Minnesota and the Minnesota State Colleges and Universities System to help solve the \$4.8 billion projected budget shortfall for the biennium. The Governor's recommendations strike a balance between support for institutions and support for the State Grant program and other student-centered proposals.

The total recommended general fund appropriation for higher education, including the University of Minnesota, the MnSCU system, the Office of Higher Education and the Mayo Clinic is \$2.823 billion. This total reduction is \$312.9 million or about a 10% decrease over the total higher education base budget.

The Governor's budget reduces the general fund base level funding of \$1.394 billion for the University of Minnesota by \$151.0 million. This reduction represents a 10.8% change from base funding.

The Governor's budget reduces the general fund base level funding of \$1.364 billion for MnSCU by \$146.0 million. This reduction represents a 10.7% reduction from base funding.

In addition, the Governor recommends the University of Minnesota Board of Regents and the MnSCU Board of Trustees institute firm caps on tuition increases to ensure rising tuition costs do not unduly harm students.

These recommendations reflect very difficult choices in an economic environment not seen for many decades. We look forward to working with the Legislature in the coming months.

Sincerely,

A handwritten signature in black ink that reads "Susan Heegaard". The signature is written in a cursive, flowing style.

Susan Heegaard
Director

Agency Purpose

The University of Minnesota is both the state's land-grant university, with a strong tradition of education and public engagement, and a major research institution, with faculty of national and international reputation. Its statutory mission is to "offer undergraduate, graduate, and professional instruction through the doctoral degree, and ... be the primary state supported academic agency for research and extension services." (M.S. 135A.052)

The University of Minnesota, founded in 1851, has five campuses (Twin Cities, Duluth, Morris, Crookston, Rochester), six research and outreach centers, two biological stations, one forestry station and regional extension offices throughout the state.

The University is a multi-campus university. The chief operating officers for the Twin Cities campus also serve as the senior officers for the entire University.

The Twin Cities campus is one of the two largest campuses in the country in terms of enrollment (50,883 students) and also one of the most comprehensive. It is the state's major research campus and with more than \$600 million annually in research grant awards, it accounts for more than 98% of all research expenditures at Minnesota's higher education institutions, both public and private.

The University of Minnesota, Duluth (11,184 students) is a comprehensive regional university that offers instruction through the master's degree. The campus contributes to meeting the cultural needs of the region and serves as a focal point for the economic development of the region through community outreach and through an emphasis on the sea-grant and land-grant components of its program.

The University of Minnesota, Morris (1,686 students) is one of the top public liberal arts colleges in the nation, providing an innovative and high quality residential education to its undergraduates that emphasizes faculty-student collaborative research, study abroad and service learning.

The University of Minnesota, Crookston (2,346 students) provides applied, career-oriented education through baccalaureate programs that combine theory, practice and experimentation in a technologically rich environment.

The University of Minnesota, Rochester, established in 2006, is focused on meeting the educational needs of the Rochester area. With more than 35 programs available, UMR provides graduate and undergraduate degrees in health sciences, biotechnology, business, education, graphic design, public health, and social work.

Core Functions

The University of Minnesota's three mission activities are:

- ♦ teaching and learning;
- ♦ research and discovery; and
- ♦ outreach and public service.

At A Glance

The University of Minnesota is governed by a 12-member, legislatively appointed Board of Regents.

Statewide Presence:

- ♦ Five campuses (Crookston, Duluth, Morris, Rochester, Twin Cities)
- ♦ Six research and outreach centers (Crookston, Grand Rapids, Lamberton, Morris, Rosemount, Waseca)
- ♦ Two biological stations (Lake Itasca, Cedar Creek)
- ♦ One forestry center (Cloquet)
- ♦ 18 regional University of Minnesota Extension Offices

Annual Budget:

\$3.0 billion (FY 2009 budgeted revenues)

Student Enrollment (Fall 2007):

40,572	Undergraduate
14,906	Graduate
3,939	First Professional
6,682	Non-Degree
66,099	TOTAL / all campuses

Faculty and Staff (Fall 2007):

19,274 Faculty and Staff
14,636 Student Workers (includes fellows, post-docs, and professionals in training)

Teaching and Learning: The University of Minnesota provides instruction through a broad range of educational programs that prepare undergraduate, graduate, and professional students for productive roles in society.

Research and Discovery: The University of Minnesota generates and preserves knowledge, understanding, and creativity by conducting research, scholarship, and artistic activity.

Outreach and Public Service: The University of Minnesota exchanges its knowledge and resources with society by making them accessible to the citizens of the state.

Operations

The University of Minnesota conducts its mission activities from its campuses and other facilities throughout the state. The University of Minnesota:

- ◆ provides instruction for more than 66,000 students;
- ◆ graduates more than 13,500 students, 36 percent with graduate or first professional degrees;
- ◆ conducts more than \$600 million in research sponsored by the National Institutes of Health, the National Science Foundation, many other federal agencies, and numerous private companies and foundations; and
- ◆ reaches out to more than one million Minnesotans through various outreach and public service activities.

Budget

The University of Minnesota's FY 2009 budgeted revenues of \$3.0 billion are primarily generated by five main sources of revenue:

◆ State Appropriations	\$721.9 million / 24%
◆ Tuition and Fees	\$622.8 million / 21%
◆ Sponsored Grants & Contracts	\$470.0 million / 16%
◆ Sales and Other Revenue	\$858.9 million / 28%
◆ Gift, Endowment Earnings and Other Restricted Sources	\$348.3 million / 11%

The University of Minnesota's total state appropriation includes both a general unrestricted appropriation that supports the University's core operations and appropriations that are restricted to special purposes (e.g., University of Minnesota Extension Service).

Instructional Expenditures

Laws of Minnesota for 2007 require the public post-secondary systems in Minnesota to report instructional and non-instructional expenditures in the biennial budget document. For fiscal year 2006-07 (the most recent year of audited financial data) the University of Minnesota's instructional expenditures totaled \$644,461,760. The definition of instructional expenditures is "A functional expense category that includes expenses of the colleges, schools, departments, and other instructional divisions of the institution and expenses for departmental research and public service that are not separately budgeted." This definition was developed by the Integrated Post-Secondary Education Data System (IPEDS) and is used by higher education institutions for consistent cross-institution comparisons.

Non-instructional expenditures for fiscal year 2006-07 totaled \$1,910,893,614 and included the following IPEDS categories of expenses: Research, Public Service, Academic Support, Student Services, Institutional Support, Operations and Maintenance of Plant, Depreciation, Scholarships and Fellowships, Auxiliary Enterprises.

	<u>FY 2007</u>	<u>FY 2006</u>
Instructional Expenditures	\$644,461,760	\$621,355,308
Non-Instructional Expenditures	<u>\$1,910,893,614</u>	<u>\$1,774,824,054</u>
Total Operating Expenditures	\$2,555,355,374	\$2,396,179,362

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Dollars in Thousands

	Current		Governor Recomm.		Biennium
	FY2008	FY2009	FY2010	FY2011	2010-11
<u>Direct Appropriations by Fund</u>					
Environment & Natural Resource					
Current Appropriation	3,123	2,831	2,831	2,831	5,662
Recommended	3,123	2,831	0	0	0
Change		0	(2,831)	(2,831)	(5,662)
% Biennial Change from 2008-09					-100%
General					
Current Appropriation	711,622	697,142	697,142	697,142	1,394,284
Recommended	711,622	697,142	627,092	627,092	1,254,184
Change		0	(70,050)	(70,050)	(140,100)
% Biennial Change from 2008-09					-11%
Health Care Access					
Current Appropriation	2,157	2,157	2,157	2,157	4,314
Recommended	2,157	2,157	2,157	2,157	4,314
Change		0	0	0	0
% Biennial Change from 2008-09					0%
Miscellaneous Special Revenue					
Current Appropriation	22,250	22,250	22,250	22,250	44,500
Recommended	22,250	22,250	22,250	22,250	44,500
Change		0	0	0	0
% Biennial Change from 2008-09					0%
<u>Expenditures by Fund</u>					
Direct Appropriations					
Environment & Natural Resource	3,209	3,331	0	0	0
General	706,922	699,842	628,492	628,092	1,256,584
Miscellaneous Special Revenue	22,250	22,250	22,250	22,250	44,500
Statutory Appropriations					
Health Care Access	2,157	2,157	2,157	2,157	4,314
Miscellaneous Agency	9,271	9,030	9,211	8,926	18,137
Total	743,809	736,610	662,110	661,425	1,323,535
<u>Expenditures by Category</u>					
Other Operating Expenses	17,400	17,400	17,400	17,400	34,800
Local Assistance	724,252	717,053	642,753	642,068	1,284,821
Transfers	2,157	2,157	1,957	1,957	3,914
Total	743,809	736,610	662,110	661,425	1,323,535
<u>Expenditures by Program</u>					
Maintenance & Operations	706,922	699,842	628,492	628,092	1,256,584
Permanent University Fund	9,271	9,030	9,211	8,926	18,137
Health Special Revenues	24,407	24,407	24,407	24,407	48,814
Lcmr/Mn Resources	3,209	3,331	0	0	0
Total	743,809	736,610	662,110	661,425	1,323,535

<i>Dollars in Thousands</i>				
	FY2009	Governor's Recomm.		Biennium
		FY2010	FY2011	2010-11
Fund: ENVIRONMENT & NATURAL RESOURCE				
FY 2009 Appropriations	2,831	2,831	2,831	5,662
Technical Adjustments				
One-time Appropriations		(2,831)	(2,831)	(5,662)
Subtotal - Forecast Base	2,831	0	0	0
Total Governor's Recommendations	2,831	0	0	0
Fund: GENERAL				
FY 2009 Appropriations	697,142	697,142	697,142	1,394,284
Technical Adjustments				
Current Law Base Change		5,450	5,450	10,900
Subtotal - Forecast Base	697,142	702,592	702,592	1,405,184
Change Items				
Base Reduction	0	(75,500)	(75,500)	(151,000)
Total Governor's Recommendations	697,142	627,092	627,092	1,254,184
Fund: HEALTH CARE ACCESS				
FY 2009 Appropriations	2,157	2,157	2,157	4,314
Subtotal - Forecast Base	2,157	2,157	2,157	4,314
Total Governor's Recommendations	2,157	2,157	2,157	4,314
Fund: MISCELLANEOUS SPECIAL REVENUE				
FY 2009 Appropriations	22,250	22,250	22,250	44,500
Subtotal - Forecast Base	22,250	22,250	22,250	44,500
Total Governor's Recommendations	22,250	22,250	22,250	44,500
Fund: HEALTH CARE ACCESS				
Planned Statutory Spending	2,157	2,157	2,157	4,314
Total Governor's Recommendations	2,157	2,157	2,157	4,314
Fund: MISCELLANEOUS AGENCY				
Planned Statutory Spending	9,030	9,211	8,926	18,137
Total Governor's Recommendations	9,030	9,211	8,926	18,137

UNIVERSITY OF MINNESOTA

Change Item: Base Reduction

Fiscal Impact (\$000s)	FY 2010	FY 2011	FY 2012	FY 2013
General Fund				
Expenditures	\$(75,500)	\$(75,500)	\$(75,500)	\$(75,500)
Revenues	0	0	0	0
Other Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact	\$(75,500)	\$(75,500)	\$(75,500)	\$(75,500)

Recommendation

The Governor recommends a reduction of \$75.5 million in FY 2010 and \$75.5 million in FY 2011 to the University of Minnesota general fund operating budget. This represents an 10.8% reduction to the general fund operating budget. The Governor intends that the University should focus its operating funds on maintaining its highest priority services. The Governor also recommends the University Board of Regents institute a firm cap on tuition increases. In addition, the Governor aims to provide as much flexibility as possible to the agency for the implementation of these reductions.

The Governor respects the constitutional autonomy of the University and calls upon the Board of Regents to closely examine the operations and business processes of the University in order to find ways to reduce duplication among its programs and reallocate funds to protect its priorities before resorting to increases in tuition.

Background

Given the current budget climate, the University must be expected to eliminate duplication in its programs and focus on its core priorities in order to continue meeting student needs. This recommendation is consistent with the reductions that state agencies are expected to make in other state-funded activities. In FY 2008, the University's annual resident undergraduate tuition and fees totaled \$10,634 and ranked fifth among Big Ten universities. The operating reductions should be distributed among the maintenance and operations appropriations, and the state special appropriations as needed for the University to prioritize its programs.

Relationship to Base Budget

An 10.8% general operating fund reduction would provide a challenge to the system to prioritize within existing resources. This reduction represents an 10.8% reduction from FY 2009 funding levels and is a \$151 million decrease from FY 2010-11 base levels.

Statutory Change: Not Applicable

Program Description

The University of Minnesota, through its land grant mission of teaching and learning, research and discovery, and outreach and public service, is dedicated to advancing knowledge and serving as a partner for the public good. To that end, the University is committed to a vision to transform itself into one of the world's top public research universities.

Each year, the University serves more than 66,000 students, conducts approximately \$600 million in externally sponsored research and reaches out to more than one million Minnesotans through public service activities. All of the various activities necessary to bring this three-part mission to life make up the "program" of maintenance and operations.

State appropriations to the University are allocated throughout the system. State funding supports the work on each campus, across all units, in each college, and across a wide variety of departments and centers. The state special appropriations are restricted to particular purposes as indicated in law, while the general operations and maintenance appropriation is unrestricted and is used to support a portion of the University's core cost of instruction, research, public service, academic support, institutional support, student services and support, and operation and maintenance of the physical plant. Combined, these functional categories of expense make up the total of University operations.

Population Served

The University of Minnesota provides services to students and citizens of the state. Some of the University's services are so far-reaching that citizens of the nation and the world are beneficiaries. The University's missions of teaching and learning, research and discovery, and outreach and public service are mutually reinforcing activities and often intersect in the delivery of services.

The instructional mission serves students throughout their lifetimes and is delivered in different modalities – from classroom instruction, to the Internet, to outreach activities in local communities. More than 66,000 students enroll in undergraduate, graduate, and professional degree programs at the University. Programs at the University can be viewed at <http://onestop2.umn.edu/programCatalog/>

Talented secondary students receive instruction through the Post-Secondary Education Option Act, College in the Schools, the Talented Youth Mathematics program, the Minority Health High School Superstar Program, and many other programs. Adult learners have opportunities through online courses, professional development courses, and certificate programs, as well as educational outreach programs in communities throughout the state.

Research conducted at the University of Minnesota benefits the state and all of society. Research fuels job creation – for every \$1 million spent on university-based research, 39 jobs are created in Minnesota. Research expands the sum of human knowledge and research labs provide the training ground for future scientists. Research at the University has resulted in discoveries and inventions in agriculture, medicine, engineering, and other fields. Many start-up companies have been formed and technologies licensed as a result of University research. Discoveries – from seed stock to plant varieties, from animal vaccines to drugs for humans, from

Program at a Glance

Governance

The University of Minnesota is governed by a 12-member, legislatively appointed Board of Regents.

Education

Student Enrollment (Fall 2007):

40,572	undergraduate
14,906	graduate
3,939	first professional
<u>6,682</u>	non-degree
66,099	TOTAL all campuses

- ◆ More than 13,500 degrees awarded in 2007

Research

- ◆ \$619.0 million in research grant awards in fiscal year 2007; \$422.8 million from federal agencies and the balance from private sources, industry, and state and local governments
- ◆ 98% of research and development conducted by higher education institutions in Minnesota is conducted at the University of Minnesota
- ◆ 44 patents issued to U researchers in 2007 and 77 new technologies licensed

Public Service

- ◆ More than one million people served annually
- ◆ 18 regional extension offices statewide
- ◆ Six research and outreach centers in state

medical devices to engineering applications – all contribute to the high quality of life in Minnesota and the state's economy. Current University of Minnesota research programs are sponsored by hundreds of federal agencies, private foundations, and private companies. These sponsors are among the many who are served by the University. Highlights of fiscal year 2007 research activity can be found at <http://www.research.umn.edu/communications/publications/documents/OVPRAnnualReport07.pdf>

The outreach and public service mission of the University serves communities throughout the state. Outreach programs serve as a way to transfer and apply knowledge between the University and society. A full range of University expertise is offered to respond to the diverse needs of the citizens of the state. More than one million people are served annually by University public service activities. The largest program is the University of Minnesota Extension Service. Examples of the wide range of other programs available are: mini-medical school, a health care purchasing alliance, a swine disease eradication program, telemedicine, economic development for northeastern Minnesota, cooperative programs with school districts, and technology training. The Minnesota Geological Survey, the Veterinary Diagnostics Laboratory, and the Center for Urban and Regional Affairs are just a few of the centers at the University offering outreach services. University of Minnesota faculty who are veterinarians, dentists, pharmacists, and physicians also provide a special kind of public service through their clinical work at the University and affiliated hospitals and clinics.

Services Provided

The University of Minnesota's three mission activities are:

- ◆ teaching and learning,
- ◆ research and discovery, and
- ◆ outreach and public service.

Teaching and Learning: The University of Minnesota provides instruction through a broad range of educational programs that prepare undergraduate, graduate, and professional students for productive roles in society.

Research and Discovery: The University of Minnesota generates and preserves knowledge, understanding, and creativity by conducting research, scholarship, and artistic activity.

Outreach and Public Service: The University of Minnesota extends and applies its knowledge and resources with society by making them accessible to the citizens of the state.

Historical Perspective

Over the past decade, the University has given high priority to continuing the improvement of its undergraduate, graduate, and professional programs as can be measured by the success of its students (e.g., increased applications, quality of applicants, student satisfaction, and graduation and retention rates). The University offers unique opportunities to its undergraduates through its Undergraduate Research Opportunities Program, intensive seminars with distinguished faculty, and a wealth of disciplines for study, including many cutting-edge interdisciplinary fields. The University has also expanded residential learning – an educational model in which students with shared academic interests choose to reside together. And in cooperation with the state of Minnesota, the University has invested more than \$1 billion in capital improvements on all of its campuses to enhance the learning and research environments for students.

The University continues to grow its highly ranked research endeavor to produce pioneering solutions to issues faced by the citizens of Minnesota and people around the globe. In fiscal year 2007, the University was awarded \$619.0 million in grants to pursue research activities. Included in the figure is approximately \$423.0 million from federal agencies; additional grants were received from business and industry as well as state and local governments. The University was issued 44 patents in fiscal year 2007 and currently has more than 760 active licenses with industry. The University's Academic and Corporate Relations Center serves as a "front door" to connect Minnesota businesses and industry to the University's resources; the center received the 2007 Tekne Award for "Innovation Collaboration of the Year." Additionally, multiple ranking systems place the University of Minnesota among the top 10 public research universities nationwide.

Throughout the decades, the University has fulfilled its mission as the state's land-grant university through numerous public service and outreach activities. The best known, the University of Minnesota Extension Service, is one of the principle ways in which the University delivers the practical applications of its research to the citizens of the state. Through the commercialization of technology, continuing education programs, medical and dental clinics, and numerous other public engagement activities, the University of Minnesota improves the quality of life of all Minnesotans.

Key Program Goals

In 2004, the University embarked on a journey to achieve a higher standard of academic excellence, with a goal of becoming one of the top three public research universities in the world within a decade. Critical to obtaining this goal is a system of metrics and measurements by which to evaluate progress. The University Plan, Performance, and Accountability Report (available at <http://www.academic.umn.edu/accountability/reports/2008.html>) is a comprehensive report that aligns the University's aspirational goal with a set of strategic measures.

Key Program Measures

Within the University's comprehensive strategic review, four "pillars" upon which its efforts to achieve the aspirational goal were identified. They are:

- ◆ Exceptional Students: Recruit, educate, challenge, and graduate outstanding students who become highly motivated lifelong learners, leaders, and global citizens.
- ◆ Exceptional Faculty and Staff: Recruit, mentor, reward, and retain world-class faculty and staff who are innovative, energetic, and dedicated to the highest standards of excellence.
- ◆ Exceptional Organization: Be responsible stewards of resources, focused on service, driven by performance, and known as the best among our peers.
- ◆ Exceptional Innovation: Inspire exploration of new ideas and breakthrough discoveries that address the critical problems and needs of the University, state, nation, and the world.

Each of these areas has multiple criteria for measuring the University's progress toward achieving its strategic goal. These measures are enumerated, with comparative data across years and other institutions in the University Plan, Performance, and Accountability Report (available at: <http://www.academic.umn.edu/accountability/reports/2008.html>)

Program Funding

The general state appropriation for the University of Minnesota totaled \$632.1 million in budgeted revenues for fiscal year 2009. In addition to this general appropriation, the University receives restricted state funding for specific purposes at the University, \$67.2 million in budgeted revenues for fiscal year 2009. Combined, these general and restricted sources of state funding, \$699.3 million, support approximately 24% of the University's fiscal year 2009 total budget.

The University of Minnesota is faced with inflationary cost increases. The Higher Education Price Index (HEPI) is an inflation index designed specifically to track the main cost drivers in higher education. It is a more accurate indicator of changes in costs for colleges and universities than the more familiar Consumer Price Index (CPI). The HEPI measures the average relative level of prices in a fixed basket of goods and services purchased by colleges and universities. The CPI, on the other hand, measures goods and services that people buy for day-to-day living. The main components of the HEPI basket of goods are professional salaries and fringe benefits of faculty, administrators and other professional service personnel; non professional wages, salaries and fringe benefits for clerical, technical, service and other non-professional personnel; contracted services such as data processing, communication, transportation, supplies and materials, and equipment; library acquisitions; and utilities. The HEPI rose by 3.6% for fiscal year 2008.

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UNIVERSITY OF MINNESOTA

Program: MAINTENANCE & OPERATIONS

Program Summary

<i>Dollars in Thousands</i>					
	Current		Governor Recomm.		Biennium
	FY2008	FY2009	FY2010	FY2011	2010-11
<u>Direct Appropriations by Fund</u>					
General					
Current Appropriation	711,622	697,142	697,142	697,142	1,394,284
Technical Adjustments					
Current Law Base Change			5,450	5,450	10,900
Subtotal - Forecast Base	711,622	697,142	702,592	702,592	1,405,184
Governor's Recommendations					
Base Reduction		0	(75,500)	(75,500)	(151,000)
Total	711,622	697,142	627,092	627,092	1,254,184
<u>Expenditures by Fund</u>					
Direct Appropriations					
General	706,922	699,842	628,492	628,092	1,256,584
Total	706,922	699,842	628,492	628,092	1,256,584
<u>Expenditures by Category</u>					
Other Operating Expenses	17,400	17,400	17,400	17,400	34,800
Local Assistance	689,522	682,442	611,292	610,892	1,222,184
Transfers	0	0	(200)	(200)	(400)
Total	706,922	699,842	628,492	628,092	1,256,584
<u>Expenditures by Activity</u>					
Maintenance & Operations	706,922	699,842	628,492	628,092	1,256,584
Total	706,922	699,842	628,492	628,092	1,256,584

UNIVERSITY OF MINNESOTA

Program: HEALTH SPECIAL REVENUES

Program Summary

<i>Dollars in Thousands</i>					
	Current		Governor Recomm.		Biennium
	FY2008	FY2009	FY2010	FY2011	2010-11
<u>Direct Appropriations by Fund</u>					
Health Care Access					
Current Appropriation	2,157	2,157	2,157	2,157	4,314
Subtotal - Forecast Base	2,157	2,157	2,157	2,157	4,314
Total	2,157	2,157	2,157	2,157	4,314
Miscellaneous Special Revenue					
Current Appropriation	22,250	22,250	22,250	22,250	44,500
Subtotal - Forecast Base	22,250	22,250	22,250	22,250	44,500
Total	22,250	22,250	22,250	22,250	44,500
<u>Expenditures by Fund</u>					
Direct Appropriations					
Miscellaneous Special Revenue	22,250	22,250	22,250	22,250	44,500
Statutory Appropriations					
Health Care Access	2,157	2,157	2,157	2,157	4,314
Total	24,407	24,407	24,407	24,407	48,814
<u>Expenditures by Category</u>					
Local Assistance	22,250	22,250	22,250	22,250	44,500
Transfers	2,157	2,157	2,157	2,157	4,314
Total	24,407	24,407	24,407	24,407	48,814
<u>Expenditures by Activity</u>					
Minnicare	2,157	2,157	2,157	2,157	4,314
Tobacco Medical Education	22,250	22,250	22,250	22,250	44,500
Total	24,407	24,407	24,407	24,407	48,814

UNIVERSITY OF MINNESOTA

Program: PERMANENT UNIVERSITY FUND

Program Summary

<i>Dollars in Thousands</i>					
	Current		Governor Recomm.		Biennium
	FY2008	FY2009	FY2010	FY2011	2010-11
<u>Expenditures by Fund</u>					
Statutory Appropriations					
Miscellaneous Agency	9,271	9,030	9,211	8,926	18,137
Total	9,271	9,030	9,211	8,926	18,137
<u>Expenditures by Category</u>					
Local Assistance	9,271	9,030	9,211	8,926	18,137
Total	9,271	9,030	9,211	8,926	18,137
<u>Expenditures by Activity</u>					
Permanent University Fund	9,271	9,030	9,211	8,926	18,137
Total	9,271	9,030	9,211	8,926	18,137

UNIVERSITY OF MINNESOTA
Program: LCMR/MN RESOURCES

Program Summary

<i>Dollars in Thousands</i>					
	Current		Governor Recomm.		Biennium
	FY2008	FY2009	FY2010	FY2011	2010-11
<u>Direct Appropriations by Fund</u>					
Environment & Natural Resource					
Current Appropriation	3,123	2,831	2,831	2,831	5,662
Technical Adjustments					
One-time Appropriations			(2,831)	(2,831)	(5,662)
Subtotal - Forecast Base	3,123	2,831	0	0	0
Total	3,123	2,831	0	0	0
<u>Expenditures by Fund</u>					
Direct Appropriations					
Environment & Natural Resource	3,209	3,331	0	0	0
Total	3,209	3,331	0	0	0
<u>Expenditures by Category</u>					
Local Assistance	3,209	3,331	0	0	0
Total	3,209	3,331	0	0	0
<u>Expenditures by Activity</u>					
Lcmr/Mn Resources	3,209	3,331	0	0	0
Total	3,209	3,331	0	0	0

University of Minnesota 2010-11 Biennial Budget Request

Fiscal Impact (\$000s)	FY 2010	FY 2011	FY 2012	FY 2013
General Fund				
Expenditures	\$36,500	\$58,700	\$58,700	\$58,700
Revenues	0	0	0	0
Other Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact	\$36,500	\$58,700	\$58,700	\$58,700

Request

The University is committed to the support of employees as one of the primary means to ensuring continued quality and competitiveness. In support of this objective, the University requests \$36.5 million in FY10 and an additional \$22.2 million in FY11 to address a portion of the costs of providing a general compensation increase for University employees.

Background

The University is a people-driven institution. It is the faculty, staff and students that conduct the research, instruct and serve the students, develop the programs, maintain the infrastructure, and transact the business. As a result, approximately two-thirds of the University's annual all-funds operating budget is devoted to salary and fringe benefit expenses.

Compensation increases at the University over the last two biennia have been modest. Each year, salary adjustments for non-contract employees are largely distributed on a merit basis to reward performance and provide positive incentives for people to reach their potential. As a result, descriptions of general salary increases at the University should be understood as increases in the salary pools. General salary pool increases in the recent past have been set at the following levels:

FY06	3.00%	Increase
FY07	3.00%	Increase
FY08	3.25%	Increase
FY09	3.25%	Increase

These increases have taken place while faculty and staff have faced the rising cost of goods and services. The Consumer Price Index for all urban consumers (CPI-U), computed by the Bureau of Labor Statistics, measures the average change in prices over time of goods and services purchased by households. In July, 2008, the CPI-U increased .5%, which represented an increase of 5.6% compared to July, 2007. During the first seven months of 2008, the CPI-U rose at a 6.2% seasonally adjusted annualized rate, compared to the 4.1% increase for the twelve months ending December, 2007. Several components of the CPI-U are increasing at alarming rates for the first seven months of 2008. For example, the energy index increased 33.1% for the first seven months compared to an increase of 17.4% in 2007. Also, the food index has increased 7.6% for the first seven months of 2008 after increasing 4.9% in 2007.

It is a priority of the University to reward performance and recognize the economic realities faced by its employees, regardless of which fund source actually pays their salary. The University tracks over 200 different funding sources in its general ledger, and many of those support employee compensation. Roughly 57% of the University's compensation cost is funded with state appropriation and tuition combined; 14% is funded with project specific sponsored research grants from the federal government or foundations, and the remaining 29% is funded with miscellaneous resources including sales and fee income, endowment earnings, gifts, and so forth.

This request to the state for the 2010-2011 biennium is based on a general salary increase in each year of **3.00%** plus the associated fringe benefit costs - for compensation funded with state appropriation and tuition only. In recognition of the critically important role employees play in achieving the strategic goals of the University, we are

requesting \$36.5 million in FY10 and an additional \$22.2 million in FY11 – 73% of the projected increase in compensation costs on those state and tuition funded salaries. The University will fund the remaining 27% with the proposed increase in tuition. Additionally, the University will fund the corresponding cost increases on sponsored and miscellaneous funds with increases in those revenues where possible or internal reallocation. Without recognizing a modest increase in the cost of living and providing rewards for exemplary performance, the University stands to lose very talented employees and therefore jeopardize its success in becoming one of the top three research Universities in the world.

Relationship to Base Budget

Funding the University's initiative requests of \$54.5 million in FY10 and \$32.2 million in FY11 will increase the University's annual recurring general fund appropriations to \$757,192,000 and \$789,392,000 respectively, or \$1,546,584,000 for the biennium. This represents a biennial funding level that is 9.8% higher than the 2008-09 biennial appropriation, and an annual increase in appropriation of 6%.

Key Measures

- The University will be able to maintain its competitive position in regard to employee compensation levels compared to local markets and other Big 10 universities.
- The University will be able to retain valuable employees and remain competitive in recruiting for employee classifications other than faculty.

Alternatives Considered

This request is the result of an inclusive and comprehensive process for setting priorities consistent with the stated goals of the University's Strategic Positioning activities. The initiatives presented in this request have been identified as critical for the University of Minnesota and the state: improving the University's competitiveness in the world and fostering economic development in the state. The University will continue to improve management efficiencies and will dedicate resources to the operation of facilities, inflationary support costs and selected investments in partnership with the state.

Statutory Change

Not Applicable.

Fiscal Impact (\$000s)	FY 2010	FY 2011	FY 2012	FY 2013
General Fund				
Expenditures	\$8,000	\$8,000	\$8,000	\$8,000
Revenues	0	0	0	0
Other Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact	\$8,000	\$8,000	\$8,000	\$8,000

Request

The University of Minnesota is one of the most comprehensive public universities in the United States and ranks among the most prestigious. The University of Minnesota's undergraduate, graduate, and professional programs provide unparalleled opportunities for learning and prepare the next generation for leadership in the state and around the world. Distinctive educational programs are enhanced by a wealth of other opportunities that only a major research university can offer.

The University of Minnesota is committed to providing access to an exceptional educational experience for qualified students. Currently, many Minnesota students from middle-income families receive little or no grant or scholarship support. To support the new Middle Income Scholarship Program, the University requests \$8.0 million in FY10 and no additional money in FY11.

Background

The proposed University of Minnesota Middle Income Scholarship Program, which would begin in 2009-10, is designed to provide new University scholarship support to students who are Minnesota residents and mostly from families with incomes between \$50,000 and \$100,000.

Scholarships and grants from public and private sources represent one of the most promising means of discounting costs and keeping higher education affordable for students and families. The University has greatly expanded such support for students in the past five years. Currently, more than 20,000 undergraduate students (including reciprocity students) receive scholarships from the University and many others receive federal and state need-based grants. However, there are still many Minnesota students from middle-income families who receive little or no grant or scholarship support. These are the students the new scholarship program is designed to help.

The specific targets for the proposed University of Minnesota Middle Income Scholarship Program are students with an expected family contribution up to \$8,000 more than the highest Pell-eligible level. (The expected family contribution, or EFC, is the amount that a family is expected to contribute to their student's education as determined by a federal financial aid needs analysis. Currently students are eligible for a federal Pell grant if they have an EFC of \$4,731 or less. These are the students supported by the University's Founders Free Tuition Program.) Using formulas in place for the current academic year, the EFC range for a student to be eligible for the new Middle Income Scholarship Program would be \$4,732 to \$12,732. The median family income level for students who would be eligible is about \$80,000.

The scholarship program is projected to provide support for 4,100 undergraduate students annually, who are Minnesota residents. Award amounts from the new program will range from \$4,000 for students from lower middle-income families (e.g., \$50,000) to a minimum of \$500 for students from higher middle-income families (e.g., \$100,000). These award amounts will effectively reduce the resident tuition amount by 40 percent for the lower middle-income students and 5 percent for the higher middle-income students.

The University of Minnesota Middle Income Scholarship Program, together with the University's other scholarship programs, will bring the total number of resident students who receive grant and/or scholarship assistance to more than 16,000. This support will help 65 percent of resident undergraduate students during their first four

years. In order to increase overall student support, the University is asking the state to fund this new middle-income scholarship program, targeted to middle income families. We are requesting a recurring \$8.0 million in the first year of the biennium.

Relationship to Base Budget

Funding the University's initiative requests of \$54.5 million in FY10 and \$32.2 million in FY11 will increase the University's annual recurring general fund appropriations to \$757,192,000 and \$789,392,000 respectively, or \$1,546,584,000 for the biennium. This represents a biennial funding level that is 9.8% higher than the 2008-09 biennial appropriation, and an annual increase in appropriation of 6%.

Key Measures

- Increased overall scholarship support.
- Increased scholarship support for Minnesota undergraduates.
- New scholarship support for middle-income students and their families.

Alternatives Considered

This request is the result of an inclusive and comprehensive process for setting priorities consistent with the stated goals of the University's Strategic Positioning activities. The initiatives presented in this request have been identified as critical for the University of Minnesota and the state: improving the University's competitiveness in the world and fostering economic development in the state. The University will continue to improve management efficiencies and will dedicate resources to the operation of facilities, inflationary support costs and selected investments in partnership with the state.

Statutory Change

Not applicable.

Fiscal Impact (\$000s)	FY 2010	FY 2011	FY 2012	FY 2013
General Fund				
Expenditures	\$10,000	\$20,000	\$20,000	\$20,000
Revenues	0	0	0	0
Other Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact	\$10,000	\$20,000	\$20,000	\$20,000

Request

Minnesota's state economist, Tom Stinson, argues that investment in research to maintain the state's competitive position is one of the most critical ingredients to job creation and economic growth. The University, as the state's only public research university, continues to increase its external research support and the resulting innovation and economic benefits of its more than \$600M research portfolio.

The University's high-end research laboratories and support services must keep pace with the increased demand for access to their services and the need for the latest state-of-the-art research equipment and the specially trained staff necessary to operate them. To support research enhancements, the University requests \$10.0 million in FY10 and an additional \$10.0 million in FY11.

Background

Research at the University of Minnesota produces pioneering solutions to issues faced by the citizens of Minnesota, the state, and people around the globe. The University of Minnesota receives more than 98 percent of all sponsored research grants awarded to higher education institutions in the state. Researchers at the University brought in more than \$600 million in sponsored research in fiscal year 2007, helped establish more than 30 start-up companies over the last five years, and now holds more than 650 active technology transfer agreements with business and industry. The University leverages the public's investment in research many times over through job creation and by expanding the state's tax base. The U.S. Department of Commerce estimates that 39 jobs are created in the state for every \$1 million spent on university-based research in Minnesota.

The University of Minnesota's research portfolio is robust. Meeting the challenge of continued distinction in research and the resulting benefits for the State of Minnesota takes a sustained, dedicated effort as well as on-going investments. New research is increasingly dependent on more complex and sophisticated research infrastructure (non-capital aspects of institutional resources essential for supporting research programs). The University of Minnesota's competitive status for research funding, recruitment and retention of top-notch faculty, and the ability to attract the best and brightest students to the state will be greatly enhanced by continued investment in the University's research infrastructure.

The research enhancement program is targeted for critical system-wide research resource needs. A prime example is the University's research computing infrastructure. Once primarily the domain of physicists, engineers and computer scientists, high-end computing and the research resources needed to compute contemporary algorithms or to mine extremely large data sets are now the norm in virtually all areas of research, including the biological sciences, genomics and proteomics, environmental informatics, health informatics, agriculture, applied economics, imaging and drug development. This increased demand is evidenced by a tripling of the number of total users of high-end computing facilities in the past ten years. Currently an estimated 3,500 researchers make regular use of these facilities. The facilities will be more heavily used as additional faculty are hired in computationally intensive research areas. The current status of these resources is not compatible with the University's long-term research vitality.

Additionally, the University's research computing infrastructure is a resource supporting Minnesota's private economy and other state colleges and post-secondary schools, with users in Duluth, Morris, Mankato, St. Cloud,

Rochester, Austin, Waseca and St. Peter. These users will also benefit from a renewed investment in the University's computational capabilities.

Research infrastructure investment is also needed to upgrade machine shops and related shop services that support the design, construction and testing of one-of-a-kind pieces of equipment specifically designed to address the unique needs of individual or groups of experimentalists, primarily in the physical sciences. There is also a need to up-grade existing shop equipment to be state-of-the-art in order to manufacture the type of equipment necessary to compete in the 21st century. New investment in the University's shop-support infrastructure is needed in order for the U to take advantage of new opportunities in engineering and the physical sciences that will result from passage of the America COMPETES Act. Federal funding for the physical sciences is expected to increase for the first time in many years and the University must be positioned to compete for Minnesota's share.

Research infrastructure investments will be used to strengthen critical research infrastructure and to continue programmatic initiatives that have been identified as essential to the U's research agenda. A representative example of a programmatic priority that requires continued investment to achieve its full potential is the new Institute on the Environment, which will expand its portfolio to address critical environmental issues of relevance to Minnesota and the nation.

Relationship to Base Budget

Funding the University's initiative requests of \$54.5 million in FY10 and \$32.2 million in FY11 will increase the University's annual recurring general fund appropriations to \$757,192,000 and \$789,392,000 respectively, or \$1,546,584,000 for the biennium. This represents a biennial funding level that is 9.8% higher than the 2008-09 biennial appropriation, and an annual increase in appropriation of 6%.

Key Measures

- Position the University to increase its critical contribution to job creation and economic growth for the State of Minnesota.
- Provide enhanced research infrastructure to allow the University to be highly competitive in attracting and competing for the best faculty nationally.
- Provide research enhancements to allow the University to take advantage of new opportunities in engineering and the physical sciences that will result from passage of the America COMPETES Act.
- Position the University to be more competitive in applying for the expected increase in federal funding for the physical sciences.
- Leverage and multiply the effect of investments in research infrastructure through additional successful competitive research grants.

Alternatives Considered

This request is the result of an inclusive and comprehensive process for setting priorities consistent with the stated goals of the University's Strategic Positioning activities. The initiatives presented in this request have been identified as critical for the University of Minnesota and the state: improving the University's competitiveness in the world and fostering economic development in the state. The University will continue to improve management efficiencies and will dedicate resources to the operation of facilities, inflationary support costs and selected investments in partnership with the state.

Statutory Change

Not applicable.

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➤ Designates that this item is a change item



STATE OF MINNESOTA DEPARTMENT OF VETERANS AFFAIRS



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www.mdva.state.mn.us • 1-888-LinkVet

January 17, 2009

To the 2009 Minnesota Legislature:

On behalf of Governor Pawlenty, I am pleased to submit the Department of Veterans Affairs recommendation for the FY 2010-11 budget. This budget consists of \$133 million from the state's general fund and \$69.8 million from other funds for a total of \$202.8 million. The recommendation represents a 3.1% increase from the FY 2008-2009 forecast base.

To better serve our veterans, including those who will soon return from combat in the War on Terror, the Governor recommends the following:

- ◆ Increase to the Veterans Homes program to ensure that all five state run veterans homes maintain existing service levels.
- ◆ Ongoing funding of a repairs and betterments appropriation to maintain five separate campuses across Minnesota - including 44 separate buildings and totaling over 800,000 square feet. Of the five veterans homes campuses, three of the homes are located in aging buildings which require special repairs and modifications to sustain their integrity and comply with standards of care for elderly residents.
- ◆ Increase to Hastings Veterans Home allocation to expand their mental health program to meet the increase need for psychiatric care.
- ◆ Increase to the Department to upgrade its IT infrastructure, enhance information systems integrity, ensure confidentiality of information, and increase system availability.
- ◆ Repeal of the June 30, 2011 sunset date for the Higher Education Veterans Assistance Program. The recommendation for the repeal of the sunset date will allow the Department to keep the program operating at an efficient, high quality level. Additionally, the program has a numerical sunset date. Should the number of veterans enrolled at Minnesota's public higher education institutions drop below 4,000, the program is disbanded.

Our 2010-11 budget is also based on priorities that focus on the Department's mission to serve Minnesota veterans and their families. The Department fulfills its mission by providing:

- ◆ proven and innovative programs and services to maximize quality of life;
- ◆ collaboration with service providers whose efforts are coordinated by the department;
- ◆ timely, cost effective delivery of benefits and services;
- ◆ high-quality health care to those in its care;
- ◆ continuous evaluation of care and services to be responsive to changing needs;
- ◆ representation to clients pursuing claims for federal veterans benefits;
- ◆ dignified and compassionate committal services at the Minnesota State Veterans Cemetery and
- ◆ effective communication and management of people, technology, business processes, and financial resources.

On behalf of the staff of the Department of Veterans Affairs, we look forward to working with you in the coming months to achieve this mission.

Sincerely,

Clark Dyrud
Commissioner

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Agency Purpose

The Department of Veterans Affairs mission and purpose is to serve the veterans of Minnesota. Since its creation in 1943 (M.S. Chapter 196), the department accomplishes its mission by focusing on the needs of veterans and functioning as a single comprehensive provider of seamless service to the men and women who have served in the military.

Core Functions

The Department of Veterans Affairs provides overall leadership and direction to the veteran community through collaboration with public and private service providers. The core functions of the Department of Veterans Affairs are to:

- ◆ Promote self-sufficiency and personal responsibility through a temporary safety net of benefits and services;
- ◆ Supply representation to clients pursuing claims for federal veterans benefits;
- ◆ Ensure a smooth transition for veterans from active military service to civilian life;
- ◆ Provide dignified and compassionate committal services at the Minnesota State Veterans Cemetery;
- ◆ Provide the highest quality program for housing, health care, and supportive services to residents of the five state run veterans homes;
- ◆ Revise and build upon proven business practices to ensure the most timely, cost-effective delivery of benefits and services; and
- ◆ Manage all budgets, accounts financial transactions, information technology, and human resources to meet departmental needs.

Operations

The department offers services to over 420,000 Minnesota veterans as well as their dependents and survivors with assistance from the 87 County Veteran Service Officers (CVSOs) and representatives from Minnesota's Congressionally Chartered Veterans' Service Organizations. The department budget activities are divided between Programs and Services and Veteran Health Care.

The Programs and Services division includes Veterans Administrative Services, Benefits and Services, and Claims and Outreach. The Veteran Health Care division includes Veteran Health Care Administration and the operation of the five state run veterans homes (Fergus Falls, Hastings, Luverne, Minneapolis, and Silver Bay).

Budget

The Minnesota Department of Veterans Affairs FY 2008-09 budget is comprised of various funding sources. Of the total budget for the biennium, roughly 65.5% comes from the general fund, 14.9% from skilled nursing care and domiciliary maintenance charges, and 15.4% from federal per diem payments for the skilled nursing and domiciliary care. The remaining 4.2% comes from donations, resident trust funds and other sources.

At A Glance

- ◆ In FY2008, Minnesota veterans received more than \$226 million in federal veterans' benefits as a direct result of the department's claims and outreach offices.
- ◆ Over 2,000 veterans and their families receive State Soldiers Assistance Benefits annually.
- ◆ Veterans Assistance Offices on Campus have 53 operational sites and have served over 3,500 veterans (unduplicated count) at Minnesota's higher education institutions in FY2008.
- ◆ Support Our Troops license plates have generated more than \$436,000 for veterans programs in FY2008.
- ◆ In calendar year 2008, MDVA Claims and Outreach offices have served as Power of Attorney for approximately 24,000 veterans.
- ◆ The five state run veterans homes have 859 operational beds (598 skilled nursing beds; 261 domiciliary beds).
- ◆ The veterans homes occupancy rate is 98%, statewide.
- ◆ A centralized one-stop website is operational to provide information on veterans' benefits and services offered by state and federal government.
- ◆ The "LinkVet" toll-free telephone line provides information on veterans' benefits, healthcare, education, and reintegration services.
- ◆ In partnership with Crisis Connection, "LinkVet" is available 24-hours, seven days a week (including holidays) for immediate crisis intervention and psychological counseling.

Contact

Department of Veterans Affairs
Veterans Service Building
20 West 12th Street
Saint Paul, Minnesota 55155

Home Page: www.mdva.state.mn.us
Department Results Page: www.departmentresults.state.mn.us/vets/index.html

Office of the Commissioner
Phone: (651) 296-2562
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<i>Dollars in Thousands</i>					
	Current		Governor Recomm.		Biennium
	FY2008	FY2009	FY2010	FY2011	2010-11
<u>Direct Appropriations by Fund</u>					
General					
Current Appropriation	62,351	66,684	66,684	66,684	133,368
Recommended	62,351	66,684	65,708	67,308	133,016
Change		0	(976)	624	(352)
% Biennial Change from 2008-09					3.1%
<u>Expenditures by Fund</u>					
Carry Forward					
Miscellaneous Special Revenue	0	26	0	0	0
Direct Appropriations					
General	12,110	16,816	24,052	25,652	49,704
Statutory Appropriations					
General	105	0	0	0	0
Miscellaneous Special Revenue	75,490	77,793	73,632	73,765	147,397
Federal	340	360	360	360	720
Miscellaneous Agency	1,754	1,852	1,852	1,851	3,703
Gift	1,017	648	621	630	1,251
Total	90,816	97,495	100,517	102,258	202,775
<u>Expenditures by Category</u>					
Total Compensation	60,960	65,194	66,799	68,043	134,842
Other Operating Expenses	21,152	20,526	18,798	19,331	38,129
Capital Outlay & Real Property	68	1,181	0	0	0
Payments To Individuals	6,500	7,595	7,122	7,086	14,208
Local Assistance	2,136	2,999	1,798	1,798	3,596
Transfers	0	0	6,000	6,000	12,000
Total	90,816	97,495	100,517	102,258	202,775
<u>Expenditures by Program</u>					
Veterans Services	13,204	17,943	21,764	21,765	43,529
Veterans Homes	77,612	79,552	78,753	80,493	159,246
Total	90,816	97,495	100,517	102,258	202,775
Full-Time Equivalents (FTE)	1,037.3	1,030.4	976.9	931.6	

<i>Dollars in Thousands</i>				
	FY2009	Governor's Recomm.		Biennium
		FY2010	FY2011	2010-11
Fund: GENERAL				
FY 2009 Appropriations	66,684	66,684	66,684	133,368
Technical Adjustments				
One-time Appropriations		(5,225)	(5,225)	(10,450)
Pt Contract Base Reduction		(1)	(1)	(2)
Subtotal - Forecast Base	66,684	61,458	61,458	122,916
Change Items				
Maintain Current Services at Homes	0	1,800	3,400	5,200
Veterans Homes Repairs & Betterments	0	1,250	1,250	2,500
Hastings Mental Health Program	0	220	220	440
IT Merger	0	980	980	1,960
Higher Education Campus Reps Program	0	0	0	0
Total Governor's Recommendations	66,684	65,708	67,308	133,016
Fund: MISCELLANEOUS SPECIAL REVENUE				
Planned Statutory Spending	77,819	73,632	73,765	147,397
Total Governor's Recommendations	77,819	73,632	73,765	147,397
Fund: FEDERAL				
Planned Statutory Spending	360	360	360	720
Total Governor's Recommendations	360	360	360	720
Fund: MISCELLANEOUS AGENCY				
Planned Statutory Spending	1,852	1,852	1,851	3,703
Total Governor's Recommendations	1,852	1,852	1,851	3,703
Fund: GIFT				
Planned Statutory Spending	648	621	630	1,251
Total Governor's Recommendations	648	621	630	1,251

VETERANS AFFAIRS DEPT

Change Item: Maintain Current Services at Homes

Fiscal Impact (\$000s)	FY 2010	FY 2011	FY 2012	FY 2013
General Fund				
Expenditures	\$1,800	\$3,400	\$3,400	\$3,400
Revenues	0	0	0	0
Other Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact	\$1,800	\$3,400	\$3,400	\$3,400

Recommendation

The Governor recommends an increase of \$1.8 million in FY 2010 and \$3.4 million in FY 2011 to the Department of Veterans Affairs, Veterans Homes program to maintain current service levels.

Background

Not unlike other long-term care facilities in Minnesota, the operational cost for providing nursing care has continued to increase from one year to the next. Expenses such as compensation, fuel, utilities, pharmaceuticals, and food have increased each year. Before its dissolution, the Veterans Homes Board did not seek operational cost increases which have lead to the Department's dramatic funding request for FY 2010-11. The Department continues to review contracts and explore more cost effective ways to obtain goods and services, but it is no longer possible to absorb cost increases without reducing the quality of life and standard of care for residents of the Department's facilities. The Veterans Homes face additional difficulty in absorbing increases because the Department is required to meet multiple standards of care for the residents – from the state Department of Health and the federal Veterans Affairs Administration. Due to these requirements, the Department has limited ability to reduce staffing, operations, and services provided to residents.

Relationship to Base Budget

The general fund base for the Veterans Homes budget activity is \$41.656 million per year. This request increases the Veterans Homes general fund base to \$43.456 million (4.1%) in FY 2010 and \$45.056 million (3.6%) in FY 2011.

Key Goals and Measures

The Department developed a strategic plan. As a part of the strategic plan, the Department of Veterans Affairs will ensure financial integrity and viability through the development of an attainable financial base that includes resources supplemental to and independent of state appropriated funds. To achieve this goal, the Financial officer will identify current and potential revenue sources to support program initiatives department-wide by June 30, 2009. The chief operating officer will facilitate a cost benefit analysis of any potential revenue source identified to make prudent fiscal decisions to support current and future services by January 2010. The financial officer will ensure generally accepted accounting principles (GAAP) are followed to maintain fiscal integrity.

Statutory Change: Not Applicable

VETERANS AFFAIRS DEPT

Change Item: Veterans Homes Repair & Betterment

Fiscal Impact (\$000s)	FY 2010	FY 2011	FY 2012	FY 2013
General Fund				
Expenditures	\$1,250	\$1,250	\$1,250	\$1,250
Revenues	0	0	0	0
Other Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact	\$1,250	\$1,250	\$1,250	\$1,250

Recommendation

The Governor recommends a general fund appropriation to the Department of Veterans Affairs of \$2.5 million in FY 2010-2011 for repair and betterment projects at the five state run Veterans Homes.

Background

The Veterans Homes program operates five separate campuses across Minnesota - including 44 separate buildings and totaling over 800,000 square feet. Of the five Veterans Homes campuses, three of the homes are located in aging buildings which require special repairs and modifications to maintain their integrity and comply with standards of care for elderly residents.

Any funding received to facilitate repairs will be spent on projects by priority of need. The requested funding will be used for the repair of interior building deficiencies; provide updates for life/safety compliance; fund replacement of ongoing wear-related items like floors and ceilings; and provide routine mechanical repairs.

Relationship to Base Budget

This recommendation represents about a 3% increase to the Veterans Homes program general fund base.

Key Goals and Measures

The administrators at each home will develop a project management system to streamline the use of program funding based on each home's priorities by 7/01/2009.

The Veterans Homes' goal and portion of the strategic plan is to ensure fiscal integrity. To achieve the Veterans Homes' goal, the administrators will develop a project management system to streamline the use of program funding (which includes R&B funding) based on the Veterans Homes' priorities by July 2009. The deputy commissioner for Veterans Health Care has developed a five year maintenance, repair and equipment replacement spreadsheet that identifies priorities, life safety, equipment shelf life and regulatory/statutory requirements.

Statutory Change: Not Applicable.

VETERANS AFFAIRS DEPT

Change Item: Hastings Mental Health Program

Fiscal Impact (\$000s)	FY 2010	FY 2011	FY 2012	FY 2013
General Fund				
Expenditures	\$220	\$220	\$220	\$220
Revenues	0	0	0	0
Other Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact	\$220	\$220	\$220	\$220

Recommendation

The Governor recommends an increase of \$220,000 in each year to the Veterans Health Care Program direct appropriation for the Mental Health Program at the Hastings Veterans Homes. These funds will allow the Hastings Veterans Home to expand their mental health program to meet the increase need for psychiatric care by providing annual mental health training for staff and hiring one licensed psychiatrist and one psychiatric nurse practitioner.

Background

The Hastings Veterans Home provides 200 domiciliary beds for veterans meeting the requirements for care. Domiciliary care is a residential rehabilitation program that provides rehabilitative and long-term psychosocial care for veterans having a medical need for care at the board and care level. The Hastings resident population often requires ongoing treatment and therapy for mental health and/or substance abuse disorders. Dual diagnosis (mental health and substance abuse) services are available to veterans with the goal of reintegration into society.

The Hastings Veterans Home provides the following health care services: 24-hour on campus medical services, dental and eye emergent care, pharmacy services, a licensed psychologist, dietetic and nutritional services, social services, therapeutic recreation, and corrective therapy. The Hastings Veterans Home also provides the following special services: sobriety maintenance, vocational rehabilitation services, mental health services, educational services, and transportation provided to medical appointments.

Relationship to Base Budget

The general fund base for the Veterans Homes budget activity is \$41.656 million per year. This request would increase the Veterans Homes general fund base by 0.5%.

Key Goals and Measures

As a result of the November 2007 merge between the Minnesota Department of Veterans Affairs and the Veterans Homes Board, the agency has developed a strategic plan. As a part of the strategic plan, the Hastings Veterans Home will formalize a procedure to identify the needs of the residents and their families to assist in the development of new strategies to address unmet needs. The Department will formalize a process to define quality standards for the Department to assist in providing the highest level of care and services to our stakeholders/clientele/customers/constituents.

Statutory Change: Not Applicable

VETERANS AFFAIRS DEPT

Change Item: IT Merger

Fiscal Impact (\$000s)	FY 2010	FY 2011	FY 2012	FY 2013
General Fund				
Expenditures	\$980	\$980	\$980	\$980
Revenues	0	0	0	0
Other Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact	\$980	\$980	\$980	\$980

Recommendation

The Governor recommends an increase of \$980,000 in each year to support the information technology needs of the Department. This recommendation will allow the Department of Veterans Affairs to upgrade its IT infrastructure, enhance information systems integrity, ensure confidentiality of information, and increase system availability.

Background

In November 2007, the Veterans Homes Board merged with the Department of Veterans Affairs. As a result of the merger, the Department has realized the compelling need to combine the IT platforms of two independent agencies into one seamless platform. The lack of updated technology for the Veterans Homes has impaired the Department's ability to interact technologically as one agency.

The Department of Veterans Affairs needs a solid foundation from which to move forward and this budget request will enable the Department to implement a data mart and repository; develop an active directory help desk; become compliant with the Governor's mandate for electronic health records; develop a security analyzing program; become fully Health Insurance Portability and Accountability Act (HIPPA) compliant; develop a disaster recovery plan; and supply ongoing field support inclusive of residential facilities, outreach workers, tribal veterans services officers, benefits/claims, and campus representatives.

The recommendation is seeking to hire additional IT staff. The most pressing of positions is for an information systems manager who can make recommendations for evaluation of all wiring; determine the advisability of installing Voice Over Internet Protocol (VOIP) at all work sites; evaluate work site wireless capabilities; develop a system for central purchasing, inventory control and licensing for IT needs; and develop a computer replacement system since 80% of the computers within the Department have not been replaced within the past three years.

A crucial component to integrating the information system needs of the previous Veterans Homes Board and the Department of Veterans Affairs is a power vault and SQL server enterprise for the development of a data mart and repository as well as the creation of a "hot site" for disaster recovery, which will allow the Office of Enterprise Technology (OET) to set up a virtual environment for the Department of Veterans Affairs to provide a foundation ensuring information is secure and business experiences minimal interruptions.

Relationship to Base Budget

The Department's current information technology appropriation is \$200,000 in each year of the biennium. This recommendation represents a 1.6% increase to the Department's general fund base budget of \$122.9 million in each biennium.

Key Goals and Measures

The Department has developed a strategic plan. As a part of the strategic plan, the chief operating officer will facilitate the development of integrated service lines to promote program delivery. The Department will formalize a process to define quality standards for the IT program to assist in providing the highest level service to Department employees/stakeholders/clientele/customers/constituents.

The Department has not considered alternatives for this request.

VETERANS AFFAIRS DEPT

Change Item: IT Merger

Technology Funding Detail

Funding Distribution	FY 2010-11 Biennium		FY 2012-13 Biennium		FY 2014-15 Biennium	
	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015
Personnel	\$826	\$851	\$851	\$851	\$851	\$851
Supplies	0	0	0	0	0	0
Hardware	74	49	49	49	49	49
Software	80	80	80	80	80	80
Facilities	0	0	0	0	0	0
Services	0	0	0	0	0	0
Training	0	0	0	0	0	0
Grants	0	0	0	0	0	0
TOTAL	\$980	\$980	\$980	\$980	\$980	\$980

Statutory Change: Not Applicable.

VETERANS AFFAIRS DEPT

Change Item: Higher Education Campus Rep Program

Fiscal Impact (\$000s)	FY 2010	FY 2011	FY 2012	FY 2013
General Fund				
Expenditures	\$0	\$0	\$1,050	\$1,050
Revenues	0	0	0	0
Other Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact	\$0	\$0	\$1,050	\$1,050

Recommendation

The Governor recommends a repeal of the 6/30/2011 sunset date for the Higher Education Veterans Assistance Program. The recommendation for the repeal of the sunset date will allow the Department to keep the program operating at an efficient, high quality level. Additionally, the program has a numerical sunset date. Should the number of veterans enrolled at Minnesota's public higher education institutions drop below 4,000, the program is disbanded.

Background

In May 2006 the legislature provided funding for the Minnesota Department of Veterans Affairs to establish an on-campus Higher Education Veterans Assistance Program. The Higher Education Veterans Assistance Program's mission is to serve the unique higher education needs of students who are veterans, military members or family members of military men and women, and to assist Minnesota's colleges and universities address the unique and often complex needs of students who are veterans.

This program consists of a director and regional coordinators located throughout the state. Specifically, the coordinators work with colleges to enhance or develop "veteran friendly" policies and procedures which may include: payment deferments while awaiting properly applied for educational benefits; military transfer credit; veteran resident status; registration – flexibility and withdrawals due to deployments; provide information about services and resources, as well as referrals to appropriate service providers; and, facilitate communication between departments and staff who regularly interact with veterans – admissions, financial aid, counseling, disability services, career services.

The Higher Education Veterans Programs assists Minnesota's higher education campuses create on-campus Veterans Resource Centers for the purpose of providing an environment where veterans, military members and their families feel welcome; they interact with other students who are veterans, military members and/or their family members in order to gain support and encouragement from others with similar backgrounds, experiences, and circumstances. In FY 2008, the Higher Education Veterans Assistance Offices have 56 operational sites and have served over 4,300 veterans (unduplicated count) at Minnesota's higher education institutions.

Relationship to Base Budget

The base budget funding for this program is \$2.1 million in FY 2010-2011. This recommendation will provide ongoing funding to the Higher Education Veterans Assistance Program at the same level in FY 2012-13.

Key Goals and Measures

As a result of the November 2007 merge between the Minnesota Department of Veterans Affairs and the Veterans Homes Board, the Department has developed a strategic plan. As a part of the strategic plan, the Higher Education Veterans Program will formalize a process to identify the needs of veteran and military students. The Department will formalize a process to define quality standards for the program to assist in providing the highest level service to our stakeholders/clientele/customers/constituents.

Statutory Change: M.S. 197.585

Program Description

The purpose of the Veterans Services program is to provide assistance to veterans, their dependents and survivors through three divisions: veterans services administration, benefits and services, and claims and outreach. Through a variety of participatory planning processes, agency needs are identified and prioritized with the overall goals of providing high quality, cost-effective services to Minnesota's veterans, their dependents and survivors.

Budget Activities

This program includes the following budget activities:

- ⇒ Veterans Services Administration
- ⇒ Benefits and Services
- ⇒ Claims and Outreach

VETERANS AFFAIRS DEPT
Program: VETERANS SERVICES

Program Summary

<i>Dollars in Thousands</i>					
	Current		Governor Recomm.		Biennium
	FY2008	FY2009	FY2010	FY2011	2010-11
<u>Direct Appropriations by Fund</u>					
General					
Current Appropriation	19,167	21,578	21,578	21,578	43,156
Technical Adjustments					
One-time Appropriations			(1,775)	(1,775)	(3,550)
Pt Contract Base Reduction			(1)	(1)	(2)
Subtotal - Forecast Base	19,167	21,578	19,802	19,802	39,604
Governor's Recommendations					
IT Merger		0	980	980	1,960
Higher Education Campus Reps Program		0	0	0	0
Total	19,167	21,578	20,782	20,782	41,564
<u>Expenditures by Fund</u>					
Carry Forward					
Miscellaneous Special Revenue	0	26	0	0	0
Direct Appropriations					
General	12,110	16,616	20,782	20,782	41,564
Statutory Appropriations					
General	105	0	0	0	0
Miscellaneous Special Revenue	617	873	594	595	1,189
Federal	340	360	360	360	720
Gift	32	68	28	28	56
Total	13,204	17,943	21,764	21,765	43,529
<u>Expenditures by Category</u>					
Total Compensation	4,197	5,207	6,263	6,506	12,769
Other Operating Expenses	1,861	3,886	2,325	2,119	4,444
Capital Outlay & Real Property	22	0	0	0	0
Payments To Individuals	4,988	5,851	5,378	5,342	10,720
Local Assistance	2,136	2,999	1,798	1,798	3,596
Transfers	0	0	6,000	6,000	12,000
Total	13,204	17,943	21,764	21,765	43,529
<u>Expenditures by Activity</u>					
Veterans Services Admin	1,987	2,256	2,875	2,875	5,750
Benefits & Services	6,290	8,083	13,500	13,501	27,001
Claims & Outreach	4,927	7,604	5,389	5,389	10,778
Total	13,204	17,943	21,764	21,765	43,529
Full-Time Equivalents (FTE)	71.2	80.4	81.4	81.1	

VETERANS AFFAIRS DEPT

Program: **VETERANS SERVICES**

Activity: **VETERANS SERVICES ADMINISTRATION**

Narrative

Activity Description

The core functions within the Veterans Services Administration division include the financial management of the department, human resource functions, information technology needs, communications/public affairs, legislative affairs, and the Recently Separated Veterans Program.

Population Served

Through the commissioner's office the Veterans Services Administration division offers services to the 420,000 Minnesota veterans plus the over 1,000 employees of the department. Our Information Technology unit serves an undetermined number of veterans and their families throughout the world by providing web access to benefits and services.

Services Provided

The commissioner's office provides overall leadership and direction for the department. All budgeting, financial transactions, human resource management, affirmative action, and MAPS and SEMA4 transactions are processed within the Veterans Services Administration division.

Staff in this area provide information technology, including internal and external web applications. CVSOs are able to access veterans' DD214's (discharge papers), which are utilized to secure veterans benefits, online. Additionally, the division has established a web site creating a centralized, one-stop point of information for Minnesota veterans. The web site provides a directory of all available public and private veteran programs, benefits and/or services offered by all levels of government or private organizations.

The Communications/Public Affairs Office and Legislative Affairs Office works closely with the County Veteran Services Officers (CVSOs), Congressionally Chartered Veterans Services Organizations, the Commanders Task Force, and the United Veterans Legislative Council to assist in the dissemination of information alerting veterans to changes in state and/or federal laws that impact veterans, their families, and active military men and women.

In collaboration with the Department of Employment and Economic Development (DEED), the department operates the **Recently Separated Veterans Program (RSVP)**. When veterans separate from active duty, if they identify Minnesota as their home of record, the Minnesota Department of Veterans Affairs will receive their discharge papers (DD214). Within seven working days, a "Welcome Home" letter and relevant transitional information is mailed. In addition to thanking these men and women for their dedicated service to our nation and welcoming them home to Minnesota, the department provides them with helpful information on veteran's benefits and services, as well as DEEDs programs and services. Additionally, the letter directs them to their local County Veteran's Service Officer (CVSO), where they can obtain information on available additional services.

In calendar year 2007, the governance of the five state run veterans homes was transferred to the department. With the addition of the veterans homes, the department is redefining and redeveloping its vision statement, mission statement and strategic plan. The new strategic plan identifies five goals for the department:

- ◆ MDVA will develop integrated service lines to promote program delivery to the Minnesota veterans community;
- ◆ MDVA will ensure financial integrity and viability through the development of an attainable financial base that includes resources supplemental to and independent of state appropriated funds;
- ◆ MDVA will formalize and implement organizational systems to support department operations;
- ◆ MDVA will develop strategies to foster employee morale and strong partnerships with stakeholders; and
- ◆ MDVA will meet the needs of the veteran community by providing innovative customer service.

Activity at a Glance

- ◆ Secures veteran discharge information (DD214).
- ◆ A centralized one-stop web-site provides information on benefits and services available to veterans offered by all levels of government and private organizations.
- ◆ The Recently Separated Veterans Program (RSVP) sends Welcome Home letters containing relevant transitional information to all returning Minnesota veterans who were honorably separated.
- ◆ Hosts the state-sponsored Veterans Day Program.

VETERANS AFFAIRS DEPT

Program: VETERANS SERVICES

Activity: VETERANS SERVICES ADMINISTRATION

Narrative

The merger between MDVA and Veterans Homes Board was completed successfully. The department also had the responsibility of hosting the WWII memorial dedication and ensuring that every WWII veteran who wished to attend the dedication had state-provided transportation.

Key Activity Goals

MDVA's Veterans Services Administration will:

- ♦ develop integrated service lines to promote program delivery to the Minnesota veterans community.

Key Activity Measures

As a result of the November 2007 merge of the Minnesota Department of Veterans Affairs and the Veterans Homes Board, the agency is developing a strategic plan. As a part of the strategic planning process underway at the agency, the Veteran Services Administration will facilitate the conversion of the IT platform to Microsoft to share data and enhance communication. The Veterans Services Administration will develop and maintain a financial structure to support the delivery of integrated services. The Veterans Services Administration will also develop a human resource system to consolidate and integrate human resource management.

Accomplishments include:

- ♦ Development of a department strategic plan.
- ♦ Transition of the powers and duties of the Veterans Homes Board to MDVA.
- ♦ Successful dedication of the WW II Memorial on June 9, 2007 with over 22,000 people in attendance.

Activity Funding

The Veterans Services Administration activity is funded by a direct appropriation from the general fund.

Contact

For further information, contact Office of the Commissioner, Department of Veterans Affairs, Veterans Service Building, 20 West 12th Street, Saint Paul, Minnesota 55155 or call (651) 296-2562 or Fax (651) 296-3954.

You may also visit the department's web site at www.mdva.state.mn.us and our Department Result's page at www.departmentresults.state.mn.us/vets/index.html

VETERANS AFFAIRS DEPT

Program: VETERANS SERVICES

Activity: VETERANS SERVICES ADMIN

Budget Activity Summary

<i>Dollars in Thousands</i>					
	Current		Governor's Recomm.		Biennium
	FY2008	FY2009	FY2010	FY2011	2010-11
<u>Expenditures by Fund</u>					
Carry Forward					
Miscellaneous Special Revenue	0	26	0	0	0
Direct Appropriations					
General	1,850	2,163	2,848	2,848	5,696
Statutory Appropriations					
General	105	0	0	0	0
Gift	32	67	27	27	54
Total	1,987	2,256	2,875	2,875	5,750
<u>Expenditures by Category</u>					
Total Compensation	1,300	1,285	2,201	2,269	4,470
Other Operating Expenses	687	971	674	606	1,280
Total	1,987	2,256	2,875	2,875	5,750
Full-Time Equivalents (FTE)	16.6	15.0	15.3	15.3	

VETERANS AFFAIRS DEPT

Program: **VETERANS SERVICES**

Activity: **BENEFITS & SERVICES**

Narrative

Activity Description

The Veterans Benefits and Services division provides assistance through the State Soldiers Assistance Program, Minnesota State Veterans Cemetery, the Minnesota State Approving Agency, LinkVet, War Survivors Educational Benefits, Veteran's Preference Act Enforcement, and Case Management Services.

Population Served

Veterans Benefits and Services program serves all Minnesota veterans, their dependents and survivors. The Benefits and Services Program provides emergency cash assistance in the form of shelter payments (rent and mortgage), utilities, and personal needs grants to veterans who are unable to work as a result of temporary disability. Like all divisions within the department, the Benefits and Service Program works in close collaboration with all 87 County Veterans Service Officers.

Services Provided

The **State Soldiers Assistance Program (SSAP)** provides direct, emergency financial assistance to veterans, their dependents and survivors. This program makes provisions for shelter and utilities, optical and dental benefits, and cash grants for food and personal needs. Within this activity, the homeless veterans' initiative and rehabilitation services assist veterans and their families in attempts to regain self-sufficiency by providing incentives for desirable behavior and by assisting them in taking personal responsibility for their lives. Educational benefits are provided in the form of one-time grants to veterans who have exhausted their federal benefits.

The **Minnesota State Veterans Cemetery** in Little Falls provides dignified burial services to Minnesota veterans as well as their eligible dependents and survivors. Burial is open to all veterans discharged from active military service under conditions other than dishonorable. Their spouses, minor children, and under certain conditions, unmarried adult children are also eligible for burial. Eligible spouses may be buried, even if they predecease the veteran. Also eligible for burial are members of the reserve components of the Armed Forces, the Army and National Guard, and the Reserve Officer Training Corps who die while on active duty for training or performing service, or who have 20 years of service in reserve components of the Armed Forces creditable for retired pay.

The Minnesota **State Approving Agency's (SAA)** mission is to provide administrative oversight of the G.I. Bill's Minnesota Education and Training Programs on behalf of our veterans and other eligible persons. The SAA is responsible for the approval of education and training programs to ensure that each program meets the necessary requirements prescribed in federal law. For veterans to receive payments for their G.I. Bill's Education benefits, the education or training program in which they intend to enroll must be pre-approved by the SAA. The duties of the On-the-Job Training program and Apprenticeship program were transferred from the Department of Labor and Industry to MDVA effective October 1, 2008.

The Benefits and Services division offers the **LinkVet** call center provided by trained staff. During business hours, MDVA staff will provide information on veterans' benefits, healthcare, education, and reintegration services. The line will roll to Crisis Connection counselors for 24-hour, seven days a week coverage (including holidays) for immediate crisis intervention and psychological counseling.

The Benefits and Services division also oversees the **Surviving Spouse/Dependent Education Benefit Program**. This benefit is completely state funded and can only be used by a Minnesota resident who is the child/spouse of a deceased veteran. The deceased veteran must have been a Minnesota resident within six

Activity at a Glance

- ◆ Over 2,000 veterans and their families receive State Soldiers Assistance Program (SSAP) benefits annually.
- ◆ In FY08, SSAP paid out over \$5.25M in direct, emergency funds to veterans.
- ◆ Over 2,500 veterans and their family members are laid to rest in the Minnesota State Veterans Cemetery in Little Falls.
- ◆ The "LinkVet" toll-free telephone line provides information on veterans' benefits, healthcare, education, and reintegration services.
- ◆ In partnership with Crisis Connection, "LinkVet" is available 24-hours, seven days a week (including holidays) for immediate crisis intervention and psychological counseling.
- ◆ Over 5,500 veterans and their families have received hope and support through "LinkVet".

VETERANS AFFAIRS DEPT

Program: VETERANS SERVICES

Activity: BENEFITS & SERVICES

Narrative

months of the time of the person's entry into the United States Armed Forces, and the veteran must have died while on active duty, or as a result of a service-connected condition.

The **Minnesota GI Bill program** provides postsecondary educational assistance to eligible Minnesota veterans, and to the children and spouses of deceased or severely disabled Minnesota veterans. The Minnesota GI Bill program is awarded after existing or expected federal military benefits or other need-based grant programs offered by the state or federal government. The Minnesota GI Bill program benefits are available for undergraduate and graduate studies that lead to a certificate, diploma, or degree.

This division also provides direct enforcement of the **Veterans Preference Act**. We represent veterans in pursuing relief when their veterans' preference rights have been violated. In addition, we also provide educational direction to political subdivisions to prevent future veterans' preference claims.

Another program under the Benefits and Services division is the **State-Wide Case Manager** program. This program is available for veterans and/or their immediate family members. The program provides a single case manager to help veterans and/or their families coordinate and find services available in their local communities.

Key Activity Goals

MDVA's Benefits and Services division will:

- ◆ meet the needs of the veteran community by providing innovative customer service;
- ◆ ensure financial integrity and viability through the development of an attainable financial base that includes resources supplemental to and independent of state appropriated funds.

Key Activity Measures

As a result of the November 2007 merge of the Minnesota Department of Veterans Affairs and the Veterans Homes Board, the agency is developing a strategic plan. As a part of the strategic planning process underway at the agency, the Benefits and Services division will formalize a process to identify the need of veterans and their families to assist with the development of new strategies to address unmet needs. The department will formalize a process to define quality standards to assist in providing highest level of services to the veterans as well as stakeholders. The Benefits and Services division will implement a streamlined and standardized financial reporting procedure to provide managers with financial reports to allow for timely financial decisions.

In FY2008, the Benefits and Services division was handed the task of developing and implementing several new programs. The goal was to have the new programs functioning and have the expansion of existing programs completed within six months of the date of enactment. On all accounts MDVA surpassed the self-imposed time lines. FY2008 accomplishments include:

- ◆ Increased the usage of the SSAP program by almost 19 percent.
- ◆ LinkVet line was live by August 1, 2007.
- ◆ Applied to the federal government for an additional state operated cemetery.
- ◆ Distributed the first funds to veterans under the Minnesota GI Bill.

The Benefits and Services division also went through the Lean process, which is a process of eliminating waste with the goal of creating value for enterprise stakeholders. Lean helped the division staff to identify strategies within the State Soldiers Assistance Program that reduced the application processing time by 50%, while increasing accuracy in a veteran's application for assistance.

Activity Funding

This activity is funded through general fund appropriations, but also uses some special revenue funds and federal funds. The source of the special revenue funds is burial fees at the MN State Veterans Cemetery. The source of federal funds is the State Approving Agency contract and the cemetery burial federal reimbursement.

VETERANS AFFAIRS DEPT

Program: VETERANS SERVICES

Activity: BENEFITS & SERVICES

Narrative

Contact

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You may also visit the department's web site at www.mdva.state.mn.us and our Departments Results page at www.departmentresults.state.mn.us/vets/index.html.

VETERANS AFFAIRS DEPT
Program: VETERANS SERVICES
Activity: BENEFITS & SERVICES

Budget Activity Summary

<i>Dollars in Thousands</i>					
	Current		Governor's Recomm.		Biennium
	FY2008	FY2009	FY2010	FY2011	2010-11
<u>Expenditures by Fund</u>					
Direct Appropriations					
General	5,671	7,539	12,945	12,945	25,890
Statutory Appropriations					
Miscellaneous Special Revenue	279	183	194	195	389
Federal	340	360	360	360	720
Gift	0	1	1	1	2
Total	6,290	8,083	13,500	13,501	27,001
<u>Expenditures by Category</u>					
Total Compensation	1,064	1,282	1,306	1,347	2,653
Other Operating Expenses	463	1,305	916	912	1,828
Capital Outlay & Real Property	22	0	0	0	0
Payments To Individuals	4,741	5,496	5,278	5,242	10,520
Transfers	0	0	6,000	6,000	12,000
Total	6,290	8,083	13,500	13,501	27,001
Full-Time Equivalents (FTE)	21.6	20.3	20.3	20.3	

VETERANS AFFAIRS DEPT

Program: VETERANS SERVICES

Activity: CLAIMS & OUTREACH

Narrative

Activity Description

The Claims and Outreach division provides claims representation to veterans as well as their dependents and survivors. The Claims side of the division helps individuals secure federal veterans' benefits, such as compensation and pension benefits, home loans, educational benefits, and medical treatment. The Outreach side of the division actively engages in outreach efforts to find and help veterans from underserved populations (minorities, women, homeless).

The Claims and Outreach division also oversees the County Veteran Service Officer (CVSOs) grant programs as well as the on-going training, educational opportunities and annual certification of all CVSOs.

Two relatively new functions of the Claims and Outreach division are the Tribal Veteran Service Officers (TVSO) program and the Higher Education Veterans Assistance Offices on Campus program. The TVSO program has representation on all seven of northern Minnesota's Indian Reservations. The TVSO program helps individuals' secure state and federal veterans' benefits. The Higher Education Veterans Assistance Offices on Campus Program has a presence on 53 higher education institutions to support the success of veterans, current military members, and their families at Minnesota's colleges and universities by providing on-site comprehensive information about benefits and resources as well as by creating institutional readiness in support of the unique needs of the veteran student.

This program area is also responsible for the Minnesota GI Bill. The Minnesota GI Bill program provides postsecondary educational assistance to eligible Minnesota veterans, and to the children and spouses of deceased or severely disabled Minnesota veterans. The Minnesota Department of Veterans Affairs (MDVA) has an interagency agreement with the Office of Higher Education for the administration of this program.

The budget activity also houses the activities and grants that are funded by the proceeds from the sale of the **Support Our Troops license plates**. Support Our Troops (SOT) license plates feature a bald eagle in the foreground against the American flag as a backdrop. The proceeds from the plate sales are split between the Department of Military Affairs for financial support of military families and MDVA. MDVA uses the Support Our Troops money for two purposes: outreach and assistance initiative programs for underserved veterans and for grants to veterans services provided by Congressionally Charter Veterans Services Organizations located in Minnesota and those with claims office representation.

Population Served

The claims offices serve all Minnesota veterans, their dependents and survivors. The outreach offices concentrate their efforts on homeless, minority, women, and other underserved veterans in the state of Minnesota. In addition, the claims and outreach officers work in collaboration with all 87 County Veteran Service Offices (CVSOs).

Services Provided

The **Claims and Outreach offices**, located at Fort Snelling and Fargo/Moorhead, provide direct claims representation before the U.S. Department of Veterans Affairs (VA) and the Board of Veterans Appeals to help Minnesota veterans and their families obtain federal benefits and services. The Claims office at Fort Snelling also

Activity at a Glance

- ◆ In FY2008, Minnesota veterans received more than \$226 million in federal veterans' benefits as a direct result of the department's claims and outreach offices.
- ◆ In calendar year 2008, MDVA Claims and Outreach offices have served as Power of Attorney for approximately 24,000 veterans.
- ◆ Since 2006, the Claims and Outreach offices have participated in all 30, 60, 90 reintegration events.
- ◆ Female Veterans Coordinator was added to outreach office in 2008.
- ◆ Two grant programs, Operational Grant and Enhancement Grant, are available for CVSOs.
- ◆ MDVA certifies 105 CVSOs and their assistants annually.
- ◆ Veterans Assistance Offices on Campus have 53 operational sites and have served over 3,500 veterans (unduplicated count) at Minnesota's higher education institutions in FY2008.
- ◆ Support Our Troops license plates have generated more than \$436,000 for veterans programs in FY2008.

VETERANS AFFAIRS DEPT

Program: VETERANS SERVICES

Activity: CLAIMS & OUTREACH

Narrative

provides environmental hazards information and assistance. Claims office services are free of charge. The Claims and Outreach staff represent veterans and their family members by acting as their advocate in matters pertaining to federal VA benefits and entitlements. As a veteran's representative, the Claims and Outreach office staff help identify what evidence is needed to support the claim, monitor the progress of the claim through the adjudication process, intercede on the claimant's behalf if problems arise, and explain and clarify federal VA procedures and regulations that apply to the claim. The Claims and Outreach offices work closely with County Veterans Service officers to facilitate important services, such as:

- ◆ disability compensation – payments to veterans who are disabled by injury or disease incurred or aggravated during military service;
- ◆ pension – assist veterans with pension benefits;
- ◆ vocational rehabilitation – employment assistance, training and education for veterans with service-connected disabilities who have an employment handicap due to their service-connected disability;
- ◆ health care benefits – medical treatment and hospital care for veterans with service-connected disabilities and others who meet VA eligibility criteria;
- ◆ education benefits – federal Montgomery G.I. Bill benefits for former active-duty service members and eligible members of the reserve components; and
- ◆ burial benefits – burial in state or federal veterans cemeteries. Headstones and markers may be provided for burials in private cemeteries. Burial allowances may help pay for burial services and a burial plot.

The focus of the Outreach office is to be a visible presence in communities throughout the state. Outreach staff attend veteran-specific gatherings such as the annual homeless veterans stand-down events in Minneapolis, St. Cloud, Mankato, International Falls, and Duluth.

The Claims and Outreach office host town-hall meetings throughout the state and sponsor a State Fair booth. Additional outreach efforts are aimed at reintegration of newly returning veterans to inform them of their eligibility for benefits, programs, and services. The program also provides leadership and coordination for community-based efforts that support Minnesota's newest veterans and encourage them to become fully integrated into their communities upon return from active military service.

The **County Veterans Service Officer Operational and Enhancement grant programs** are also provided through the veterans program and services division. The two grant programs are the Operational Improvement Grant or the Enhancement of Services Grant. The Operational Improvement Grant is award on a rotating three-year cycle. The Operational Grant is not a competitive grant. The Enhancement of Services grant is competitive grant; its purpose is to enhance benefits, programs, and services provided to Minnesota veterans by CVSOs. Before receiving either grant the lead CVSO in each county must go through a certification process and continuing education courses that ensure that they are trained and proficient in their duties.

The **Higher Education Veterans Assistance Offices on Campus program** mission is to serve the unique higher education needs of students who are veterans, military members or family members of military men and women. To assist Minnesota's colleges and universities address the unique and often complex needs of students who are veterans, the department established the Higher Education Veterans Program. This program consists of a director and regional coordinators located throughout the state. Specifically, the coordinators work with colleges to enhance or develop "veteran friendly" policies and procedures which may include: payment deferments while awaiting properly applied for educational benefits; military transfer credit; veteran resident status; registration – flexibility and withdrawals due to deployments; provide information about services and resources, as well as referrals to appropriate service providers; and facilitate communication between departments and staff who regularly interact with veterans - admissions, financial aid, counseling, disability services, career services.

On-campus Veterans Resource Centers provide an environment where veterans, military members and their families feel welcome, and where they can interact with other students who are veterans, military members and/or their family members in order to gain support and encouragement from others with similar backgrounds, experiences, and circumstances.

VETERANS AFFAIRS DEPT

Program: VETERANS SERVICES

Activity: CLAIMS & OUTREACH

Narrative

This budget activity also administers the pass-through grant to the Veterans Service Organizations; specifically, Disabled American Veterans (DAV), Military Order of the Purple Heart (MOPH), Veterans of Foreign Wars (VFW), Vietnam Veterans Association (VVA), Paralyzed Veterans of America (PVA), and American Legion. The Congressionally Chartered Veterans' Organizations are authorized to represent veterans, dependents, widows, and orphans before local, state, and federal government. These offices serve as representatives for veterans and their families in obtaining benefits to which they are entitled. They provide informational seminars and publish articles to bring about an awareness concerning potential entitlements to benefits and services available through Minnesota and U.S. Department of Veterans Affairs (VA).

The **Tribal Veterans Service Officers (TVSOs)** help individuals' secure state and federal veterans' benefits. Thirty percent of Minnesota's Native Americans are veterans; however cultural differences and geographic distance make it difficult for this population to seek assistance from the County Veteran Service Offices located in their county seat. The Tribal Veterans Service Officers have assisted members of Northern Minnesota tribes in obtaining the benefits to which they are entitled. The Tribal Veteran Service Officers have an office located on each of northern Minnesota's Indian reservations.

The nonprofit **Minnesota Assistance Council for Veterans (MACV)** assists veterans and their families affected by homelessness. In its 13-year history, the organization has helped more than 3,000 veterans with transitional housing. MACV provides or coordinates clean, safe, drug-free, supportive housing; transitional homes for use during extended medical care; job skills training; assistance finding permanent housing; assistance finding resources for food; mortgage assistance; health care; chemical dependency treatment and sobriety aftercare; job search assistance; and counseling and legal assistance. Several organizations that advocate for veterans and people who experience homelessness recognize MACV's transitional and permanent housing programs as a model for the nation.

Key Activity Goals

MDVA's Claims and Outreach division will:

- ◆ develop strategies to foster employee morale and strong partnerships with stakeholders;
- ◆ meet the needs of the veteran community by providing innovative customer service; and
- ◆ develop integrated service lines to promote program delivery to the veterans community.

Key Activity Measures

As a result of the November 2007 merge of the Minnesota Department of Veterans Affairs and the Veterans Homes Board, the agency is developing a strategic plan. As a part of the strategic planning process underway at the agency, the Claims and Outreach division will formalize a process to identify the need of veterans and their families to assist with the development of new strategies to address unmet needs of underserved veterans. The department will formalize a process to define quality standards for the department to assist in providing the highest level of care and services to our stakeholders/clientele/customers/constituents. The Claims and Outreach division will define, streamline and coordinate veterans services at the community level to ensure the unique needs of veterans and their families are met. The Claims and Outreach division will also oversee the conversion of the claims platform to Virtual Veteran, which is a web-based program that stores a complete veteran file that can be shared among the federal VA, MDVA and CVSOs. This data-sharing will enhance communication with County Veteran Service Offices.

VETERANS AFFAIRS DEPT

Program: VETERANS SERVICES

Activity: CLAIMS & OUTREACH

Narrative

In FY2008, the Claims and Outreach division was handed the task of developing and implementing several new programs. The goal was to have the new programs functioning and have the expansion of existing programs completed within six months of the date of enactment. On all accounts MDVA surpassed the self-imposed time lines. FY2008 accomplishments include:

- ◆ Established seven northern Minnesota Tribal Veteran Services Offices.
- ◆ Increased the number of Powers of Attorney by five percent.
- ◆ Increased the amount of federal monies coming to veterans by \$45.5 million.
- ◆ Increased the number of Higher Education Veterans Assistance offices on campus by 25 offices.
- ◆ Participated in all 30, 60, 90 day reintegration events.
- ◆ Added a Women Veterans Coordinator to the Outreach office.

Activity Funding

Claims and outreach activity is funded primarily by appropriations from the general fund, but also consists of special revenue funds. The source of special revenue funds is the Support Our Troops license plate donation.

Contact

For further information, contact Office of the Commissioner, Department of Veterans Affairs, Veterans Service Building, 20 West 12th Street, Saint Paul, Minnesota 55155 or call (651) 296-2562 or Fax (651) 296-3954.

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VETERANS AFFAIRS DEPT
Program: VETERANS SERVICES
Activity: CLAIMS & OUTREACH

Budget Activity Summary

<i>Dollars in Thousands</i>					
	Current		Governor's Recomm.		Biennium
	FY2008	FY2009	FY2010	FY2011	2010-11
<u>Expenditures by Fund</u>					
Direct Appropriations					
General	4,589	6,914	4,989	4,989	9,978
Statutory Appropriations					
Miscellaneous Special Revenue	338	690	400	400	800
Total	4,927	7,604	5,389	5,389	10,778
<u>Expenditures by Category</u>					
Total Compensation	1,833	2,640	2,756	2,890	5,646
Other Operating Expenses	711	1,610	735	601	1,336
Payments To Individuals	247	355	100	100	200
Local Assistance	2,136	2,999	1,798	1,798	3,596
Total	4,927	7,604	5,389	5,389	10,778
Full-Time Equivalents (FTE)	33.0	45.1	45.8	45.5	

Program Description

The Minnesota Department of Veterans Affairs' veteran's homes provide skilled nursing care, special care units for the treatment of dementia, domiciliary (boarding) care, and residential programs for homeless veterans. These services are provided in facilities located in Fergus Falls, Hastings, Minneapolis, Luverne, and Silver Bay. A centralized management team lead by the Deputy Commissioner of Veteran Health Care supports each home.

Nursing home care consists of compassionate medical, rehabilitative, and end-of-life care in a residential setting staffed by well-qualified personnel. Care is designed and delivered by integrating the components required by each resident. The goal is to restore, optimize, and/or maintain each resident's level of function, personal autonomy, and dignity while recognizing the individual's service to country in a variety of ways with the assistance of veterans' service organizations.

Domiciliary care is a residential rehabilitation program that provides rehabilitative and long-term psychosocial care for veterans having a medical need for care at the board and care level. This resident population may require ongoing treatment and therapy for their mental health and/or substance abuse disorder. Dual diagnosis (mental health and substance abuse) services are available to veterans with the goal of reintegration back into society.

Population Served

Approximately 420,000 veterans reside in Minnesota and it is predicted this population will decrease by approximately 35% over the next twenty years. While the veteran population is expected to decrease over the next twenty years, the number of veterans 75 and older is expected to grow by approximately 9%. Fifty percent of the patients cared for in veteran's homes are between the ages of 75-84 and 21% are over the age of 85. This is compared to private sector long-term care where approximately 31% are between the ages of 75-84 and 52% are over 85. In addition, the veteran home resident population is 86% male as compared to 27% in the private sector. Case mix (a standard measure of level of care requirements) in the state averages 2.51 while in the veterans homes it ranges from 2.58 to 2.72. The top five primary diagnoses for skilled care in the veterans homes system are dementia, Alzheimer's, coronary vascular disease, diabetes, and chronic obstructive pulmonary disease. For domiciliary care, the top primary diagnoses are alcohol dependence/abuse, chronic obstructive pulmonary disease, hypertension, and diabetes.

Services Provided

There are five veterans homes operating in Minnesota. These include skilled nursing facilities at Fergus Falls (85 beds), Minneapolis (341 beds including domiciliary beds), Luverne (85 beds), and Silver Bay (87 beds), and a domiciliary-only facility at Hastings (200 beds). The Minneapolis facility also operates a 16-bed inpatient program for homeless veterans with a mental health and substance abuse history. Hastings has a transitional housing program for veterans who have been previously homeless and have completed their inpatient treatment. Both of these programs are funded jointly by the U.S. Department of Housing and Urban Development (HUD) and Minnesota Department of Veterans Affairs. Services provided by the veterans homes are listed below:

- | | | |
|--------------------------------------|--------------------------------------|---|
| ◆ skilled nursing | ◆ domiciliary (board and care) | ◆ special care units – dementia and Alzheimer's |
| ◆ hospice | ◆ physical therapy | ◆ social services |
| ◆ occupational therapy | ◆ work therapy | ◆ speech therapy |
| ◆ drug and alcohol treatment | ◆ recreational therapy | ◆ transitional care |
| ◆ chiropractic (with doctor's order) | ◆ spiritual care | ◆ dental |
| ◆ volunteer programs | ◆ podiatry | ◆ mental health |
| ◆ optometry exams | ◆ outpatient services (Fergus Falls) | |

Program at a Glance

- ◆ FY2008 Total Operating Beds 859
 - ⇒ Fergus Falls – 85 skilled nursing beds
 - ⇒ Hastings – 200 domiciliary beds
 - ⇒ Luverne – 85 skilled nursing beds
 - ⇒ Minneapolis – 341 budgeted beds: 200 skilled nursing beds, 50 domiciliary beds, 91 special care unit beds.
 - ⇒ Silver Bay – 87 skilled nursing beds
- ◆ Statewide occupancy rate = 98%
- ◆ 965 FTE

Key Program Goals

MDVA's veterans homes program will:

- ◆ provide high quality of care;
- ◆ meet the needs of the veteran community by providing innovative customer service; and
- ◆ develop strategies to foster employee morale and strong partnerships with stakeholders.

Key Program Measures

Quality of Care – The primary measurement of service is quality of care. A minimum data set (MDS) is completed on each resident upon admission, quarterly, annually and when there is a significant change in health status. The data is collected through the EQUIP system, which compares twenty-four quality indicators which have been adopted by the federal Center for Medicare and Medicaid Service as the primary quality monitoring tool for skilled nursing care. The Center looks at issues such as: hydration, new fractures, falls, weight loss, medication usage, functionality, and pressure ulcers. The facility's quality indicators are compared to peer group averages. Any measurement above or below the peer group averages are reviewed, with the goal of developing an action plan to eliminate negative variances or accepting the variance and understanding why it exists. The quality of care reports are also used by surveyors in the quality monitoring process.

Bed occupancy – Occupancy rates are 98% statewide with significant waiting lists for admission at Fergus Falls, Luverne, and Minneapolis. Hastings and Silver Bay operate at a high occupancy level. Since the agency retains resident maintenance payments and the Veterans Affairs (VA) per diem, high occupancy maximizes revenues for the agency.

As a result of the November 2007 merge of the Minnesota Department of Veterans Affairs and the Veterans Homes Board, the agency is developing a strategic plan. As a part of the strategic planning process underway at the agency, the veterans homes program will formalize a process to identify the need of the residents and their families to assist with the development of new strategies to address unmet needs. The department will formalize a process to define quality standards for the department to assist in providing the highest level of care and services to our stakeholders/clientele/customers/constituents. The department will also develop an education needs assessment and training plan to provide learning and development opportunities to recruit and retain the best skilled employees.

The Minneapolis Veterans Home recently began using the Lean process to identify ways to improve the facility's medication distribution system. Lean is a process of eliminating waste and duplication with the goal of creating value for enterprise stakeholders.

Program Funding

Funding for this program is from the general fund (57.3%), resident maintenance charges (19.0%), federal VA per diems (19.7%), and other sources (4.0%). The revenue from the resident maintenance charges and per diem payments, when combined with the general fund appropriation, finance the operations of the program's facilities.

Contact

For further information, contact Office of the Commissioner, Department of Veterans Affairs, Veterans Service Building, 20 West 12th Street, Saint Paul, Minnesota 55155 or call (651) 296-2562 or Fax (651) 296-3954.

You may also visit the department's web site at www.mdva.state.mn.us and our Departments Results page at www.departmentresults.state.mn.us/vets/index.html.

VETERANS AFFAIRS DEPT
Program: VETERANS HOMES

Program Summary

<i>Dollars in Thousands</i>					
	Current		Governor Recomm.		Biennium
	FY2008	FY2009	FY2010	FY2011	2010-11
<u>Direct Appropriations by Fund</u>					
General					
Current Appropriation	43,184	45,106	45,106	45,106	90,212
Technical Adjustments					
One-time Appropriations			(3,450)	(3,450)	(6,900)
Subtotal - Forecast Base	43,184	45,106	41,656	41,656	83,312
Governor's Recommendations					
Maintain Current Services at Homes		0	1,800	3,400	5,200
Veterans Homes Repairs & Betterments		0	1,250	1,250	2,500
Hastings Mental Health Program		0	220	220	440
Total	43,184	45,106	44,926	46,526	91,452
<u>Expenditures by Fund</u>					
Direct Appropriations					
General	0	200	3,270	4,870	8,140
Statutory Appropriations					
Miscellaneous Special Revenue	74,873	76,920	73,038	73,170	146,208
Miscellaneous Agency	1,754	1,852	1,852	1,851	3,703
Gift	985	580	593	602	1,195
Total	77,612	79,552	78,753	80,493	159,246
<u>Expenditures by Category</u>					
Total Compensation	56,763	59,987	60,536	61,537	122,073
Other Operating Expenses	19,291	16,640	16,473	17,212	33,685
Capital Outlay & Real Property	46	1,181	0	0	0
Payments To Individuals	1,512	1,744	1,744	1,744	3,488
Total	77,612	79,552	78,753	80,493	159,246
<u>Expenditures by Activity</u>					
Veterans Health Care	1,893	2,290	2,090	2,090	4,180
Mpls Veterans Homes	39,820	41,527	40,338	41,292	81,630
Hastings Veterans Home	9,632	9,654	9,693	9,867	19,560
Silver Bay Veterans Homes	8,752	8,793	9,172	9,370	18,542
Luverne Veterans Home	8,851	8,632	8,691	8,900	17,591
Fergus Falls Veterans Home	8,664	8,656	8,769	8,974	17,743
Total	77,612	79,552	78,753	80,493	159,246
Full-Time Equivalents (FTE)	966.1	950.0	895.5	850.5	

VETERANS AFFAIRS DEPT

Agency Revenue Summary

Dollars in Thousands

	Actual FY2008	Budgeted FY2009	Governor's Recomm. FY2010 FY2011		Biennium 2010-11
<u>Non Dedicated Revenue:</u>					
Taxes:					
General	60	46	46	46	92
Total Non-Dedicated Receipts	60	46	46	46	92
<u>Dedicated Receipts:</u>					
Departmental Earnings:					
Miscellaneous Special Revenue	29,515	31,632	31,467	31,599	63,066
Grants:					
Miscellaneous Special Revenue	118	118	118	118	236
Federal	340	360	360	360	720
Other Revenues:					
Miscellaneous Special Revenue	161	23	23	23	46
Miscellaneous Agency	242	277	277	277	554
Gift	494	618	618	618	1,236
Other Sources:					
Miscellaneous Agency	1,394	1,587	1,587	1,587	3,174
Total Dedicated Receipts	32,264	34,615	34,450	34,582	69,032
Agency Total Revenue	32,324	34,661	34,496	34,628	69,124

Federal Funds Summary

Federal Program (\$ in Thousands)	Related SFY 2007 Spending	Primary Purpose	SFY 2008 Revenues	SFY 2009 Revenues	Estimated SFY 2010 Revenues	Estimated SFY 2011 Revenues
State Approving Agency	307	SO	340	360	360	360
Agency Total	307	SO	340	360	360	360

Key:

Primary Purpose

SO = State Operations

GPS = Grants to Political Subdivision

GI = Grants to Individuals

GCBO = Grants to Community Based Organizations

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↻ Designates that this item is a change item

Agency Purpose

The Board of Veterinary Medicine (Board) was created in 1893 under the authority of Minnesota Statutes, chapter 156. The Board is the licensing agency for practitioners of veterinary medicine in the state of Minnesota. The Board is to protect human and animal health and welfare through the regulation of veterinarians in Minnesota. Regulation is accomplished through licensure examination and renewal, registration of professional firms as well as the investigation of complaints regarding veterinary care and unlicensed practice.

The mission of the Board is:

- ◆ to promote the public's interest in receiving quality veterinary care from competent veterinarians by ensuring that veterinarians' qualifications meet the specifications established by the Board; and
- ◆ to protect the public by ensuring that all licensees provide competent veterinary care.

Core Functions

The Board accomplishes its mission by:

- ◆ setting and administering educational requirements and examination standards for licensure as a veterinarian;
- ◆ setting standards of practice and conduct for licensees and pursuing educational or disciplinary action with licensees to ensure standards are met;
- ◆ responding to public and agency inquiries, complaints and reports regarding licensure and conduct on applicants, licensees and unlicensed practitioners; and
- ◆ providing information and education about licensure requirements and standards of practice to the public and other interested parties.

Operations

The Board serves the consumers of veterinary services by licensing as veterinarians only those individuals the board has determined meet the educational, character and examination requirements they have established. The board also serves the public by investigation of complaints regarding veterinary care and, when necessary, initiating corrective or disciplinary action against licensees who fail to maintain professional standards. The board serves the veterinary community by verifying and approving applicant credentials for entrance into the North American Veterinary Licensing Examination and for licensure in Minnesota and verifies licensure status to other state and federal agencies and the public.

Key Goals

- ◆ Maintain excellence in veterinary regulation.
- ◆ Enhance and expand online services to licensees and the public.
- ◆ Prompt investigation of complaints and disciplinary matters.
- ◆ Continue outreach to the profession regarding regulatory changes and professional responsibilities.

Key Measures

- ◆ Currently the Board has 71% of its licensees using the online renewal service.
- ◆ 70% increase in the number of consumer complaints filed since 1998.
- ◆ 15% increase in total numbers of licensees since 1998.
- ◆ Public protection – the Board's website offers several services to the public including viewing disciplinary orders, access to information on complaint process and obtaining forms and information regarding how to file a complaint, viewing disciplinary history of individual licensees.
- ◆ Online services – the Board offers license verification, address and contact information changes, license renewals and information for licensees and the public.

At A Glance

Minnesota Licensed Veterinarians Statistics

(As of June 30, 2008)

Total Licensed:	3,046
New Licensees:	161
Total Complaints:	80
Total Resolved Complaints:	56
CE Courses Approved:	54
Online License Renewals:	70.5%

Staff: 1.75 Full-time equivalent employees

- ◆ Public information – Board website, newsletters, presentations, public outreach, brochures, real people answering the phone during business hours.
- ◆ Licenses are issued within 24 hours of an applicant meeting all requirements.
- ◆ License verifications are issued to other licensing jurisdictions within 24 hours of receipt of request and meeting all requirements.

Budget

Total direct and indirect expenditures for FY 2008-09 are estimated to be \$738,000, which includes 1.75 full time equivalent employees. Direct expenditures include salaries, rent and other operating expenditures. The Board receives a direct appropriation for these costs. Indirect expenditures include costs of services received by the Attorney General's Office, Health Professional Services Program, and the Administrative Services Unit. The Board is responsible for collecting sufficient revenue to cover both direct and indirect expenditures.

The Board is estimated to collect \$635,000 in FY 2008-09, which is deposited as non-dedicated revenue into the state government special revenue fund. Revenue is collected from fees charged to applicants, licensees, continuing education course approval, license verification and professional firms.

Contact

Minnesota Board of Veterinary Medicine
2829 University Avenue Southeast
Suite 540
Minneapolis, Minnesota 55414

The website at: <http://www.vetmed.state.mn.us/> gives visitors easy access to useful information about veterinary medicine. Types of information available through the website include: licensing and complaint information, Minnesota statutes and rules, disciplinary actions taken by the Board, public notices and forms.

John King, Executive Director
Email: vet.med@state.mn.us
Phone: (651) 201-2844
Fax: (651) 201-2842
TDD: 1-800-627-3529

<i>Dollars in Thousands</i>					
	Current		Governor Recomm.		Biennium
	FY2008	FY2009	FY2010	FY2011	2010-11
<u>Direct Appropriations by Fund</u>					
State Government Spec Revenue					
Current Appropriation	284	195	195	195	390
Recommended	284	195	195	195	390
Change		0	0	0	0
% Biennial Change from 2008-09					-18.6%
<u>Expenditures by Fund</u>					
Carry Forward					
State Government Spec Revenue	4	6	0	0	0
Direct Appropriations					
State Government Spec Revenue	185	294	195	195	390
Open Appropriations					
State Government Spec Revenue	8	10	10	10	20
Total	197	310	205	205	410
<u>Expenditures by Category</u>					
Total Compensation	143	146	147	150	297
Other Operating Expenses	54	164	58	55	113
Total	197	310	205	205	410
<u>Expenditures by Program</u>					
Veterinary Medicine, Board Of	197	310	205	205	410
Total	197	310	205	205	410
Full-Time Equivalents (FTE)	1.7	1.7	1.7	1.7	

VETERINARY MEDICINE BOARD

Change Summary

<i>Dollars in Thousands</i>				
	FY2009	Governor's Recomm.		Biennium
		FY2010	FY2011	2010-11
<i>Fund: STATE GOVERNMENT SPEC REVENUE</i>				
FY 2009 Appropriations	195	195	195	390
Subtotal - Forecast Base	195	195	195	390
Total Governor's Recommendations	195	195	195	390
<i>Fund: STATE GOVERNMENT SPEC REVENUE</i>				
Planned Open Spending	10	10	10	20
Total Governor's Recommendations	10	10	10	20
<i>Fund: STATE GOVERNMENT SPEC REVENUE</i>				
Planned Statutory Spending	6	0	0	0
Total Governor's Recommendations	6	0	0	0
<u>Revenue Change Items</u>				
<i>Fund: STATE GOVERNMENT SPEC REVENUE</i>				
Change Items				
Fee Increase	0	107	107	214

Veterinary Medicine Board

Change Item: Fee Increase

Fiscal Impact (\$000s)	FY 2010	FY 2011	FY 2012	FY 2013
General Fund				
Expenditures	\$0	\$0	\$0	\$0
Revenues	0	0	0	0
State Government Special Revenue Fund				
Expenditures	0	0	0	0
Revenues	107	107	107	107
Net Fiscal Impact	\$(107)	\$(107)	\$(107)	\$(107)

Recommendation

The Governor recommends that the Board of Veterinary Medicine fees be increased in the amounts of \$107,000 in FY 2010 and \$107,000 in FY 2011. This change will allow the Board to recover costs to fulfill its mission to protect the health and safety of the public and the animals that they own.

Background

The Board of Veterinary Medicine, like the other health related licensing boards, is a fee-supported agency that receives no general fund dollars. While the legislature approves the Board's appropriation levels, fees are assessed to the licensees of the agency cover all of the agency's direct and indirect expenditures. A fee increase is necessary to replenish an existing negative fund balance created in part by the Board's allocated portion of the FY 2004 legislative transfer of \$3.5 million from the state government special revenue fund to the general fund, \$57,000; the Board's allocated portion of the FY 2009 transfer of \$3.219 million to the general fund, \$55,000; and by the costs of contested cases and litigation.

Initial licensure, license renewal, licensure application and state examination fees charged by the Minnesota Board of Veterinary Medicine have not been changed since 1997. The Board of Veterinary Medicine has exhibited sound financial practices and fiscal prudence to fund ever increasing expenses with the same fee structure for six biennia. The fee increase is necessary to replenish an existing negative fund balance so that the agency recovers its costs, as required by M.S. 214.055 and 16A.1285, subd. 2, while maintaining its base budget.

Relationship to Base Budget

The Board of Veterinary Medicine is a fee-based agency and must collect licensing fees from veterinarians and veterinary professional firms that are sufficient to cover all expenditures. The board receives no general fund dollars to operate. All fees collected by the board must cover the costs of operation including the cost of the Administrative Services Unit, the Attorney General's Office and the Health Professional Services Program. The last time that the board increased fees was in 1997.

The table listed below identifies:

- ◆ A list of all fees that will be changing
- ◆ The current amount of all fees that will be changing
- ◆ The current anticipated revenue collected each fiscal year
- ◆ The proposed % of the fee change
- ◆ The proposed amount of each fee
- ◆ The total anticipated to pay under the proposed changes
- ◆ The new proposed anticipated revenue
- ◆ The difference in revenue

Veterinary Medicine Board

Change Item: Fee Increase

All fees move from MN Rule 9100 to MN. Stat. § 156 as required by MN. Stat. § 16A.1283.

Current Fee Information

Proposed New Fee Information

Fee Name	Current Fee Amount	Current FY 2008-09 Anticipated Revenue Budget Each Year	Proposed % of the Fee Change - Increase		Proposed New Fee Amount	Number Paying Under New Proposals	Proposed FY 2008-09 Anticipated Revenue Budget Each Year	Difference in Revenue Anticipated to be Collected
Veterinarian initial license fee	\$200	\$29,000	40%		\$280	145	\$40,600	\$11,600
Veterinarian active license renewal	\$200	\$214,000	40%		\$280	1,070	\$299,600	\$85,600
Inactive license renewal fee	\$100	\$33,000	40%		\$140	330	\$35,000	\$2,000
Late fee - active	\$100	\$4,500	40%		\$140	40	\$5,600	\$1,600
Late fee - inactive	\$50	\$1,750	40%		\$70	35	\$2,450	\$700
State exam fee	\$50	\$8,250	20%		\$60	165	\$9,900	\$1,650
Application fee	\$50	\$8,750	20%		\$60	175	\$10,500	\$1,750
Temp. Lic	\$50	\$2,000	20%		\$60	40	\$2,400	\$400
Dup. Lic.	\$10	\$100	50%		\$15	10	\$150	\$50
Total		\$298,750					\$406,200	\$107,450

Key Goals and Measures

The mission of the Minnesota Board of Veterinary Medicine is:

- ◆ To promote the public's interest in receiving quality veterinary care from competent veterinarians by ensuring that veterinarians' qualifications meet the specifications established by the board; and
- ◆ To protect the public by ensuring that all licensees provide competent veterinary care.

Providing the requested increase in fees will allow the Board to perform its functions of licensing veterinarians and disciplining licensees whose behavior is a violation of the law and is a risk to the public and the animals that they own. The Board has seen a steady increase in its total number of licensees and a significant increase in the number of complaints received.

Key measures include: eliminating current agency negative fund balance; maintaining a revenue neutral fund balance in the future; length of time to investigate and resolve complaints; and length of time to process licensure applications.

In addition to the above key goals, adjustment of fees collected by the Minnesota Board of Veterinary Medicine in the budget process will move fees from Minn. Rule 9100 to statute as required by M.S. 16A.1283.

Alternatives Considered

No other alternatives have been considered. M.S. 214.055 and 16A.1285, subd. 2, require that fee structures fully recover agency expenses.

Statutory Change: M.S. Chapter 156

VETERINARY MEDICINE BOARD

Agency Revenue Summary

Dollars in Thousands

	Actual FY2008	Budgeted FY2009	Governor's Recomm. FY2010 FY2011		Biennium 2010-11
<u>Non Dedicated Revenue:</u>					
Departmental Earnings:					
State Government Spec Revenue	320	326	433	433	866
Total Non-Dedicated Receipts	320	326	433	433	866
<u>Dedicated Receipts:</u>					
Total Dedicated Receipts	0	0	0	0	0
Agency Total Revenue	320	326	433	433	866

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➡ Designates that this item is a change item

Agency Purpose

The Board of Water and Soil Resources (BWSR) implements state soil and water conservation programs and wetland policies through a statewide partnership. The mission of the BWSR board and staff is to improve and protect Minnesota's water and soil resources by working in partnership with local organizations and private landowners.

Agency programs, primarily delivered through local units of government, have resulted in less sediment and nutrients entering our lakes, rivers, and streams; greater fish, wildlife and native plant habitat; and improved management of public drainage systems. These outcomes are achieved in spite of intensification of agriculture, greater demands for forest products, and urbanization in many parts of the state.

Because 78% of the state is held in private ownership, the agency's focus on private lands is critical to the state attaining its goals for clean water, clean air and abundant fish and wildlife. Managed wisely, these working lands – Minnesota's farms, forests and urban areas – can contribute to the state's environmental goals.

BWSR programs include Conservation Cost-Share, Reinvest in Minnesota (RIM) Reserve, Clean Water Legacy, the Wetland Conservation Act (WCA), and Comprehensive Local Water Management. These programs are administered locally by the state's 91 soil and water conservation districts (SWCDs), 87 county water planners (some are SWCD staff), 338 WCA local government units (including cities, counties and SWCDs), 46 watershed districts, 20 metropolitan watershed management organizations and other local government units.

At A Glance

Key partnerships:

- ◆ State Conservation Cost-Share program provides about \$16 million annually (includes local, state and federal dollars) for land and water treatment practices that reduce soil erosion and improve water quality
- ◆ RIM Reserve - Wetlands Reserve Program (RIM-WRP) leverages \$1.4 federal for every state dollar to restore previously drained wetlands and adjacent grasslands
- ◆ Local government units (cities, counties or SWCDs) and BWSR administer the WCA, the state's wetland protection program
- ◆ BWSR and local watershed districts administer a broad range of programs and services to protect and improve water quality, inform citizens about best management practices to reduce nonpoint source pollution, and minimize damage to property caused by flooding

Core Functions

The main duties of the board and staff include:

- ◆ Serving as the state soil conservation agency (M.S. 103B.101).
- ◆ Implementing best management practices that reduce nonpoint source pollution, promoting native vegetation and controlling invasive plant species by providing financial, technical, and administrative assistance to local government units and private landowners (M.S. 103B, 103C, 103D).
- ◆ Providing planning assistance to ensure that local water resource planning is linked with comprehensive land use planning and approving all local water management plans (M.S. 103B).
- ◆ Resolving water policy disputes (M.S. 103A.211, 103A.305, 103A.315, 103A.311).
- ◆ Providing a public forum for citizens and a broad range of interests to make decisions on complex water and soil conservation policies (M.S. 103B.101).
- ◆ Protecting wetlands from being drained or filled by implementing the Wetland Conservation Act (M.S. 103G).
- ◆ Coordinating local, state and federal resources to achieve the most effective conservation outcomes for the state's investment.

Operations

The 17-member board consists of 12 members representing citizens and local government entities (county commissioners, SWCD supervisors and watershed district managers), 4 commissioners of state agencies, and 1 representative of the University of Minnesota Extension Service. Agency staff is located in eight geographically distributed offices throughout Minnesota.

Budget

Two-year state budget:

- ◆ \$49.4 million for FY 2008-2009 biennium
- ◆ \$38.6 million (78%) in grants to local government units
- ◆ \$10.8 million operating budget (22%)
- ◆ FY 2009 staff complement: 79 FTE, of which 49 FTE are funded by general fund

The primary funding source for agency operations is the general fund.

Contact

Minnesota Board of Water and Soil Resources
520 Lafayette Road
Saint Paul, Minnesota 55155

Office of the Executive Director: 651-296-3767
www.bwsr.state.mn.us

WATER & SOIL RESOURCES BOARD

Agency Overview

Dollars in Thousands					
	Current		Governor Recomm.		Biennium
	FY2008	FY2009	FY2010	FY2011	2010-11
<u>Direct Appropriations by Fund</u>					
Environment & Natural Resource					
Current Appropriation	1,641	962	962	962	1,924
Recommended	1,641	962	0	0	0
Change		0	(962)	(962)	(1,924)
% Biennial Change from 2008-09					-100%
General					
Current Appropriation	34,953	17,717	17,717	17,717	35,434
Recommended	34,953	17,717	15,739	15,491	31,230
Change		0	(1,978)	(2,226)	(4,204)
% Biennial Change from 2008-09					-40.7%
Clean Water Fund					
Current Appropriation	0	0	0	0	0
Recommended	0	0	11,450	23,100	34,550
Change		0	11,450	23,100	34,550
% Biennial Change from 2008-09					n.m.
<u>Expenditures by Fund</u>					
Direct Appropriations					
Environment & Natural Resource	1,378	1,112	0	0	0
General	26,883	27,794	15,789	15,541	31,330
Miscellaneous Special Revenue	177	451	200	200	400
Clean Water Fund	0	0	11,450	23,100	34,550
Statutory Appropriations					
General	2,265	2,383	2,383	2,383	4,766
Miscellaneous Special Revenue	1,673	3,591	1,970	1,970	3,940
Federal	1,642	2,985	1,647	1,647	3,294
Total	34,018	38,316	33,439	44,841	78,280
<u>Expenditures by Category</u>					
Total Compensation	4,507	11,039	5,976	5,976	11,952
Other Operating Expenses	2,330	1,845	1,156	2,348	3,504
Capital Outlay & Real Property	2,603	3,178	2,141	2,141	4,282
Local Assistance	24,578	22,254	24,166	34,376	58,542
Total	34,018	38,316	33,439	44,841	78,280
<u>Expenditures by Program</u>					
Water & Soil Resrcs Bd	34,018	38,316	33,439	44,841	78,280
Total	34,018	38,316	33,439	44,841	78,280
Full-Time Equivalents (FTE)	59.6	64.0	57.6	55.5	

WATER & SOIL RESOURCES BOARD

Change Summary

<i>Dollars in Thousands</i>				
	FY2009	Governor's Recomm.		Biennium
		FY2010	FY2011	2010-11
Fund: ENVIRONMENT & NATURAL RESOURCE				
FY 2009 Appropriations	962	962	962	1,924
Technical Adjustments				
One-time Appropriations		(962)	(962)	(1,924)
Subtotal - Forecast Base	962	0	0	0
Total Governor's Recommendations	962	0	0	0
Fund: GENERAL				
FY 2009 Appropriations	17,717	17,717	17,717	35,434
Technical Adjustments				
Current Law Base Change		(128)	(403)	(531)
One-time Appropriations		(100)	(100)	(200)
Pt Contract Base Reduction		(2)	(2)	(4)
Subtotal - Forecast Base	17,717	17,487	17,212	34,699
Change Items				
Base Budget Reduction	0	(1,748)	(1,721)	(3,469)
Total Governor's Recommendations	17,717	15,739	15,491	31,230
Fund: CLEAN WATER FUND				
FY 2009 Appropriations	0	0	0	0
Subtotal - Forecast Base	0	0	0	0
Change Items				
Clean Water Amendment	0	11,450	23,100	34,550
Total Governor's Recommendations	0	11,450	23,100	34,550
Fund: GENERAL				
Planned Statutory Spending	2,383	2,383	2,383	4,766
Total Governor's Recommendations	2,383	2,383	2,383	4,766
Fund: MISCELLANEOUS SPECIAL REVENUE				
Planned Statutory Spending	3,591	1,970	1,970	3,940
Total Governor's Recommendations	3,591	1,970	1,970	3,940
Fund: FEDERAL				
Planned Statutory Spending	2,985	1,647	1,647	3,294
Total Governor's Recommendations	2,985	1,647	1,647	3,294

WATER & SOIL RESOURCES BOARD

Change Item: Base Budget Reduction

Fiscal Impact (\$000s)	FY 2010	FY 2011	FY 2012	FY 2013
General Fund				
Expenditures	\$(1,748)	\$(1,721)	\$(1,721)	\$(1,721)
Revenues	0	0	0	0
Other Fund				
Expenditures				
Revenues	0	0	0	0
Net Fiscal Impact	\$(1,748)	\$(1,721)	\$(1,721)	\$(1,721)

Recommendation

The Governor recommends a reduction of \$1.748 million in FY 2010 and \$1,721,000 in FY 2011 to the Board of Water and Soil Resources general fund budget. The Governor intends that the Board of Water and Soil Resources should focus its operating funds on maintaining its highest priority services. In addition, the Governor intends to provide as much flexibility as possible to the agency for the implementation of these reductions.

Background

The Board of Water and Soil Resources FY 2009 General fund operating budget is \$17.71 million. The Governor is proposing to reduce the Board of Water and Soil Resources general fund appropriation during the FY 2010-11 biennium.

Relationship to Base Budget

This proposal represents a 10% base level reduction to the forecast base general fund budget.

Key Goals and Measures

The budget submitted for Board of Water and Soil Resources seeks to safeguard core activities and reduce administrative overhead. The agency will manage budget reductions through various service level reductions or eliminations, staffing decreases, and/or operating expense reductions. The resulting budget will focus on new ways to operate the department's core functions.

WATER & SOIL RESOURCES BOARD

Change Item: Clean Water Amendment

Fiscal Impact (\$000s)	FY 2010	FY 2011	FY 2012	FY 2013
General Fund				
Expenditures	\$0	\$0	\$0	\$0
Revenues	0	0	0	0
Other Fund				
Expenditures	11,450	23,100	23,100	23,100
Revenues	0	0	0	0
Net Fiscal Impact	\$11,450	\$23,100	\$23,100	\$23,100

Recommendation

The Governor recommends \$11.45 million for FY 2010 and \$23.1 million for FY 2011 to the Board of Water and Soil Resources for activities out of the Clean Water Fund.

The Board of Water and Soil Resources has indicated that this funding will go towards accomplishing the following items:

- ◆ Provide for Local Government Unit (LGU) reporting and accountability, training and technical certifications, and evaluation of conservation program outcomes.
- ◆ Facilitate Clean Water Legacy Act protection and restoration activities with drainage management programs implemented through Public Drainage Authorities.
- ◆ Support the implementation of non-point source restoration and protection practices to clean up state waters that are impaired and to protect waters of the state from becoming impaired.
- ◆ Support grants to local governments to develop and apply water resource protection and management measures that go beyond state minimum standards for wetlands, shorelands, stormwater, sewage treatment, etc. and undertake related projects to clean up state waters that are impaired and to protect waters of the state that are not impaired from becoming impaired.
- ◆ Provide financial and technical assistance to landowners who are willing and ready to implement required environmental upgrades of their feedlots.

Background

The citizens of Minnesota voted in November of 2008 to “dedicate funding to protect our drinking water sources; to protect, enhance, and restore our wetlands, prairies, forests, and fish, game, and wildlife habitat; to preserve our arts and cultural heritage; to support our parks and trails; and to protect, enhance, and restore our lakes, rivers, streams, and groundwater...”

This proposal seeks to use a portion of the 33% in increased sales and use tax rate directed to the newly-created Clean Water Fund which is designed to be spent only to protect, enhance, and restore water quality in lakes, rivers, streams, and groundwater, with at least 5% of the fund spent to protect drinking water sources.

Relationship to Base Budget

The Clean Water Fund is a new fund with no future obligations assigned to it at this point. The Board of Water and Soil Resources was appropriated \$14.166 million of general funds as one-time appropriations in FY 2008, however this funding was designated in appropriations language as one-time, and therefore does not create a base appropriation obligation for FY 2010.

Key Goals and Measures

This funding will be used for various projects aimed to accomplish the directives set out in the Constitutional Amendment.

Statutory Change: Not Applicable.

Program Description

This purpose of this program is to implement state soil conservation policy, protect and improve water quality, increase the biological diversity of our state's open areas, enhance wildlife and native plant habitats, and reduce damage to property caused by flooding.

BWSR staff provides support to local governments for implementing the state's soil and water conservation policy, its resource protection programs, and local water planning. Staff provides technical assistance for conservation projects implemented on private land.

Budget activities are:

- ◆ BWSR Operations
- ◆ Grants to Local Governments
- ◆ Easements
- ◆ Wetland Conservation Act
- ◆ Wetland Bank Quality Assurance/Control
- ◆ Clean Water Legacy
- ◆ Public Drainage
- ◆ Southeast Flood Recovery

WATER & SOIL RESOURCES BOARD
Program: WATER & SOIL RESRCS BD

Program Summary

<i>Dollars in Thousands</i>					
	Current		Governor Recomm.		Biennium
	FY2008	FY2009	FY2010	FY2011	2010-11
<u>Direct Appropriations by Fund</u>					
Environment & Natural Resource					
Current Appropriation	1,641	962	962	962	1,924
Technical Adjustments					
One-time Appropriations			(962)	(962)	(1,924)
Subtotal - Forecast Base	1,641	962	0	0	0
Total	1,641	962	0	0	0
General					
Current Appropriation	34,953	17,717	17,717	17,717	35,434
Technical Adjustments					
Current Law Base Change			(128)	(403)	(531)
One-time Appropriations			(100)	(100)	(200)
Pt Contract Base Reduction			(2)	(2)	(4)
Subtotal - Forecast Base	34,953	17,717	17,487	17,212	34,699
Governor's Recommendations					
Base Budget Reduction		0	(1,748)	(1,721)	(3,469)
Total	34,953	17,717	15,739	15,491	31,230
Clean Water Fund					
Current Appropriation	0	0	0	0	0
Subtotal - Forecast Base	0	0	0	0	0
Governor's Recommendations					
Clean Water Amendment		0	11,450	23,100	34,550
Total	0	0	11,450	23,100	34,550
<u>Expenditures by Fund</u>					
Direct Appropriations					
Environment & Natural Resource	1,378	1,112	0	0	0
General	26,883	27,794	15,789	15,541	31,330
Miscellaneous Special Revenue	177	451	200	200	400
Clean Water Fund	0	0	11,450	23,100	34,550
Statutory Appropriations					
General	2,265	2,383	2,383	2,383	4,766
Miscellaneous Special Revenue	1,673	3,591	1,970	1,970	3,940
Federal	1,642	2,985	1,647	1,647	3,294
Total	34,018	38,316	33,439	44,841	78,280
<u>Expenditures by Category</u>					
Total Compensation	4,507	11,039	5,976	5,976	11,952
Other Operating Expenses	2,330	1,845	1,156	2,348	3,504
Capital Outlay & Real Property	2,603	3,178	2,141	2,141	4,282
Local Assistance	24,578	22,254	24,166	34,376	58,542
Total	34,018	38,316	33,439	44,841	78,280

WATER & SOIL RESOURCES BOARD
Program: WATER & SOIL RESRCS BD

Program Summary

<i>Dollars in Thousands</i>					
	Current		Governor Recomm.		Biennium
	FY2008	FY2009	FY2010	FY2011	2010-11
<u>Expenditures by Activity</u>					
Bwsr Operations	8,093	12,808	6,169	5,921	12,090
Grants To Local Govt	19,893	17,343	12,863	12,863	25,726
Easements	1,471	2,855	1,647	1,647	3,294
Wetland Conservation Act	280	920	810	810	1,620
Clean Water Legacy	2,058	3,024	11,450	23,100	34,550
Ditches	58	592	500	500	1,000
Cost Share Flood	2,165	774	0	0	0
Total	34,018	38,316	33,439	44,841	78,280
<i>Full-Time Equivalents (FTE)</i>	59.6	64.0	57.6	55.5	

WATER & SOIL RESOURCES BOARD

Program: WATER & SOIL RESRCS BD

Activity: BWSR OPERATIONS

Narrative

Activity Description

This activity provides technical and administrative resources to achieve state soil and water resource goals. The activity provides agency staff support to local governments for implementation of the state's soil and water conservation policy, its resource protection programs, and local water planning and management, and technical assistance for conservation projects implemented on private land.

Population Served

Meeting state environmental goals requires working with a broad network of local government units that possesses many of the tools to address particular issues in land and water management. Almost 800 local units of government are empowered to deliver services on behalf of BWSR to achieve the state's soil and water conservation goals. These entities are clients as well as agents, in that they receive technical and administrative support from the activity, and also serve as the activity's major service provider.

Services Provided

Following is a description of key services provided by BWSR:

Soil and Water Conservation Districts (SWCD) M.S. 103C

- ◆ Hear petitions and order formation, consolidation and/or division of districts, approve location changes, conduct referenda, and order discontinuance of districts as needed.
- ◆ Approve changes to the nominating process for districts elections, hear petitions, and order removal of elected supervisors as necessary.
- ◆ Establish and enforce penalties for violation of grant programs and/or misconduct of supervisors or SWCD employees.
- ◆ Approve and administer state grants, and coordinate programs and activities with state and federal agencies.
- ◆ Develop and oversee programs designed to achieve soil and water conservation goals.
- ◆ Review and approve local soil and water conservation improvement projects.

Watershed Districts and Watershed Management Organizations (WMOs) M.S. 103B and D

- ◆ Establish, define boundaries, enlarge, consolidate or terminate districts; and appoint an initial board of managers for new districts.
- ◆ Receive and hear appeals of district project orders.
- ◆ Receive annual audits and reports, enforce member eligibility requirements, and assign areas to associated counties for watershed management.
- ◆ Approve management plans and revisions, review rules and regulations, review and approve engineering reports on proposed projects, and approve plans for establishing storm water utility fees.
- ◆ Investigate misconduct of district managers as necessary.

Counties and Cities M.S. 103B, F and G

- ◆ Approve water and land management plans.
- ◆ Hear and decide appeals of wetland replacement, wetland exemption determinations, and municipal contracts with water plans.
- ◆ Rescind enforcement authority for WCA and impose development moratoriums as necessary.
- ◆ Certify employees' completion of wetland delineation training and certify wetland banking transactions.

Activity at a Glance

Activity Clientele

- ◆ Local Units of Government
 - ⇒ 91 Soil and Water Conservation Districts (SWCDs)
 - ⇒ 46 Watershed Districts
 - ⇒ 20 Watershed Management Organizations (WMOs)
 - ⇒ 87 Counties
 - ⇒ 338 Wetland Conservation Act authorities
- ◆ Private landowners throughout the state
- ◆ State and federal conservation agency partners
- ◆ Private conservation organizations

Available Statewide Land Resources

- ◆ 41.7 million acres of private lands including
 - ⇒ 23 million acres of cropland
 - ⇒ 5.3 million acres of private forest land
 - ⇒ 7.4 million acres of wetlands

WATER & SOIL RESOURCES BOARD

Program: WATER & SOIL RESRCS BD

Activity: BWSR OPERATIONS

Narrative

- ◆ Approve comprehensive local water management plans and revisions.
- ◆ Approve and allocate grant funding to counties, conduct audits, and investigate potential grant violations.

Wetland Conservation Act M.S. 103A, B and G

- ◆ Review projects, resolve disputes, and decide appeals.
- ◆ Participate on technical evaluation panels.
- ◆ Support interagency coordination and enforcement.
- ◆ Evaluate local government unit (LGU) performance.
- ◆ Administer program rules, forms, manuals, training, and delineator certification.
- ◆ Develop, review, and approve local wetland plans and ordinances.
- ◆ Acquire land and develop procedures for the local government wetland road replacement program.
- ◆ Administer the state wetland banking program.

Comprehensive Local Water Management Program M.S. 103

- ◆ Develop program guidelines for submitting local water management plans, including citizen involvement.
- ◆ Review and approve plans submitted.
- ◆ Resolve disputes arising from planning process.
- ◆ Support local implementation of water management plans.
- ◆ Support development and adoption of local ordinances to protect and improve water quality or quantity.
- ◆ Support and provide technical assistance for the installation of practices to protect, conserve or improve water quality or quantity.

Drainage Management

- ◆ Implement the legislature's directive to assess implementation of public drainage system buffers and their use, maintenance, and benefits in cooperation with farm groups, SWCDs, watershed districts, counties, conservation organizations, and the federal government.
- ◆ Analyze group recommendations regarding methods for modernizing drainage records, educating landowners on best management practices, and the efficacy of current reporting requirements for future implementation.
- ◆ Prepare and present findings and recommendations to the legislature.

RIM RESERVE Conservation Easement Program M.S. 103F.506 – 103F.535

- ◆ Restore marginal agricultural land to protect soil and water quality and support fish and wildlife habitat.
- ◆ Acquire conservation easements from landowners to restore wetlands and establish wildlife habitat.

Expand Local Water Management Accountability and Oversight M.S. 103B.102

- ◆ Monitor and evaluate the performance and activities of local water management entities.
- ◆ Institute assistance and sanctioning mechanisms for under-performing local governments.

Key Activity Goals and Measures

See individual key activity goals and measures.

WATER & SOIL RESOURCES BOARD

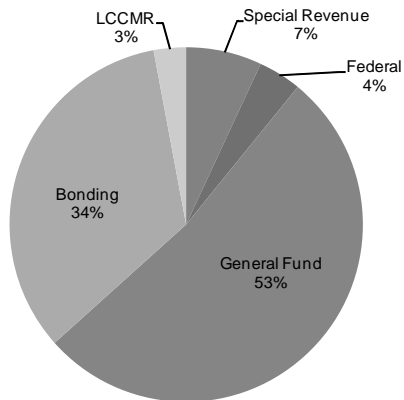
Program: WATER & SOIL RESRCS BD

Activity: BWSR OPERATIONS

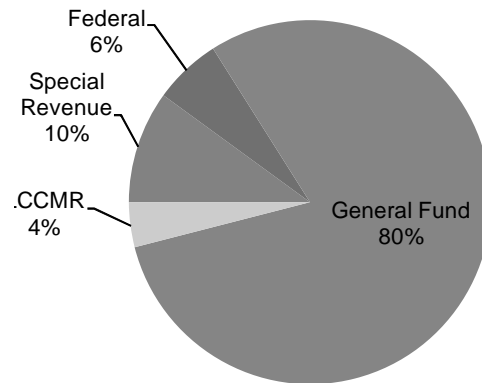
Narrative

Program Funding

**FY2008-2009 Budget, All Funds
(Including Bonding) \$93.0 Million**



**FY2008-2009, All Funds
(Excluding Bonding) \$61.5 Million**



Contact

Minnesota Board of Water and Soil Resources
520 Lafayette Road
Saint Paul, Minnesota 55155

Office of the Executive Director: (651) 296-3767, www.bwsr.state.mn.us

WATER & SOIL RESOURCES BOARD

Program: WATER & SOIL RESRCS BD

Activity: BWSR OPERATIONS

Budget Activity Summary

<i>Dollars in Thousands</i>					
	Current		Governor's Recomm.		Biennium
	FY2008	FY2009	FY2010	FY2011	2010-11
<u>Direct Appropriations by Fund</u>					
Environment & Natural Resource					
Current Appropriation	1,291	712	712	712	1,424
Technical Adjustments					
One-time Appropriations			(712)	(712)	(1,424)
Subtotal - Forecast Base	1,291	712	0	0	0
Total	1,291	712	0	0	0
General					
Current Appropriation	6,374	5,261	5,261	5,261	10,522
Technical Adjustments					
Current Law Base Change			(175)	(450)	(625)
Pt Contract Base Reduction			(2)	(2)	(4)
Subtotal - Forecast Base	6,374	5,261	5,084	4,809	9,893
Governor's Recommendations					
Base Budget Reduction		0	(862)	(835)	(1,697)
Total	6,374	5,261	4,222	3,974	8,196
<u>Expenditures by Fund</u>					
Direct Appropriations					
Environment & Natural Resource	1,038	862	0	0	0
General	5,371	7,917	4,222	3,974	8,196
Miscellaneous Special Revenue	177	451	200	200	400
Statutory Appropriations					
Miscellaneous Special Revenue	1,301	3,356	1,747	1,747	3,494
Federal	206	222	0	0	0
Total	8,093	12,808	6,169	5,921	12,090
<u>Expenditures by Category</u>					
Total Compensation	4,089	9,766	5,106	5,106	10,212
Other Operating Expenses	2,218	1,307	(12)	15	3
Capital Outlay & Real Property	1,263	594	550	550	1,100
Local Assistance	523	1,141	525	250	775
Total	8,093	12,808	6,169	5,921	12,090
Full-Time Equivalents (FTE)	54.2	58.7	52.3	50.2	

WATER & SOIL RESOURCES BOARD

Program: WATER & SOIL RESRCS BD

Activity: GRANTS TO LOCAL GOVT

Narrative

Activity Description

Grant programs provide funding to local units of government to deliver soil and water conservation services to their communities. The funding is used for local program administration and implementation of conservation projects. The goal is to meet state objectives for clean water, productive soil, and abundant fish and wildlife habitat through partnerships with local government.

Grant funds are primarily used for two general purposes:

- ♦ to support and increase local capacity to implement local water management programs; and
- ♦ cost-share with private landowners who install conservation practices and projects on their land to benefit state water and soil resources.

SWCD General Services Grants provide each district with core conservation funds for general administration and operation. The grants are intended to provide districts a certain degree of funding stability. This grant represents the state contribution for staff and operating expenses associated with delivery of all state conservation programs.

Other BWSR grants are used by local units of government and landowners primarily to implement conservation practices, projects, and protection programs. The majority of these funds leverage federal, local, and landowner dollars as part of a required local match. Funding is also provided for limited planning and local administration of state regulatory programs. These dollars help local governments manage the quantity and quality of their water and provide needed funds to construct projects that improve water resources.

Population Served

This activity issues grants to a core delivery network of approximately 250 local government units, including Soil and Water Conservation Districts, Counties, Watershed Districts and Watershed Management Organizations.

Services Provided

There are currently eight different grants programs administered by BWSR. The services provided by BWSR include establishing eligibility criteria, determining grant program policies, reviewing work plans, issuing contracts, and conducting grant close-out reviews upon completion of each grant to ensure accountability. Both one-on-one and in classroom-type settings -- training -- on grant program initiatives is regularly provided. Finally, BWSR supports and maintains eLINK, a database that grant recipients use to report grant activity and to estimate project pollution reduction and related outcomes.

Historical Perspective

The State Conservation Cost-Share Program was enacted in 1977, and it provides up to 75 percent of the total eligible costs of conservation practices on private lands. Landowners or occupiers can request financial and technical assistance from their local SWCD to implement state-approved, enduring conservation practices. A wide variety of erosion control and water quality practices are eligible for these funds.

In the 1980s and 1990s, several BWSR programs were created, including Comprehensive Local Water Management, the Wetland Conservation Act, and Reinvest In Minnesota (RIM) Reserve program. Legislation was enacted to provide grants to local government through BWSR to administer these programs locally. Some of these grants have been combined to form the Natural Resources Block Grant (NRBG). BWSR's NRBG program

Activity at a Glance

Reporting for Years 2004 through 2007

Land and Water Treatment Projects

- ♦ 11,249 projects statewide
- ♦ \$25.20 million in total costs with:
 - ⇒ \$9.47 million in state grants
 - ⇒ \$1,894,228 in landowner costs
 - ⇒ \$5.18 million in federal grants
 - ⇒ \$91,569 in federal loans
 - ⇒ \$8.56 million: Local Government Unit cost
- ♦ 202,300 tons per year estimated of prevented soil loss
- ♦ 162,900 tons per year estimated reduction of sediment loading into surface waters
- ♦ 299,800 tons per year estimated reduction of phosphorus loading into surface waters

Feedlot Water Quality Cost Share Projects

- ♦ 184 projects
- ♦ 455,800 tons estimated reduction of phosphorus loading

WATER & SOIL RESOURCES BOARD

Program: WATER & SOIL RESRCS BD

Activity: GRANTS TO LOCAL GOVT

Narrative

has also been expanded to include pass-through grants to implement other conservation programs: such as the DNR Shoreland Management Program, the PCA Feedlot Permit Program, and PCA Subsurface Sewage Treatment System Program.

BWSR also administers the Feedlot Water Quality Management Program in cooperation with SWCDs across the state. SWCDs work with local producers to evaluate feedlots, identify water quality problems, coordinate financial and technical assistance, and implement solutions to fulfill state Feedlot Rule requirements. Between 1997 and 2007, this program was funded through base general fund appropriations. For FY 2008-2009, program funding was through Clean Water Legacy Act appropriations. Program priorities focus on water quality restoration and protection.

Local Water Management Challenge Grants have been provided by the LCCMR, which are one-time, competitive funds for high-priority local water planning projects.

Finally, two new BWSR grant programs were developed in response to 2007 legislation: the Cooperative Weed Management Area program and the Native Buffer Cost-Share program. Program policies and procedures were developed in FY 2008 and approved by the BWSR board.

Key Activity Goals

Grant-related goals from the BWSR Strategic Plan (http://www.bwsr.state.mn.us/publications/Strategic_Plan.pdf) include:

- ♦ creating an effective local delivery system and partnerships to accomplish protect and improve water quality
- ♦ redeveloping and delivering conservation programs to maximize their impact on the land and water resource

In addition, this activity contributes to meeting several Minnesota Milestones indicators, which are:

- ♦ Indicator 64: Water Quality in Lakes and Rivers;
- ♦ Indicator 66: Erosion of Cropland; and
- ♦ Indicator 67: Wildlife Habitat.

Key Activity Measures

- ♦ Administrative efficiencies have been realized despite an increasing number of transactions. Program staff administered nearly 20% more contracts in 2007 (302) than in 2004 (255).
- ♦ Improved targeting of conservation practices have resulted in a 10% increase to currently reported outcomes of soil loss prevented and reduced sediment loading into surface waters (estimate based on LGU reporting).

Activity Funding

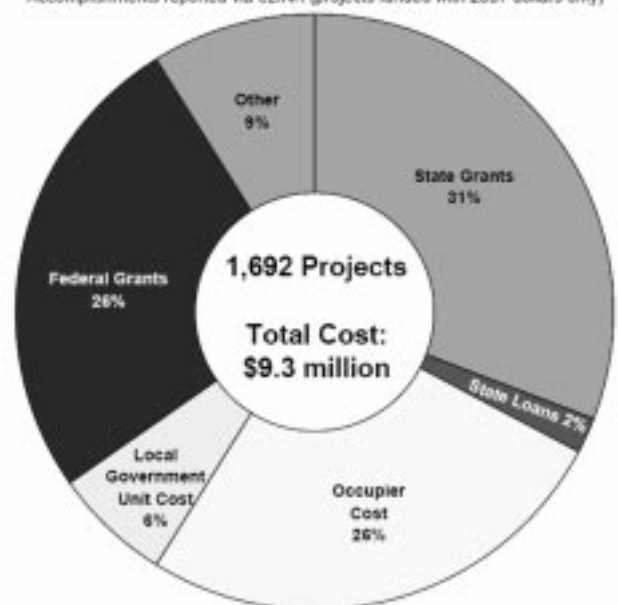
Funding sources include the general fund, LCCMR, and pass-through funds from the DNR and PCA.

Contact

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Conservation & Management Practices on Working Lands
Accomplished through Partnerships with Local Government Units
Land and Water Treatment Projects (BMPs) - Cost Distribution
Accomplishments reported via eLINK (projects funded with 2007 dollars only)



WATER & SOIL RESOURCES BOARD

Program: WATER & SOIL RESRCS BD

Activity: GRANTS TO LOCAL GOVT

Budget Activity Summary

<i>Dollars in Thousands</i>					
	Current		Governor's Recomm.		Biennium
	FY2008	FY2009	FY2010	FY2011	2010-11
<u>Direct Appropriations by Fund</u>					
Environment & Natural Resource					
Current Appropriation	350	250	250	250	500
Technical Adjustments					
One-time Appropriations			(250)	(250)	(500)
Subtotal - Forecast Base	350	250	0	0	0
Total	350	250	0	0	0
General					
Current Appropriation	22,159	11,146	11,146	11,146	22,292
Technical Adjustments					
Current Law Base Change			47	47	94
One-time Appropriations			(100)	(100)	(200)
Subtotal - Forecast Base	22,159	11,146	11,093	11,093	22,186
Governor's Recommendations					
Base Budget Reduction		0	(886)	(886)	(1,772)
Total	22,159	11,146	10,207	10,207	20,414
<u>Expenditures by Fund</u>					
Direct Appropriations					
Environment & Natural Resource	340	250	0	0	0
General	16,951	14,567	10,257	10,257	20,514
Statutory Appropriations					
General	2,265	2,383	2,383	2,383	4,766
Miscellaneous Special Revenue	337	113	223	223	446
Federal	0	30	0	0	0
Total	19,893	17,343	12,863	12,863	25,726
<u>Expenditures by Category</u>					
Total Compensation	114	411	274	274	548
Other Operating Expenses	8	4	3	3	6
Capital Outlay & Real Property	0	25	0	0	0
Local Assistance	19,771	16,903	12,586	12,586	25,172
Total	19,893	17,343	12,863	12,863	25,726
Full-Time Equivalents (FTE)	1.4	1.4	1.4	1.4	

WATER & SOIL RESOURCES BOARD

Program: WATER & SOIL RESRCS BD

Activity: EASEMENTS

Narrative

Activity Description

The Reinvest in Minnesota (RIM) Reserve program compensates landowners for granting conservation easements and establishing native vegetation habitat on economically marginal, flood-prone, environmentally sensitive or highly erodible lands. It protects the state's water and soil resources by retiring existing marginal agricultural lands and by restoring drained wetland and associated buffers.

BWSR's RIM Reserve program is a critical component of the state's efforts to improve water quality by reducing soil erosion, reducing phosphorus and nitrogen loading and improving wildlife habitat on private lands. RIM Reserve is implemented in cooperation with local Soil and Water Conservation Districts (SWCDs).

Degrading water quality and diminished wildlife habitats can be found throughout Minnesota. Damage to Minnesota resources occurs in the form of soil erosion, sedimentation of eroded soil and phosphorus. Soil erosion reduces farm productivity, increases the costs of farming, and creates sediment for downstream communities to address. Sedimentation fills rivers and lakes, destroys habitat, carries pollutants, increases flood severities and reduces recreational value. Phosphorus makes water unsuitable for fish or human activities, promotes excess aquatic plant growth and promotes eutrophication of water resources.

Population Served

Voluntary private land conservation easements with private landowners are administered in partnership with SWCDs and focus on restoring drained wetlands and enrolling highly erodible, riparian and sensitive groundwater lands. Some of the bonding dollars that BWSR received in the 2008 legislative session are targeted to high-priority areas: the Red River Valley, the seven southeast flood disaster counties, and the Cedar River and Turtle Creek watersheds. All of those target areas are receiving funding via the RIM/WRP partnership. Funding decisions were made using a ranking system and resulted in a potential allocation of \$16 million state dollars and \$18.5 million in federal dollars.

Services Provided

The conservation easement program is implemented at the local level by county SWCDs. BWSR provides statewide program coordination and administration such as developing easement eligibility criteria. SWCDs enroll local landowners who have land that meets the eligibility criteria and is consistent with the requirements of M.S. 103F.505.

SWCDs send their completed applications to BWSR for funding selection. BWSR provides grants to SWCDs for easement acquisition and technical assistance required to secure these perpetual easements and to install the required conservation practices. This amount is in addition to RIM Service grants.

BWSR staff provides the necessary administrative, legal and engineering duties to be able to secure the conservation easements with landowners through the local SWCDs. BWSR duties include:

- ◆ verifying land ownership
- ◆ preparing a legal description and map of the easement area
- ◆ preparing a conservation plan
- ◆ completing the agreement signed by the landowners and the state, and
- ◆ encumbering conservation practice funds.

Activity at a Glance

Summary of 2008 Funding: \$25 million

Target Areas

- ◆ Prairie Pothole Region
- ◆ Red River Valley riparian restoration
- ◆ Cedar/Turtle Creek watersheds
- ◆ Southeast flood disaster counties

Current Activities

- ◆ RIM/WRP Phase I: \$15.9 million in state fund leverage; \$18.5 million in federal WRP dollars
- ◆ Cedar/Turtle Creek watersheds – \$700K funded to-date with remaining \$1.3 million to be awarded in FY 2009
- ◆ Native prairie restoration for alternative energy sources – up to \$1.25 million
- ◆ Vegetation / habitat enhancement projects

WATER & SOIL RESOURCES BOARD

Program: WATER & SOIL RESRCS BD

Activity: EASEMENTS

Narrative

Easements are inspected annually by SWCD staff for the first five years, then every third year thereafter.

BWSR is also providing the easement acquisition services to the Army National Guard for their Army Compatible Use Buffer (ACUB) project associated with the Camp Ripley installation near Little Falls. Thus far, BWSR has acquired over 20 easements at a cost of over \$4 million in federal dollars. This fee-for-service partnership has brought additional federal dollars for implementation to BWSR, the majority of which is granted to the SWCDs in the counties where ACUB easements are being acquired.

Historical Perspective

In 1986, Reinvest in Minnesota Resources Act M.S. (103F.505) was enacted to keep certain marginal and environmentally sensitive agricultural land out of production to protect soil and water quality and support fish and wildlife habitat. The most recent RIM/Wetlands Reserve Program (RIM/WRP) Partnership between BWSR, SWCDs and the USDA Natural Resources Conservation Service (NRCS) is being delivered in an accelerated timeframe. A three-week application period in June/July 2008 resulted in demand that exceeds available funding. Approximately 260 applications were received totaling about \$70 million. Of those applications, 235 were deemed eligible, and 119 were chosen as the highest priority for funding.

Key Activity Goals

The following are from the Statewide Conservation and Preservation Plan:

- ◆ Protect priority land habitats (Habitat Recommendation #1)
- ◆ Restore, land, wetlands and wetland-associated watersheds (Habitat Recommendation #5)
- ◆ Keep water on the landscape (Habitat Recommendation #7)

The following are from Minnesota Milestones:

- ◆ Changes in land use: Minnesotans will restore and maintain healthy ecosystems that support diverse plants and wildlife (Indicator #68)
- ◆ Wildlife Habitat: Minnesotans will restore and maintain healthy ecosystems that support diverse plants and wildlife (Indicator #6778)

Key Activity Measures

- ◆ Since 1986, RIM Reserve has acquired approximately 5,200 easements totaling approximately 197,000 acres of environmentally fragile land.
- ◆ The ratio of federal to state dollar investment in the easement program is 1.3:1 with \$215 million in federal dollars and \$164 million in state and local funding to-date.
- ◆ Water quality benefits by removing environmentally sensitive cropland from production reported by SWCDs calculate reductions of 9.6 tons/year sediment, 4.2 tons/year soil loss, and 5.3 pounds/year phosphorous from each acre enrolled in a conservation easement (based on data reported 1998-2002).

Activity Funding

All conservation easement dollars are funded through bonding, and they often leverage local and federal dollars.

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WATER & SOIL RESOURCES BOARD

Program: WATER & SOIL RESRCS BD

Activity: EASEMENTS

Budget Activity Summary

<i>Dollars in Thousands</i>					
	Current		Governor's Recomm.		Biennium
	FY2008	FY2009	FY2010	FY2011	2010-11
<u>Expenditures by Fund</u>					
Statutory Appropriations					
Miscellaneous Special Revenue	35	122	0	0	0
Federal	1,436	2,733	1,647	1,647	3,294
Total	1,471	2,855	1,647	1,647	3,294
<u>Expenditures by Category</u>					
Total Compensation	58	56	56	56	112
Other Operating Expenses	0	122	0	0	0
Capital Outlay & Real Property	1,340	2,559	1,591	1,591	3,182
Local Assistance	73	118	0	0	0
Total	1,471	2,855	1,647	1,647	3,294
Full-Time Equivalents (FTE)	0.5	0.4	0.4	0.4	

WATER & SOIL RESOURCES BOARD

Program: WATER & SOIL RESRCS BD

Activity: WETLAND CONSERVATION ACT

Narrative

Activity Description

This activity addresses BWSR's regulatory functions under the Wetland Conservation Act (WCA). The goal of WCA is no net loss of wetlands across the state. Wetland protection provided under WCA addresses the quality and quantity of wetlands. The activity focuses on regulating impacts to wetlands and requiring replacement of wetlands when unavoidable impacts occur. The program emphasizes wetlands located on private lands, restoration of wetlands that have been drained or filled for agriculture, and wetlands that are disturbed for urban development and transportation projects.

Population Served

Local government units — cities, counties, watershed management organizations, soil and water conservation districts, and townships — implement WCA locally. BWSR administers WCA statewide, and the Department of Natural Resources enforces it.

Activity at a Glance

Activities for the period 2004 – 2007

Wetland Impacts

- ◆ Number of landowner contacts – 67,439
- ◆ Acres of wetlands avoided – 10,990
- ◆ Acres of wetlands lost – 1,626
- ◆ Acres of wetlands replaced – 1,863
- ◆ Wetland acres exempt from WCA – 3,997

Project appeals

- ◆ Number of appeals – 139

Enforcement Activities

- ◆ Number of cease and desist orders – 1362
- ◆ Number of wetland restoration orders – 992

Services Provided

- ◆ Review local projects that require draining or filling wetlands, resolve disputes, and administer appeals process
- ◆ Participate on technical evaluation panels
- ◆ Coordinate enforcement and other activities with other state, local, and federal entities
- ◆ Evaluate local government unit (LGU) performance
- ◆ Administer program rules, forms, manuals, training, and wetland delineator certification
- ◆ Develop, review, and approve local wetland plans and ordinances
- ◆ Provide technical and administrative training to local governments and other practitioners
- ◆ Administer the state wetland banking program
- ◆ Acquire, develop and maintain wetland replacement sites for the Local Government Road Wetland Replacement Program

Approximately 20 BWSR staff members have primary responsibility for managing the WCA program, and an additional 15 staff support the program to a lesser degree.

Historical Perspective

In 1991, reacting to public concern about Minnesota's disappearing wetlands, the Minnesota Legislature approved the Wetland Conservation Act. It remains one of the most comprehensive wetlands protection laws in the country.

The legislature has amended WCA significantly four times, most often to accommodate the varying needs of the different geographic areas of Minnesota. Statutory changes enacted in 2007 were intended to reduce the loss of wetlands under the program and provide administrative improvements.

BWSR is currently developing rule amendments as required by the 2007 legislation. BWSR undertook a rigorous effort that involved over 35 stakeholder groups and organizations to review and assess the effectiveness of WCA. This program assessment was completed in November 2006, and led to legislation amending WCA that was enacted in May 2007. Temporary rules were adopted on 8-06-2007, and permanent rulemaking is currently underway with the new rule planned for adoption in August 2009.

Principal goals of this rulemaking are to comply with the current statute, reduce the loss of wetlands under the program, increase state-federal coordination, improve administrative efficiency, and improve the quality of replacement wetlands.

WATER & SOIL RESOURCES BOARD

Program: WATER & SOIL RESRCS BD

Activity: WETLAND CONSERVATION ACT

Narrative

Key Activity Goals

Key activity goals for the WCA are found in statute at Minn. Stat. 103A.201 that establishes the state policy to:

- ◆ achieve no net loss in the quantity, quality, and biological diversity of Minnesota's existing wetlands;
- ◆ increase the quantity, quality, and biological diversity of Minnesota's wetlands by restoring or enhancing diminished or drained wetlands;
- ◆ avoid direct or indirect impacts from activities that destroy or diminish the quantity, quality, and biological diversity of wetlands; and
- ◆ replace wetland values where avoidance of activity is not feasible and prudent.

In addition, the 2007 BWSR Strategic Plan (http://www.bwsr.state.mn.us/publications/Strategic_Plan.pdf) establishes goals relative to the three strategic issues discussed in the plan:

- ◆ What do we do to create the effective local delivery system and partnerships to accomplish our mission?
- ◆ How do we redevelop and deliver our conservation programs so we maximize their impact on the land and water resource?
- ◆ How do we make our accomplishments and the state's resource conservation needs well known among those having significant influence over our mission?

Also, the Clean Water Cabinet adopted a wetland visions that provides support and direction for WCA program administration (<http://www.cwc.state.mn.us/documents/Wetlands.vision.pdf>).

Key Activity Measures

- ◆ Improve metrics and LGU WCA reporting accuracies to provide a comprehensive evaluation, on an annual basis, of the goal to achieve no net loss of wetlands.
- ◆ Improve overall program effectiveness by updating the rule to provide more concise and clear regulation language and providing more information and education opportunities for LGU's and the general public. This will be measured through continued and improved LGU WCA annual reporting.
- ◆ Reduce the number of WCA appeals and the length of time of achieving resolution. The BWSR WCA Appeals Coordinator will track these performance measures as well as the factors that affect the number of appeals and length of time required to achieve resolution.

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WATER & SOIL RESOURCES BOARD

Program: WATER & SOIL RESRCS BD

Activity: WETLAND CONSERVATION ACT

Budget Activity Summary

<i>Dollars in Thousands</i>					
	Current		Governor's Recomm.		Biennium
	FY2008	FY2009	FY2010	FY2011	2010-11
<u>Direct Appropriations by Fund</u>					
General					
Current Appropriation	870	810	810	810	1,620
Subtotal - Forecast Base	870	810	810	810	1,620
Total	870	810	810	810	1,620
<u>Expenditures by Fund</u>					
Direct Appropriations					
General	280	920	810	810	1,620
Total	280	920	810	810	1,620
<u>Expenditures by Category</u>					
Total Compensation	246	806	540	540	1,080
Other Operating Expenses	34	94	20	20	40
Local Assistance	0	20	250	250	500
Total	280	920	810	810	1,620
Full-Time Equivalents (FTE)	3.5	3.5	3.5	3.5	

WATER & SOIL RESOURCES BOARD

Program: WATER & SOIL RESRCS BD

Activity: CLEAN WATER LEGACY ACT

Narrative

Activity Description

The 2006 legislature enacted the Clean Water Legacy Act (CWLA) to continue to identify impaired waters, conduct total maximum daily load (TMDL) studies and implement restoration activities in accordance with the federal Clean Water Act.

The majority of Minnesota's water impairments are caused by nonpoint source pollution. CWLA funds to the Board of Water and Soil Resources (BWSR) are used to implement conservation practices that reduce nonpoint pollution as part of the state's overall effort to address its impaired waters and protect high-quality lakes, rivers, streams, and wetlands.

Most BWSR funds are granted to local government units and they leverage federal, local, and/or landowner dollars. BWSR staff provides technical and administrative assistance to grant recipients on all phases of the program, including planning, project management, reporting, and evaluating outcomes. CWLA grants are generally larger and more targeted than other BWSR grants and they usually involve coordination among several local organizations. CWLA grants also differ from other BWSR grants in that they place a greater emphasis on selecting priority projects identified in local water plans or in approved TMDL implementation plans.

The grants and reporting activities are targeted at protecting or restoring waters identified in an approved TMDL implementation plan or listed as a priority within Local Water Management Plans approved under M.S. 103B.

Population Served

CWLA funds are appropriated through the Local Water Resources Protection and Management Program (M.S. 103B.3369). These funds can be directed to cities, towns, counties, soil and water conservation districts, watershed districts, joint-powers organizations, or other special purpose districts or authorities with local jurisdiction in water and related land resources management.

Services Provided

BWSR staff assists local government units to coordinate and install conservation practices in targeted areas to reduce nonpoint source pollution and to effectively manage the financing and implementation of these large projects. A key component of many of these projects is to develop conservation plans for landowners and project designs for larger projects. BWSR has hired staff with the technical expertise to provide these and other essential technical services. BWSR also provides oversight for project funding and measuring outcomes.

Historical Perspective

BWSR and other agencies received one-time appropriations in the 2006 and 2007 legislative sessions. Various alternatives were discussed in the legislative progress for a long-term source of funding for the CWLA without a conclusion. The current source of CWLA funds is the General Fund. The state's new Clean Water Council has provided recommended funding levels for all aspects of the CWLA.

Activity at a Glance

- ◆ Total BWSR CWL appropriations:
\$5.9 M (2007), \$9.3 M (2008), \$4.9 M (2009)
- ◆ Dollars for competitive grants:
\$5.6 M (2007), \$4.2 M (2008), \$1.2 M (2009)
- ◆ Dollars requested from applicants:
\$44.8 M (8:1 - 2007), \$27 M (6:1 - 2008)
- ◆ Dollars Leveraged:
\$4.25 M (2007), \$3.9 M (2008-est.)

Accomplishments:

- ◆ 11 stream bank, gully and bluff stabilizations
- ◆ 32 lakeshore stabilization and restorations
- ◆ 19 sediment basins / ponds
- ◆ 37 bio-retention features
- ◆ 17 manure management practices
- ◆ 4,000 acres of native buffers and filter strips
- ◆ 95 alternative drainage tile intakes
- ◆ 10 nutrient management plans

WATER & SOIL RESOURCES BOARD

Program: WATER & SOIL RESRCS BD
Activity: CLEAN WATER LEGACY ACT

Narrative

Key Activity Goals

Two main goals of the CWLA are found in Minnesota Milestones:

- ◆ Indicator 64, improve the quality of the air, water and earth -- specifically, ensuring that more lakes and rivers are "swimmable" and "fishable."
- ◆ Indicator 68, reduces erosion of cropland to improve water quality and ensure long-term productivity of soil.

The following goal is from the Statewide Conservation and Preservation Plan:

- ◆ Protect priority land habitats (Habitat recommendation #1).

Key Activity Measures

- ◆ Proportion of grant dollars to administrative dollars in the BWSR appropriation is 11 to one.
- ◆ Program outcomes are noted in "Activity at a Glance" section above.

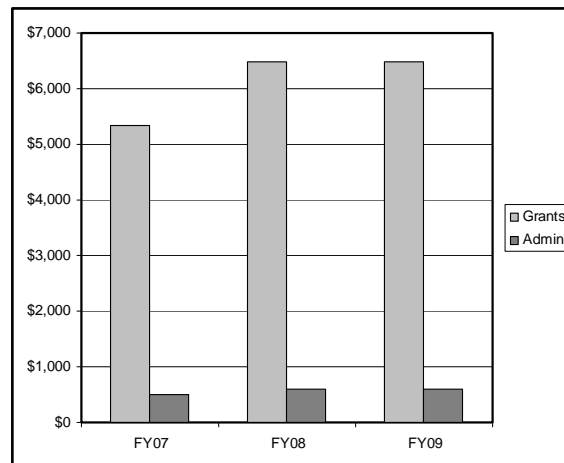
Activity Funding

This activity is funded with general fund appropriations. Appropriation history is noted in "Activity at a Glance" section above and in the adjacent chart (dollars in thousands). The BWSR appropriation is tied to a multi-agency funding approach including MPCA, DNR and Department of Agriculture.

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WATER & SOIL RESOURCES BOARD

Program: WATER & SOIL RESRCS BD

Activity: CLEAN WATER LEGACY

Budget Activity Summary

<i>Dollars in Thousands</i>					
	Current		Governor's Recomm.		Biennium
	FY2008	FY2009	FY2010	FY2011	2010-11
<u>Direct Appropriations by Fund</u>					
General					
Current Appropriation	2,175	0	0	0	0
Subtotal - Forecast Base	2,175	0	0	0	0
Total	2,175	0	0	0	0
Clean Water Fund					
Current Appropriation	0	0	0	0	0
Subtotal - Forecast Base	0	0	0	0	0
Governor's Recommendations					
Clean Water Amendment		0	11,450	23,100	34,550
Total	0	0	11,450	23,100	34,550
<u>Expenditures by Fund</u>					
Direct Appropriations					
General	2,058	3,024	0	0	0
Clean Water Fund	0	0	11,450	23,100	34,550
Total	2,058	3,024	11,450	23,100	34,550
<u>Expenditures by Category</u>					
Other Operating Expenses	12	226	1,145	2,310	3,455
Local Assistance	2,046	2,798	10,305	20,790	31,095
Total	2,058	3,024	11,450	23,100	34,550

WATER & SOIL RESOURCES BOARD

Program: WATER & SOIL RESRCS BD

Activity: PUBLIC DRAINAGE

Narrative

Activity Description

Drainage management activities of the Board of Water and Soil Resources (BWSR) currently include:

- ◆ advisory review of watershed district engineers' reports and project plans (M.S. 103D);
- ◆ wetland restoration on drainage infrastructure through the Reinvest in Minnesota (RIM) Reserve Program and associated local-state-federal partnerships, and through wetland replacement for public road impacts;
- ◆ facilitation of the stakeholder Drainage Work Group;
- ◆ leadership of an interagency-university Drainage Management Team;
- ◆ development of Drainage Records Modernization Guidelines and administration of cost-share for modernization of M.S. 103E drainage records;
- ◆ update of the Minnesota Public Drainage Manual; and
- ◆ collection of M.S. 103E drainage ditch buffer strip reporting data.

These activities are implemented to reduce erosion and sedimentation, protect and restore water quality, reduce flooding damages and improve wildlife habitat, while maintaining Minnesota's agricultural production capacity. Approximately 80 of 87 counties and 25 of 46 watershed districts in Minnesota currently serve as drainage authorities for public drainage systems under M.S. 103E.

Activities at a Glance

BWSR duties include:

- ◆ Restoring previously drained wetlands and adjacent uplands on public and private drainage systems.
- ◆ Reviewing watershed district engineer's reports and project plans.
- ◆ Facilitating Drainage Work Group meetings and working with all stakeholders to achieve consensus and associated outcomes.
- ◆ Developing and maintaining Drainage Records Modernization Guidelines.
- ◆ Administering cost-share grants to county and watershed district drainage authorities for public drainage records modernization.
- ◆ Updating and maintaining the Minnesota Public Drainage Manual.
- ◆ Leading and facilitating the interagency-university Drainage Management Team.

Population Served

The drainage management activities of the BWSR are directed toward M.S. 103E drainage authorities (counties and watershed districts), private landowners, drainage engineers, viewers and associated legal advisors. These activities involve local, state and federal agencies and many other entities involved and/or interested in drainage management. These activities serve all Minnesotans through restoration and protection of state water resources and wildlife habitat while also serving landowners, drainage authorities and road authorities in multi-purpose drainage management activities.

Services Provided

BWSR provides engineering and vegetation specialist services for wetland restorations from site investigation through construction. This involves working with willing landowners and local government units to restore previously drained wetlands and adjacent uplands on public and private drainage systems.

For the other drainage management activities identified above, BWSR provides facilitation, leadership, information and education, with both generalist and specialist perspectives. Examples include:

- ◆ Reviewing watershed district engineering reports and project plans;
- ◆ Facilitating Drainage Work Group meetings and working with all stakeholders to achieve consensus and associated outcomes;
- ◆ Developing and maintaining Drainage Records Modernization Guidelines;
- ◆ Administering cost-share grants to county and watershed district drainage authorities for public drainage records modernization;
- ◆ Updating and maintaining the Minnesota Public Drainage Manual; and
- ◆ Leading and facilitating the interagency-university Drainage Management Team.

WATER & SOIL RESOURCES BOARD

Program: WATER & SOIL RESRCS BD

Activity: PUBLIC DRAINAGE

Narrative

Historical Perspective

Concerns and interest regarding drainage management continue to increase. In 2006, BWSR published a Public Drainage Ditch Buffer Study, in response to a Legislative directive. A related outcome was establishment of the stakeholder Drainage Work Group, which developed consensus recommendations including: clarifications of M.S. 103E; development of drainage records modernization guidelines; increased cost-share for drainage records modernization; update of the Minnesota Public Drainage Manual; and establishment of a Drainage Management Team. The Governor and 2007 Legislature adopted the recommended clarifications of M.S. 103E and provided funding and directives to BWSR to implement and further develop Drainage Work Group consensus recommendations.

Key Activity Goals

- ◆ Minnesota Milestones Indicator 64, improve the quality of the air, water and earth -- specifically, ensuring that more lakes and rivers are "swimmable" and "fishable".
- ◆ Minnesota Milestones Indicator 68, reduce erosion of cropland to improve water quality and ensure long-term productivity of soil.
- ◆ Promote and enable multipurpose drainage management by local government units, landowners and other partners, to provide adequate drainage for agriculture and road infrastructure in accordance with state drainage law, while reducing peak flows, flooding, erosion and sedimentation, and improving water quality and wildlife habitat (BWSR Strategic Plan at: http://www.bwsr.state.mn.us/publications/Strategic_Plan.pdf).
- ◆ Review and analyze drainage policy and provide communities with the tools necessary for developing and implementing conservation-based comprehensive plans (Statewide Conservation and Preservation Plan <http://environment.umn.edu/scpp/finalplan.html>).

Key Activity Measures

- ◆ Expand stakeholder participation on the Drainage Work Group for increased knowledge and adoption of multipurpose drainage management practices.
- ◆ Increase the number of M.S. 103E drainage authorities with modern drainage records by approximately 10 per year.
- ◆ Update and periodically maintain the Minnesota Public Drainage Manual, including access via the BWSR web site and monitoring of its use.

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WATER & SOIL RESOURCES BOARD

Program: WATER & SOIL RESRCS BD

Activity: DITCHES

Budget Activity Summary

<i>Dollars in Thousands</i>					
	Current		Governor's Recomm.		Biennium
	FY2008	FY2009	FY2010	FY2011	2010-11
<u>Direct Appropriations by Fund</u>					
General					
Current Appropriation	150	500	500	500	1,000
Subtotal - Forecast Base	150	500	500	500	1,000
Total	150	500	500	500	1,000
<u>Expenditures by Fund</u>					
Direct Appropriations					
General	58	592	500	500	1,000
Total	58	592	500	500	1,000
<u>Expenditures by Category</u>					
Other Operating Expenses	58	92	0	0	0
Local Assistance	0	500	500	500	1,000
Total	58	592	500	500	1,000

WATER & SOIL RESOURCES BOARD

Program: WATER & SOIL RESRCS BD

Activity: SE FLOOD RECOVERY

Narrative

Activity Description

Following a severe flood event in southeast Minnesota in August 2007, Governor Tim Pawlenty called the Legislature into Special Session and authorized nearly \$148 million for flood recovery, including \$4 million for BWSR programs. Part of this area was again flooded in June 2008. Board of Water and Soil Resources (BWSR) worked with local and federal conservation partners to respond immediately by providing state funds and technical assistance to support the recovery effort. Staff in local Soil and Water Conservation Districts and the USDA Natural Resources Conservation Service (NRCS) conducted preliminary damage assessments and began work to complete key projects in the fall of 2007. BWSR continues to work with local and federal agencies to assess damage and prioritize workload to determine effective and efficient flood damage repairs and future flood protection strategies.

Many conservation projects require a licensed engineer to design and supervise construction. The high workload and limited availability of people with the necessary expertise has been an obstacle to getting more projects completed. Weather conditions also have delayed some projects.

In response to these challenges, the Legislature and Governor Tim Pawlenty in 2008 approved a transfer of \$1.85 million from Department of Employment and Economic Development (DEED) to BWSR, which will be used to address the documented need for additional cost-share funds, and funds to hire additional engineering staff. The Legislature and governor also extended deadlines for encumbering flood-relief funds. In September 2008, BWSR hired one engineer and two engineering technicians on a limited, temporary basis to provide the technical expertise that is necessary to complete this work.

Population Served

BWSR services of this activity are provided to landowners through SWCDs, counties, watershed districts, cities and townships in the disaster-declared counties -- Winona, Houston, Fillmore, Olmsted, Wabasha, Dodge and Steele counties. The June 2008 flood caused damage in these counties and in Mower and Freeborn counties.

Services Provided

BWSR is providing financial, technical and administrative services to affected local government units (LGUs) through BWSR Conservation Cost-Share programs, Reinvest In Minnesota (RIM) Reserve easement program, and the Clean Water Legacy program. A coordinated approach to repair of flood damaged lands is implemented by local, state and federal conservation partners using the existing local conservation delivery system. BWSR set policies to balance the need to get some key projects done immediately with the need to ensure accountability of these dollars. Initially, \$650,000 was allocated to SWCDs in the flood disaster counties to provide quick response to conservation repair needs and debris removal in the fall of 2007. Local, state, and federal staffs have continued to coordinate workload, assess engineering/technical assistance needs, and further document requests from landowners to repair flood-related damage. Additional cost-share funds have been allocated based on timely requests and workload. Due to the extreme amount of flood-related damage over a large area, damage assessments continued through the 2008 growing season.

Historical Perspective

The workload of conservation partners in southeast Minnesota (including BWSR, local SWCDs and the USDA Natural Resources Conservation Service) is at least three times higher than an average year's workload.

Activity at a Glance

- ◆ 152 completed erosion control projects on flood damaged sites. Examples include repairing gullies, stabilizing stream banks, sealing unused wells, and planting filter strips of native vegetation.
- ◆ 253 projects active and underway by conservation partners, most are scheduled to be completed in 2008.
- ◆ 722 acres of flood-damaged riparian lands enrolled in RIM Reserve perpetual easements with restored wetlands and native vegetation.
- ◆ 380 flood-damaged sites cannot be completed without supplemental engineering and technical assistance, so BWSR is hiring staff on a temporary basis to provide the necessary expertise to get these projects underway.

WATER & SOIL RESOURCES BOARD

Program: WATER & SOIL RESRCS BD

Activity: SE FLOOD RECOVERY

Narrative

Key Activity Goals

- ◆ Provide money to match and supplement federal disaster assistance for property damaged by the floods;
- ◆ Provide aid to local governments and individuals affected by floods;
- ◆ Improve water quality in lakes and rivers and protect ground water;
- ◆ Reduce soil erosion by repairing stream banks, sealing wells, planting filter strips of native vegetation, restoring wetlands, and installing other conservation practices on privately owned lands;
- ◆ Install conservation practices that will reduce potential flood-related damage to property in the future; and
- ◆ Enhance diverse wildlife habitat.

Key Activity Measures

- ◆ As of 8-1-08, state flood-relief funds leveraged local and federal dollars to complete 152 projects, and 253 projects were underway with a total of \$1.18 million total dollars spend and encumbered.
- ◆ Damage assessments have identified 321 conservation practices in need of repair with estimated costs totaling \$2.75 million.
- ◆ Agreements have been secured and easements are being processed, which will restore 722 acres of wetlands and grasslands on flood damaged land.

Conservation Practice	Projects		Costs	
	Completed	Active	Dollars Spent	Dollars Encumbered
Stormwater pond clean out/repair	8	32	\$9,523	\$83,856
Gully repair and filter strip	20	43	56,405	163,251
Unused well sealing	85	94	32,850	75,400
Terrace/ water diversion	10	6	17,837	10,944
Grade Stabilization	15	38	169,002	201,356
Grassed Waterway	5	23	5,045	62,754
Streambank and shoreland protection	4	10	168,591	216,719
Water and sediment control basin	2	1	2,633	2,566
Debris removal	3	3	2,625	6,453
Total	152	253	\$464,512	\$842,595

Activity Funding

BWSR adopted a Southeast Minnesota Flood Relief Resolution on 9-25-2007 covering program waivers and funding for flood recovery dollars received in the 2007 Special Session:

- ◆ \$3.0 million for Erosion, Sediment, and Water Quality Control Cost-Share; and
- ◆ \$2.1 million for RIM Conservation Easements (\$1 million new and \$1.1 million existing BWSR RIM funding).

Additional funds have been targeted to southeast Minnesota to complement the flood-recovery dollars:

- ◆ A \$51,700 Clean Water Legacy grant was awarded to the Minnesota Conservation Corp for several priority flood-relief activities, including restoring and removing debris from flood protection structures and riparian lands, and developing GIS layers of ponds, waterways and streams in Winona County to help with damage assessments and watershed modeling of the Garvin Brook watershed.
- ◆ A \$750,000 loan from the Minnesota Department of Agriculture's Ag BMP Loan Program was provided by MDA to implement flood-recovery projects in the seven-county area.

Contact

Minnesota Board of Water and Soil Resources

520 Lafayette Road

Saint Paul, Minnesota 55155

Office of the Executive Director: (651) 296-3767

www.bwsr.state.mn.us

WATER & SOIL RESOURCES BOARD

Program: WATER & SOIL RESRCS BD

Activity: COST SHARE FLOOD

Budget Activity Summary

<i>Dollars in Thousands</i>					
	Current		Governor's Recomm.		Biennium
	FY2008	FY2009	FY2010	FY2011	2010-11
<u>Direct Appropriations by Fund</u>					
General					
Current Appropriation	3,000	0	0	0	0
Subtotal - Forecast Base	3,000	0	0	0	0
Total	3,000	0	0	0	0
<u>Expenditures by Fund</u>					
Direct Appropriations					
General	2,165	774	0	0	0
Total	2,165	774	0	0	0
<u>Expenditures by Category</u>					
Local Assistance	2,165	774	0	0	0
Total	2,165	774	0	0	0

WATER & SOIL RESOURCES BOARD

Agency Revenue Summary

Dollars in Thousands

	Actual FY2008	Budgeted FY2009	Governor's Recomm. FY2010 FY2011		Biennium 2010-11
<u>Non Dedicated Revenue:</u>					
Total Non-Dedicated Receipts	0	0	0	0	0
<u>Dedicated Receipts:</u>					
Grants:					
General	2,324	2,324	2,383	2,383	4,766
Federal	95	0	0	0	0
Other Revenues:					
General	292	50	50	50	100
Miscellaneous Special Revenue	2,233	2,170	2,170	2,170	4,340
Federal	1,824	2,647	1,647	1,647	3,294
Total Dedicated Receipts	6,768	7,191	6,250	6,250	12,500
Agency Total Revenue	6,768	7,191	6,250	6,250	12,500

Federal Funds Summary

Federal Program (\$ in Thousands)	Related SFY 2008 Spending	Primary Purpose	SFY 2008 Revenues	SFY 2009 Revenues	Estimated SFY 2010 Revenues	Estimated SFY 2011 Revenues
ACUB – US Army	\$1,500	GI	\$1,500	\$2,647	\$1,647	\$1, 647
NRCS Payments - USDA	\$419	SO	\$419	200	196	196
Agency Total	\$1,919		\$1,919	\$2,847	\$1,843	\$1,843

Key:

Primary Purpose

SO = State Operations

GPS = Grants to Political Subdivision

GI = Grants to Individuals

GCBO = Grants to Community Based Organizations

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Agency Purpose

The Workers' Compensation Court of Appeals (WCCA) was established by the legislature as the exclusive statewide authority to decide all questions of law and fact in workers' compensation disputes within the court's appellate jurisdiction as provided by M.S. 175A and 176.

Core Functions

The court consists of five judges appointed by the governor and confirmed by the state senate. The governor designates one of the five as chief judge, who has responsibility for the administration of the court. The court performs an appellate function, reviewing decisions of the Workers' Compensation Division of the Department of Labor and Industry (DOLI), and the Office of Administrative Hearings (OAH). This includes:

- ◆ reviewing the evidentiary record created by the initial decision making body;
- ◆ presiding over oral arguments;
- ◆ conducting necessary legal research;
- ◆ deciding the issues; and
- ◆ issuing appropriate written orders, decisions, and memoranda.

Decisions are written to inform the court's clientele of the basis of the decisions and to create a body of law pertaining to workers' compensation issues. Decisions of this court are appealable directly to the Minnesota Supreme Court.

Operations

- ◆ To deliver services as expeditiously as possible while maintaining the integrity of the decision-making function.
- ◆ To produce high quality and consistent decisions on a timely basis in order to provide the quick and efficient delivery of indemnity and medical benefits to qualified injured workers at a reasonable cost to employers.
- ◆ To provide economic stability for injured workers and their families in financial crises due to work-related illnesses and injuries.
- ◆ To provide for timely cure and treatment of work-related illnesses and injuries.
- ◆ To help provide a competitive business climate for Minnesota employers.
- ◆ To provide direction and motivation for employers to create safe and healthy work environments for employees.

Key Goals

To enhance the expeditious delivery of services through improved technology.

Key Measures

- ◆ The Workers' Compensation Court of Appeals issues its decisions an average of 50 days after oral argument before the court or assignment of the cases to the judges.
- ◆ The Workers' Compensation Court of Appeals maintains a website that provides information, rules and a searchable text of decisions of the court.

Budget

The budget for FY 2008-09 totals \$3.4 million. The WCCA is funded by a direct appropriation from the workers' compensation special fund. The court currently has the equivalent of 13.65 full-time employees.

At A Glance

- ◆ Budget of approximately \$1.7 million annually
- ◆ Five judges
- ◆ Approximately 14 FTE

The court has attempted to produce decisions which are consistent and which bring predictability to the resolution of workers' compensation disputes. We believe that this goal has been achieved to a large extent and has been a factor in reducing the amount of litigation in the workers' compensation system.

The primary factors influencing operations of the court continue to be the number of work-related injuries sustained and the extent of litigation over benefit entitlement. Other factors include workplace safety, new legislation, insurance costs, medical costs, and economic conditions.

Contact

Workers' Compensation Court of Appeals
Minnesota Judicial Center
25 Reverend Dr. Martin Luther King Jr. Boulevard
Saint Paul, Minnesota 55155-1500

WCCA Web Home Page: <http://www.workerscomp.state.mn.us>. Information available includes: WCCA Decisions 1999 to the Present and Rules of Practice.

General Information:

Phone: (651) 296-6526

Fax: (651) 297-2520

<i>Dollars in Thousands</i>					
	Current		Governor Recomm.		Biennium
	FY2008	FY2009	FY2010	FY2011	2010-11
<u>Direct Appropriations by Fund</u>					
Workers Compensation					
Current Appropriation	1,660	1,703	1,703	1,703	3,406
Recommended	1,660	1,703	1,703	1,703	3,406
Change		0	0	0	0
% Biennial Change from 2008-09					1.3%
<u>Expenditures by Fund</u>					
Direct Appropriations					
Workers Compensation	1,556	1,807	1,703	1,703	3,406
Total	1,556	1,807	1,703	1,703	3,406
<u>Expenditures by Category</u>					
Total Compensation	1,353	1,376	1,388	1,402	2,790
Other Operating Expenses	203	431	315	301	616
Total	1,556	1,807	1,703	1,703	3,406
<u>Expenditures by Program</u>					
Workers Comp Ct Of Appeals	1,556	1,807	1,703	1,703	3,406
Total	1,556	1,807	1,703	1,703	3,406
Full-Time Equivalents (FTE)	13.5	13.5	13.5	13.5	

WORKERS COMP COURT OF APPEALS

Agency Revenue Summary

Dollars in Thousands

	Actual FY2008	Budgeted FY2009	Governor's Recomm. FY2010 FY2011		Biennium 2010-11
<u>Non Dedicated Revenue:</u>					
Other Revenues:					
General	3	0	0	0	0
Total Non-Dedicated Receipts	3	0	0	0	0
<u>Dedicated Receipts:</u>					
Total Dedicated Receipts	0	0	0	0	0
Agency Total Revenue	3	0	0	0	0

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↻ Designates that this item is a change item

Agency Purpose

The Minnesota Zoological Board (MZB) is established by M.S. Chapter 85A and is charged with operating the Minnesota Zoological Garden (Zoo) as an education, conservation, and recreation organization for the collection, propagation, preservation, care, exhibition, interpretation, examination, and study of wild and domestic animals.

The mission of the Zoo is to connect people, animals and the natural world. To accomplish this the Zoo provides award-winning education, recreation, and conservation programs. The Zoo belongs to the people of Minnesota and its facilities and programs are accessible to all Minnesotans.

The Zoo partners with the Minnesota Zoo Foundation (MZF), whose purpose is to raise contributed income from individuals, corporations, and foundations to support the Zoo and its mission. The Foundation conducts many fund raising activities whose net income support conservation and educational activities.

Core Functions

The Zoo provides unique opportunities for Minnesotans and out-of-state guests to experience and learn about wildlife. These experiences encourage stewardship for animals and nature and foster a greater appreciation for the earth's rich diversity.

The 2001 Facilities Master Plan and 2005 Strategic Plan provide a reaffirmation of the Zoo's mission. The plans establish a clear course of action to continue the Zoo's active engagement in conservation activities and expansion of programs for developing environmentally-knowledgeable citizens. In order to meet the increasingly urgent conservation and natural-science education imperatives facing our state and the world, the Zoo is:

- ◆ continually improving the guest experience to match Minnesotans' evolving sophistication and desire to experience wildlife in more meaningful ways;
- ◆ addressing deferred maintenance of the facility to protect the public's investment and the health and safety of the collection and our guests;
- ◆ improving current exhibits to provide Zoo animals with optimal spaces and enrichment activities that promote the display and interpretation of natural behaviors — and where appropriate — reproduction; and
- ◆ delivering programs that provide lifelong learning and engagement with science and conservation activities in a fun environment.

Operations

The MZB is comprised of 30 citizens who are appointed to supervise and oversee the operations of the Zoo. The governor appoints 15 members of the board and another 15 members are appointed by the MZB. An important function of the MZB is to work in conjunction with the Zoo Foundation to secure private sector support for the Zoo. As the fund-raising arm of the Zoo, MZF raises general operating funds for the Zoo, as well as capital funds for new exhibits, such as the award-winning Wells Fargo Family Farm. The Zoo's retail and food service partners have invested over \$6 million in capital improvements throughout the Zoo. The MZB appoints a director / CEO who carries out the directives of the board in the operation of the Zoo. The Zoo is managed to meet and exceed the accreditation standards of the Association of Zoos and Aquariums (AZA), as well as the regulatory requirements of the United States Department of Agriculture (USDA).

At A Glance

Zoo Information:

- ◆ More than 1.1 million annual visitors.
- ◆ More than 75,000 school children visits annually.
- ◆ Over 50,000 Minnesotans in 38 counties visited by the Zoomobile annually.
- ◆ Over 2,600 animals in a diverse collection.
- ◆ Over 50 endangered or threatened species.
- ◆ More than 875 volunteers donating nearly 87,000 hours.

Master Plan Goals:

- ◆ Enhance environmental education activities and serve increasing numbers of Minnesotans.
- ◆ Increase the capacity to affect conservation in the Zoo and beyond.
- ◆ Elevate the Zoo to a premier cultural institution and tourist destination, becoming one of the top 10 zoos in the United States.

Education programs provide guests with fun, hands-on, relevant educational interactions with the Zoo's animal and plant collections. These programs are designed to foster the development of values supportive of species survival, biodiversity, habitat preservation, and environmental stewardship.

- ◆ Educational programming is provided onsite through monorail tours, family programs, Zoo Camp, scout programs, keeper talks, and behind-the-scenes tours.
- ◆ Exhibits contain engaging graphics detailing information on animals, their habits, and habitats.
- ◆ Outreach is provided through Zoomobile programs in schools and communities as well as through web-based information and interactive programming for those who are unable to visit the Zoo. Recently the Zoo partnered with Mayo Clinic to bring zoo programs into their pediatric ward via videos.
- ◆ Curricula are developed to help teachers meet required standards. The Zoo has developed a web-based game to help teach genetics.
- ◆ An interactive 3D wildlife simulation video game invites players to take on the role of a wolf living in Yellowstone National Park. The game inspires young people to learn about and connect with wild animals.
- ◆ Innovative curriculum at the School of Environmental Studies is delivered in partnership with the education department and Independent School District No. 196. This award-winning high school is located on the grounds of the Zoo and utilizes the Zoo collection and the Zoo staff in delivering the school's environmental education program.

Recreational experiences provide family-oriented activities that are educational as well as entertaining. Guests to the Zoo have fun and leave with a greater understanding, appreciation, and respect for animals and nature.

- ◆ More than one million visitors come to the Zoo annually, a figure only a few zoos in the country match.
- ◆ New and exciting exhibits are developed as funding is available. In 2007, the Minnesota Zoo renovated and re-opened the Medtronic Minnesota Trail, and in 2008, the Zoo opened Russia's Grizzly Coast, a state-of-the-art exhibit featuring sea otters, brown bears (grizzlies), wild boars, Amur leopards, and Amur tigers.
- ◆ Zoo guests have a very positive view of the Zoo and the emphasis on animal viewing experiences in a naturalistic setting. The Zoo collects customer satisfaction data from comment cards, annual surveys, and "Secret Shopper" reports.
- ◆ Zoo guests have the opportunity to view live animal demonstrations featuring our dolphins and bird collections. The Farm invites guests to feed and brush goats, as well as view milking demonstrations.
- ◆ An annual summer concert series hosted by the Zoo is consistently rated the top outdoor venue in the metropolitan area.

Conservation programs are delivered locally, nationally and internationally. Conservation efforts strive to preserve biodiversity and promote an understanding of animals and nature. The Zoo partners with other organizations to promote the survival of threatened and endangered species and ecosystems.

- ◆ The Zoo participates in 24 AZA Species Survival Plans. The Zoo supports AZA studbook keepers for eleven species.
- ◆ Conservation staff continues to coordinate worldwide tiger conservation programs through the Tiger Global Conservation Strategy and are working with the Chinese government to plan for a program intended to reintroduce the South China Tiger back into the wild.
- ◆ The Zoo works on re-introduction programs for threatened species. Successful programs include: Trumpeter Swans (in cooperation with the Department of Natural Resources) and Asian Wild Horses in Mongolia.

Key Goal

As stated in the Minnesota Zoo Strategic Plan, dated October 2005, the aspiration of the Minnesota Zoo is "to become one of America's Top Ten Zoos."

To become one of America's top ten zoos, the Minnesota Zoo must

- ◆ be recognized by the general public, the government, community leaders, the media and industry peers for excellence in exhibits/facilities and programs;
- ◆ provide better environmental education to more people;
- ◆ lead and participate in more wildlife conservation activities;
- ◆ attract more visitors, increase membership and earn more revenue; and
- ◆ raise more contributed income.

The Minnesota Zoo will attain this goal through

- ◆ addition of exciting, state-of-the-art exhibits and guest facilities;
- ◆ new and expanded education efforts;
- ◆ significantly stronger marketing, positioning and public relations efforts;
- ◆ new, expanded and more visible conservation programs; and
- ◆ greater investment in fund-raising capacity.

Key Measures

Education Programs

Continue to increase participation in Education programs by at least 2,000 individuals each year.

Education programs include Zoomobile, Monorail, Zoo Camp, Family Programs, school field trips to the Zoo, teacher workshops, pre-school programs, scout classes, overnight programs, and our mentor program. It does not include individuals who access our website to obtain information on animals and conservation or the number participating in WolfQuest. Participation in these programs is all tracked individually. At fiscal year end numbers are compiled and included in our Annual Report. Quality is measured by survey of participants.

Total Education Program Participants:

FY 2007	FY 2008 ¹	FY 2009 (est.)	FY 2010 (est.)	FY 2011 (est.)
321,000	326,279	328,300	330,300	332,300

¹ Additional classroom space was added.

Recreation Programs

Maintain minimum Zoo attendance at FY 2009 levels into the future.

The Guest Experience encompasses everything from ease of entry into the zoo to cleanliness, food service, interaction with animals, quality of exhibits, comfort and amenities. We measure the success by attendance and member numbers. We determine effectiveness through guest surveys and the Secret Shopper program. Attendance and Membership goals are incorporated into our strategic plan. In our strategic plan, completed in 2005, we estimated attendance for FY 2009 at 1,100,000. Given the success of the previous two years, goals were adjusted at that time. With the opening of Russia's Grizzly Coast, we anticipated an increase in attendance. Generally, a year or two after opening a major new exhibit a zoo will see some decline in attendance. We are setting a goal to maintain attendance at this new level.

	FY 2007	FY 2008	FY 2009 (est.)	FY 2010 (est.)	FY 2011 (est.)
Attendance	1,030,418	1,162,696	1,200,000	1,200,000	1,200,000
Membership Households	33,725	35,538	39,400	40,500	40,500

Conservation and Animal Programs

Maintain accreditation from the Association of Zoos and Aquariums (AZA) under their increasingly rigorous standards.

As stated on the AZA website: "The Accreditation Commission evaluates every zoo or aquarium to make sure it meets AZA's standards for animal management and care, including living environments, social groupings, health, and nutrition. We also make sure that animals are provided with enrichment, which stimulates each animal's natural behavior and provides variety in their daily routine.

The Accreditation Commission also evaluates the veterinary program, involvement in conservation and research, education programs, safety policies and procedures, security, physical facilities, guest services, and the quality of the institution's staff. And because a zoo or aquarium needs a strong foundation in order to continue to meet high

standards, accreditation also evaluates each institution's finances, its governing authority, and its support organization. In other words, we look at everything!"

For more detailed information on the accreditation process, visit:
<http://www.aza.org/Accreditation/AccreditationIntro/index.html>

Budget

Funding of the operation of the Zoo is a combination of general fund and Natural Resources Fund dollars, earned income from charges to visitors at the Zoo, and contributions from the private sector. The Zoo has an annual operating budget of approximately \$20 million from all sources. In the past decade the percentage of state funding has declined, while earned revenue and contributions have increased. In the early 1980s the state appropriation was approximately 60% of the total operating budget. In FY 2008 state appropriations from the general fund (\$7 million) and other state sources (\$400,000) was 38% of the total operating budget.

The Minnesota Zoo Foundation, with the support of the MZB, is using recently appropriated state bond funds as leverage to launch a comprehensive campaign for private capital and operating funds. To date over \$8 million has been raised.

Approximately 250 people (212 FTE) are permanent full, part-time or intermittent employees. During the peak summer months the Zoo adds a large number of part-time and temporary employees and student interns to handle the increased operation needs. They bring the full-time number to 340.

Contact

Peggy Adelman, Chief Financial Officer
Minnesota Zoo
(952) 431-9309
Email: Peggy.Adelmann@state.mn.us

The Minnesota Zoo website at www.mnzoo.org gives guests easy access to useful information about the Minnesota Zoo, its collection of animals, and the Zoo's involvement in conservation activities.

<i>Dollars in Thousands</i>					
	Current		Governor Recomm.		Biennium
	FY2008	FY2009	FY2010	FY2011	2010-11
<u>Direct Appropriations by Fund</u>					
General					
Current Appropriation	7,000	7,193	7,193	7,193	14,386
Recommended	7,000	7,193	6,361	6,361	12,722
Change		0	(832)	(832)	(1,664)
% Biennial Change from 2008-09					-10.4%
Natural Resources					
Current Appropriation	137	138	138	138	276
Recommended	137	138	138	138	276
Change		0	0	0	0
% Biennial Change from 2008-09					0.4%
<u>Expenditures by Fund</u>					
Direct Appropriations					
General	7,000	7,193	6,361	6,361	12,722
Natural Resources	137	138	138	138	276
Statutory Appropriations					
Miscellaneous Special Revenue	10,778	11,847	12,540	12,307	24,847
Gift	1,767	4,314	2,836	2,874	5,710
Total	19,682	23,492	21,875	21,680	43,555
<u>Expenditures by Category</u>					
Total Compensation	13,108	14,281	14,650	15,063	29,713
Other Operating Expenses	5,950	6,632	6,049	6,212	12,261
Capital Outlay & Real Property	480	2,421	1,020	250	1,270
Other Financial Transactions	144	158	156	155	311
Total	19,682	23,492	21,875	21,680	43,555
<u>Expenditures by Program</u>					
Minnesota Zoo	19,682	23,492	21,875	21,680	43,555
Total	19,682	23,492	21,875	21,680	43,555
Full-Time Equivalents (FTE)	211.9	221.7	222.1	222.1	

<i>Dollars in Thousands</i>				
	FY2009	Governor's Recomm.		Biennium
		FY2010	FY2011	2010-11
Fund: GENERAL				
FY 2009 Appropriations	7,193	7,193	7,193	14,386
Technical Adjustments				
Current Law Base Change		(125)	(125)	(250)
Subtotal - Forecast Base	7,193	7,068	7,068	14,136
Change Items				
Operating Budget Reallocation	0	(707)	(707)	(1,414)
Total Governor's Recommendations	7,193	6,361	6,361	12,722
Fund: NATURAL RESOURCES				
FY 2009 Appropriations	138	138	138	276
Subtotal - Forecast Base	138	138	138	276
Total Governor's Recommendations	138	138	138	276
Fund: MISCELLANEOUS SPECIAL REVENUE				
Planned Statutory Spending	11,847	12,540	12,307	24,847
Total Governor's Recommendations	11,847	12,540	12,307	24,847
Fund: GIFT				
Planned Statutory Spending	4,314	2,836	2,874	5,710
Total Governor's Recommendations	4,314	2,836	2,874	5,710

ZOOLOGICAL BOARD

Change Item: Operating Budget Reallocation

Fiscal Impact (\$000s)	FY 2010	FY 2011	FY 2012	FY 2013
General Fund				
Expenditures	\$(707)	\$(707)	\$(707)	\$(707)
Revenues	0	0	0	0
Other Fund				
Expenditures				
Revenues	357	357	357	357
Net Fiscal Impact	\$(350)	\$(350)	\$(350)	\$(350)

Recommendation

The Governor recommends that the Zoo review its fee structure in all categories, taking the economy into consideration, and increase revenues to help meet expenditure reductions. In addition, the Governor recommends that the zoo review its business operations to find savings of at least \$350,000 per year.

Background

The Minnesota Zoo operates in a competitive business climate. The Board reviews attendance assumptions and pricing annually as part of its budget process. Both admission and membership pricing, their two largest categories of revenue, are reviewed against the local market and national trends. They anticipate that, despite the economy, the market will allow for some modest adjustments in pricing. A risk in the current climate is sustaining or growing contributions from the private sector, including foundations and corporations. They will continue to monitor this closely.

The Board of Directors, and its Finance Committee, meet quarterly and review all revenues and expenditures. The Zoo has seen a trend of increased attendance and increased revenue. Operating costs have increased also, both with an increased animal collection and, in particular, with increases in utilities, supplies, state employee contractual obligations and benefit costs.

Zoo staff and the Board and Foundation Executive Committees will be undertaking a comprehensive review of the zoo's operations with an eye toward creating an operation that is sustainable well into the future.

The percentage of the Zoo's annual operating budget provided by state general fund appropriation has been decreasing over time. Nationally, the average level of public (taxpayer) support for all zoos is approximately 50% of annual operating costs

Relationship to Base Budget

This proposal represents an approximate 3.5% reduction in the overall annual operating budget of approximately \$20M. Some of this change will be mitigated with increased revenues. In the current fiscal year, the state general fund appropriation covers 34% of the Zoo's total expenditures. Under this proposal, the state general fund appropriation will account for about 32.5% of the Zoo's budget.

Key Goals and Measures

The guest experience is a key to the mission of the Zoo. One way to measure a positive guest experience is attendance. Attendance also drives revenues. As noted in the Agency Profile, the trend has been increasing attendance and memberships.

	FY 2007	FY 2008	FY 2009 (est.)	FY 2010 (est.)	FY 2011 (est.)
Attendance	1,030,418	1,162,696	1,200,000	1,200,000	1,200,000
Membership Households	33,725	35,538	39,400	40,500	40,500

Their goal will be to maintain attendance and membership levels as indicated above, even with potential price increases and expenditure reductions.

Alternatives Considered

With the capital investment the state has made, the Zoo has been able to increase attendance, membership and private contributions. The Zoo has made progress in all areas of their Strategic Plan and are well on their way to meeting their goal of becoming one of America's Top Ten Zoos. As the zoo looks at expenditure reductions, they do not want to impact the guest experience, the zoo's accreditation, animal care standards, or safety. That said, they have begun exploring a number of alternatives throughout all operations, to look at what can be done differently while maintaining momentum.

Statutory Change: Not Applicable at this time. Changes to the zoo's enabling legislation, Chapter 85A, may be proposed after the Board's review.

ZOOLOGICAL BOARD

Agency Revenue Summary

Dollars in Thousands

	Actual FY2008	Budgeted FY2009	Governor's Recomm. FY2010 FY2011		Biennium 2010-11
<u>Non Dedicated Revenue:</u>					
Taxes:					
General	35	35	35	35	70
Total Non-Dedicated Receipts	35	35	35	35	70
<u>Dedicated Receipts:</u>					
Departmental Earnings:					
Miscellaneous Special Revenue	10,997	11,583	11,734	12,146	23,880
Grants:					
Miscellaneous Special Revenue	20	0	0	0	0
Other Revenues:					
Miscellaneous Special Revenue	116	125	125	125	250
Gift	2,057	4,105	3,305	2,035	5,340
Total Dedicated Receipts	13,190	15,813	15,164	14,306	29,470
Agency Total Revenue	13,225	15,848	15,199	14,341	29,540

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➤ Designates that this item is a change item

MINNESOTA • REVENUE

January 27, 2009

The 2009 Minnesota Legislature:

I am pleased to announce Governor Pawlenty's tax initiatives targeted at stimulating economic growth and providing for the future prosperity of Minnesota citizens and businesses. In addition, the Governor is proposing a reduction in local government aids and certain tax credits in order to help solve the nearly \$5 billion deficit.

With the current historic economic downturn, the Governor is focusing on tax initiatives that will help encourage innovation, entrepreneurship and job growth. The Governor proposes a multi-pronged approach that will help Minnesota be more competitive for the future and will help retain and grow jobs in the near term. The Governor's proposal includes the following key components:

- Corporate franchise tax rate reduction from 9.8 percent to 4.8 percent phased in over the next six years
- Job Growth Investment Tax Credit to stimulate formation of early-stage capital in new emerging businesses
- Small Business Investment Tax Credit in the form of an insurance premium tax credit to encourage investment in Minnesota small businesses by certified capital companies
- 25% refundable tax credit for small business owners that invest in their businesses over the next year
- New capital gains exemption for qualifying investments by small businesses
- Upfront sales tax exemption for purchases of capital equipment
- Allowing the immediate expensing of qualifying business purchases (Section 179 expensing)
- Creation of Green JOBZ tax-free zones to encourage growth of new renewable energy jobs throughout Minnesota.

The current economic downturn has resulted in a historic budget deficit that will require spending reductions in virtually all areas of the state budget. The Governor recommends a reduction in non-school local government aids, county program aids, homestead market value credit, and other local government aids and credits. The reductions are structured so they are spread as equitably as possible across jurisdictions in order to minimize budget disruptions.

The budget deficit provides a tremendous opportunity to rethink how government services are delivered. All levels of government will need to closely analyze spending and priorities in order to focus on core services, and ensure those services are provided in the most efficient and cost-effective manner. Government needs to tighten its spending belt just as taxpayers and businesses have done. To encourage greater collaboration and service delivery, the Governor is providing an aid incentive for Minnesota's 87 counties to enter into regional enterprises for their human service programs in order to consolidate and reduce costs.

I look forward to working with you to help get these initiatives passed for the benefit of our citizens and employers.

Respectfully,

A handwritten signature in black ink, appearing to read "Ward Einess". The signature is fluid and cursive, with the first name "Ward" being more prominent than the last name "Einess".

Ward Einess

Tax Policy, Aids and Credits Budget Presentation

Summary

The Governor's tax initiatives for the FY 2010 – 2011 biennium include several changes to tax policy and local aids and credits expenditures. These initiatives focus on the following strategic outcomes:

- Economic stimulus and business growth incentive
- Increased efficiency and cooperation among all levels of government
- Relief for a historic budget deficit

The table on the next page and the succeeding narratives describe the Governor's recommended tax changes and their fiscal impact. Some of the tax-related items affect other policy areas and more information on them can be found in other parts of the state budget presentation.

Below is a table that helps to summarize the Governor's tax initiatives by separating out the total dollars by outcome type. The positive numbers represent expenditures or revenue losses.

Governor's FY 2010-11 Tax Policy, Aids and Credits Budget Summary

Expenditure/Revenue Type (dollars in 000s)	Gov's Rec. FY 2010	Gov's Rec. FY 2011	Gov's Rec. FY 2012	Gov's Rec. FY 2013
Economic Stimulus	125,080	146,680	205,985	249,315
County Program Reform ¹	-	-	-	-
Budget Deficit Relief	(172,160)	(364,260)	(309,240)	(311,140)
Federal Conformity	11,600	(5,410)	(4,705)	(2,845)
Shift changes and tax change interaction	(6,797)	24,717	20,511	20,293

¹ Spending reductions in this chart assume that all counties will conform with the Governor's county service reform initiative.

Governor's Recommended Tax Initiatives for the 2010-11 Biennium
(dollars in '000s)

Governor's Recommendations*	Fund	FY 2010 Gov Rec	FY 2011 Gov Rec	FY 2010-11 Gov Rec
Economic Stimulus				
Reduction in the Business Franchise Tax Rate	General	20,000	100,000	120,000
Reinvestment Tax Credit	General	50,000	-	50,000
Angel and Early Stage Capital Incentives	General	-	-	-
Green JOBZ	General	1,150	2,500	3,650
Capital Equipment Upfront Exemption	General ¹	36,730	41,480	78,210
Section 179 Business Expensing (Adoption of Federal Provision)	General	17,200	2,700	19,900
Capital Gains Exemption ²	General	-	-	-
Subtotal		125,080	146,680	271,760
Increased Government Efficiency				
County Program Reform ³	General	-	-	-
Subtotal		-	-	-
Budget Deficit Relief				
County Program Aid Reduction ³	General	(42,740)	(83,150)	(125,890)
Local Government Aid Reduction	General	(77,800)	(168,000)	(245,800)
Market Value Homestead Credit Reimbursement Reduction ⁴	General	(37,040)	(40,230)	(77,270)
Adjustment to Renter's Property Tax Refund Formula	General	-	(50,700)	(50,700)
Elimination of Political Contribution Refund Program	General	(4,800)	(6,800)	(11,600)
Cap Sustainable Forest Incentive Act Payments	General	-	(5,500)	(5,500)
Taconite State Aid Appropriation Reduction	General	(5,480)	(5,480)	(10,960)
<i>PILT Adjustment</i>	<i>General</i>	<i>(4,300)</i>	<i>(4,400)</i>	<i>(8,700)</i>
Subtotal		(172,160)	(364,260)	(536,420)
Federal Conformity				
Federal Tax Law Conformity	General	11,600	(5,410)	6,190
Subtotal		11,600	(5,410)	6,190
Payment Shifts and Tax Change Interactions				
Education Aid Payments Shift	General	(6,797)	147	(6,650)
Property Tax Refund and Income Tax Interaction	General	-	24,570	24,570
Subtotal		(6,797)	24,717	17,920

* Recommended items in italics are primarily being carried in other budget areas and are presented here to give an overall view of all the tax-related budget initiatives.

¹ This figure includes a \$3.260 million revenue reduction to natural resources and arts funds.

² This change will not impact the general fund until FY 2014

³ Spending reductions in this chart assume that all counties will conform with the Governor's county service reform initiative.

⁴ This line combines residential and agricultural homestead market value credit reductions.

TAX POLICY, AIDS AND CREDITS

Change Item: Reduction in Business Franchise Tax Rate

Fiscal Impact (\$000s)	FY 2010	FY 2011	FY 2012	FY 2013
General Fund				
Expenditures	\$0	\$0	\$0	\$0
Revenues	(20,000)	(100,000)	(180,000)	(230,000)
Other Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact	\$20,000	\$100,000	\$180,000	\$230,000

Recommendation

The Governor recommends reducing the business tax rate of 9.8% to 4.8% over a period of six years. This would reduce Minnesota's business franchise tax rate from one of the highest in the nation to a more competitive rate. A reduction in rates will help encourage businesses to grow and invest in Minnesota.

Background

Minnesota's current business franchise tax rate is 9.8%, which is one of the highest in the nation. This high tax rate can discourage investment in Minnesota and places our businesses at a competitive disadvantage. The business franchise tax is paid by C-corporations which includes businesses of all sizes. Minnesota's business income tax is a volatile and regressive tax. Because a reduced business tax rate will increase investment in Minnesota, most of the benefits will ultimately be passed on to Minnesota consumers in the form of reduced prices or to Minnesota employees in the form of higher wages and benefits.

The proposal will phase in a business tax rate reduction over next six years starting in calendar year 2010 as follows:

<u>Tax Year</u>	<u>Proposed Tax Rate</u>
2010	8.8%
2011	7.8%
2012	7.3%
2013	6.8%
2014	5.8%
2015	4.8%

Relationship to Base Budget

When fully phased in, this proposal would result in a 51% reduction in the business tax rate, which will lower general fund forecasted revenues.

Key Goals and Measures

This initiative supports the *Minnesota Milestones* goal that *Minnesota will have sustainable, strong economic growth*.

Statutory Change: Minnesota Statute 290

TAX POLICY, AIDS AND CREDITS

Change Item: Reinvestment Tax Credit

Fiscal Impact (\$000s)	FY 2010	FY 2011	FY 2012	FY 2013
General Fund				
Expenditures	\$0	\$0	\$0	\$0
Revenues	(50,000)	0	0	0
Other Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact	\$50,000	\$0	\$0	\$0

Recommendation

The Governor recommends the creation of the Reinvestment Tax Credit which is a 25% refundable tax credit targeted at small businesses that reinvest in their businesses in 2009.

Background

To encourage job growth and new investments in Minnesota businesses, the Governor recommends the creation of a new refundable tax credit to provide incentives for businesses that invest in their businesses quickly. The credit will be capped at a total of \$50 million. The refundable credit will be targeted to small business owners for qualifying business investments. The qualifying investments would include various business investments such as those eligible for Section 179 expensing under the federal tax code (i.e. machinery, equipment, furniture, certain structures and other tangible personal property). The credit would be available to businesses in FY 2010 for certain qualifying investments that occur in 2009.

Relationship to Base Budget

This will be a one-time general fund revenue reduction of \$50 million.

Key Goals and Measures

This initiative supports the *Minnesota Milestones* goal that *Minnesota will have sustainable, strong economic growth*.

Statutory Change: Minnesota Statute 290

TAX POLICY, AIDS AND CREDITS

Change Item: Angel and Early-Stage Capital

Fiscal Impact (\$000s)	FY 2010	FY 2011	FY 2012	FY 2013
General Fund				
Expenditures	\$0	\$0	\$0	\$0
Revenues	0	0	(12,500)	(12,500)
Other Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact	\$0	\$0	\$12,500	\$12,500

Recommendation

The Governor recommends providing \$50 million in tax incentives for investments in small, emerging businesses, stimulating availability of early-stage capital for these job-creating businesses. The tax costs would be spread over four fiscal years between FY 2012 and FY 2015. Half of these investments would be targeted to “green” investments that support the state’s 25x25 renewable energy standards.

Background

Job Creation Investment Tax Credit

This proposal would provide \$12 million in tax incentives for angel investments in regional investment funds, stimulating formation of early-stage capital to invest in emerging businesses. It would provide for the following:

- ◆ A 25% tax credit for investments in funds that invest in qualified businesses that meet certain criteria; to encourage longer term investments, the credit would be allowed only after an investment has been held for four years.
- ◆ A maximum of \$3 million in credits would be granted per year for four years; a maximum credit of \$200,000 per investor and \$1 million per fund would be allowed each year.
- ◆ Up to 20 funds, geographically dispersed, would be qualified, and each fund would need to invest at least 60% of its money in qualified businesses within the fund’s region.
- ◆ 50% of investments must go to green technology.

Small Business Investment Tax Credit

This proposal would provide \$38 million in tax incentives to insurance companies for early-stage investments in certified capital companies, which would be required to invest in qualified businesses in Minnesota. It would provide for the following:

- ◆ A 60% tax credit, in the form of an insurance premium tax credit, for insurance company investments in approved certified capital companies; the credit would be allowed only in the fifth calendar year after the investment is made, at a rate not to exceed 20% of the earned credit in any taxable year.
- ◆ Investments totaling \$63 million would be eligible for the credit, creating a large pool of capital for investment in small, emerging businesses.
- ◆ 30% of the businesses would need to be located in Greater Minnesota or in low-income communities.
- ◆ 50% of the investments must go to green technology.

The tax cost of these proposals would be deferred until 2012 and later. Businesses receiving the investment would need to be headquartered in Minnesota, have 60% of their employees working in Minnesota, have fewer than 100 employees, have less than \$2 million in sales, be engaged in certain types of business (e.g., clean-tech, biotech, other manufacturing, etc.) and not engaged in other types of business (e.g., real estate, banking, professional services, etc.) among other criteria.

Relationship to Base Budget

Not applicable.

Key Measures

Both elements of the proposal support the *Minnesota Milestones* goal that *Minnesota will have sustainable, strong economic growth*.

TAX POLICY, AIDS AND CREDITS

Change Item: Angel and Early-Stage Capital

Between the two programs there will be the formation of an additional \$110 million in new capital for new and emerging technology firms — a sum that is absent in today's economic development landscape. In terms of potential impact, for comparison purposes, RAIN Source Capital, a private nonprofit working to establish regional venture capital pools, has generated \$77 million that has been invested in 55 companies located in 41 communities, creating 2,200 jobs.

Statutory Change: New statutory language will need to be drafted for both elements of the proposal.

TAX POLICY, AIDS AND CREDITS

Change Item: Green JOBZ

Fiscal Impact (\$000s)	FY 2010	FY 2011	FY 2012	FY 2013
General Fund				
Expenditures	\$0	\$0	\$0	\$0
Revenues	(1,150)	(2,500)	(3,050)	(3,550)
Other Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact	\$1,150	\$2,500	\$3,050	\$3,550

Recommendation

The Governor recommends the creation of a “GreenJOBZ” initiative patterned after the original JOBZ program, but with three major changes:

- 1) GreenJOBZ would be exclusively for companies that create renewable energy, represent manufacturing equipment or services used in renewable energy, or that create a product or service that lessens energy use or emissions.
- 2) Companies would receive benefits for twelve years for all agreements signed by the end of 2015.
- 3) Projects could be anywhere in Minnesota, including the metro area.

Background

In the green/renewable energy sector, Minnesota has excellent goals to achieve greater use of green/renewable sources, but it lags other states in jobs in this sector. Providing a new GreenJOBZ program that has twelve years of benefits, and the ability to bring new investment anywhere in Minnesota, will help Minnesota compete for investment that will promote a green economy. The manufacturing and services *will* occur, but there is no certainty that they will happen in Minnesota without special incentives.

The tax implications associated with a green/renewable focused JOBZ are more than matched by the direct and indirect economic impact of the investments. GreenJOBZ will be targeted for projects that are green/renewable manufacturing-related. If GreenJOBZ is not provided in the competitive marketplace for selection of new projects, it is likely that these projects would not occur in Minnesota.

Relationship to Base Budget

Not applicable.

Key Goals and Measures

This initiative supports the *Minnesota Milestones* goal that *Minnesota will have sustainable, strong economic growth*.

Statutory Change: New language is needed to create the “GreenJOBZ” program.

TAX POLICY, AIDS AND CREDITS

Change Item: Capital Equipment Upfront Exemption

Fiscal Impact (\$000s)	FY 2010	FY 2011	FY 2012	FY 2013
General Fund				
Expenditures	\$0	\$0	\$0	\$0
Revenues	(35,300)	(39,650)	(14,370)	(7,510)
Other Fund				
Expenditures	0	0	0	0
Revenues	(1,430)	(1,830)	(791)	(430)
Net Fiscal Impact	\$36,730	\$41,480	\$15,161	\$7,940

Recommendation

The Governor recommends changing the current sales tax refund for capital equipment to an upfront sales tax exemption at the time of purchase effective January 1, 2010. This will help businesses invest in capital equipment in Minnesota by removing this burdensome current law refund provision. The refund system is a burden both for businesses and for the state to administer. This will lessen the cost of these purchases by reducing the upfront costs, which can cause cash flow concerns particularly for small businesses.

Background

Under current law, Minnesota provides an exemption from sales and use tax for certain capital equipment purchases. The sales or use tax is paid at the time of purchase, and the exemption is allowed upon the filing of a claim for refund by the purchaser. To qualify for the exemption, the capital equipment must be used in Minnesota by the purchaser or lessee for manufacturing, fabricating, mining, or refining tangible personal property to be sold ultimately at retail. Repair and replacement parts and accessories are included in the exemption. The exemption also applies to materials and supplies used to construct and install the equipment and to construct special purpose buildings used in the production process. Businesses have 3 ½ years from the date of purchase or lease to file a refund claim.

The exemption for capital equipment purchased for new or expanding manufacturing facilities was enacted in 1989 and replaced the previous reduced tax rate of 4 percent. The exemption was extended to mining in 1990 and to on-line data retrieval equipment in 1993. In 1994, the 6.5% rate on replacement capital equipment was reduced, and in 1997, was ultimately changed to a complete exemption with a refund requirement. Businesses must track eligible purchases and may request a refund twice a year.

Between 2,000 and 2,500 refunds claims are paid each year.

Relationship to Base Budget

The upfront exemption reduces both general fund revenues (6.5% of the sales tax) and the natural resources and arts funds (0.375% of the sales tax). There is a larger cost in the first two years and smaller on-going costs.

Key Measures

This initiative supports the *Minnesota Milestones* goal that *Minnesota will have sustainable, strong economic growth*.

Statutory Change: Minn. Stat. § 297A.68

TAX POLICY, AIDS AND CREDITS

Change Item: Section 179 Business Expensing

Fiscal Impact (\$000s)	FY 2010	FY 2011	FY 2012	FY 2013
General Fund				
Expenditures	\$0	\$0	\$0	\$0
Revenues	(17,200)	(2,700)	4,725	4,675
Other Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact	\$17,200	\$2,700	\$(4,725)	\$(4,675)

Recommendation

The Governor recommends fully adopting the current federal tax provisions relating to federal tax law Section 179 business expensing of qualifying property assets for purposes of individual and corporate franchise income tax. The proposal would allow the full federal expensing of qualifying business assets purchased in 2009 and 2010. The ability to expense equipment purchases will encourage small businesses to invest in upgrading or expanding their operations in Minnesota by reducing their costs. Conformity with the federal law will also simplify the compliance costs both for businesses and the Department of Revenue.

Background

Section 179 of the federal tax code allows a taxpayer to treat the cost of qualifying business property as an expense in the year the property is placed in service, rather than spreading those deductions over several years. For federal tax purposes, the maximum annual amount expensed is \$133,000 for tax year 2009. If the taxpayer places more than \$530,000 of qualifying property in service during 2009, the limitation is reduced by one dollar for each dollar that the cost exceeds \$530,000. The limitations for 2010 are slightly higher because they are indexed for inflation. Under current federal law, the federal limits will revert to those under prior law, \$25,000 and \$200,000, beginning with property placed in service in 2011.

This provision was adopted in 1982. The maximum deduction was increased in 1993 and 1996. In 2003, the amount of allowable expensing was temporarily increased for tax years 2003 through 2005. The increase was extended for tax years 2006 to 2010. For budgetary reasons, Minnesota did not adopt the increased limits for 2006 to 2010. For Minnesota tax purposes, 80% of the difference in expensing allowed under current and prior federal law is added back to income in the year the property is placed in service and the addition is allowed as a subtraction in equal parts over next five years.

Relationship to Base Budget

This proposal will result in revenue loss to general fund in FY 2010 and FY 2011 as taxpayers will not be required to add back 80% of the difference for their purchases placed in service in 2009 and 2010. This will result in increases in general fund revenues in FY 2012 and FY 2013 as taxpayers receive the tax benefit in the first year versus taking the subtraction over the next five years.

Key Goals and Measures

This initiative supports the *Minnesota Milestones* goal that *Minnesota will have sustainable, strong economic growth*.

Statutory Change: Minnesota Statutes, Section 290.01

TAX POLICY, AIDS AND CREDITS

Change Item: Capital Gains Exemption

Fiscal Impact (\$000s)	FY 201	FY 2011	FY 2012	FY 2013
General Fund				
Expenditures	\$0	\$0	\$0	\$0
Revenues	0	0	0	0
Other Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact	\$0	\$0	\$0	\$0

Recommendation

The Governor recommends the creation of a capital gains exemption for qualifying investments in small businesses in Minnesota starting in 2009. This will encourage new investment and job growth in Minnesota businesses.

Background

To encourage long-term investments and help job growth, a new capital gains exemption is proposed. 50% of the capital gains from qualifying investments in Minnesota small businesses will be exempt from taxation. The exemption will be available for qualifying investments starting in 2009 and will require a five year holding period.

Relationship to Base Budget

The capital gain exclusion will not impact the general fund budget until FY 2014 and beyond. The tax benefit will not be received until the asset is sold as the investment will require a 5 year holding period.

Key Measures

This initiative supports the *Minnesota Milestones* goal that *Minnesota will have sustainable, strong economic growth*.

Statutory Change: M.S. 290

TAX POLICY, AIDS AND CREDITS

Change Item: County Program Aid Reduction

Fiscal Impact (\$000s)	FY 2010	FY 2011	FY 2012	FY 2013
General Fund				
Expenditures – CPA Reductions	\$(67,740)	\$(116,128)	\$(98,878)	\$(98,878)
Expenditures – CPA Earn Back	\$25,000	\$32,978	\$32,978	\$32,978
Other Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact	\$(42,740)	\$(83,150)	\$(65,900)	\$(65,900)

Recommendation

The Governor recommends reducing county program aid (CPA) payments by \$67.7 million in FY 2010 and \$116.1 million in FY 2011. The Governor believes that counties, like all agencies, programs, organizations and individuals that depend on state financial resources must share the burden of solving the current budget problem. The Governor also recommends that counties be provided with an opportunity to earn back a portion of their aid by reforming the way human services programs are delivered. Assuming counties choose to comply with the Governor's county program reform initiative, the net reduction in CPA would be \$42.7 million in FY 2010 and \$83.2 million in FY 2011. Under this proposal, counties will receive \$125.9 million in county program aid from the state in FY 2010-11.

Background

County program aid is paid from the state general fund to counties as general-purpose aid. The total amount of county program aid under current law is \$459 million for the FY 2010-11 biennium. In 2003, several county aids were restructured into a single program called county program aid (CPA). At that time, the following individual aid programs were eliminated: homestead and agricultural aid credit, county criminal justice aid, family preservation aid and attached machinery aid. CPA payments are determined using a formula that includes factors such as population, property wealth, crimes, persons receiving food stamps and age (adjusted population for those over 65).

For aids payable in FY 2010, the reduction would be \$67.7 million which is calculated as 2.41% of levy plus aid for each county. Counties will be eligible for a smaller reduction of \$42.7 million or 1.53% if they comply with the Governor's initiative to form 15 regional human service authorities. For aids payable in FY 2011, the reduction is 4.14% of levy plus aid for each county, based on payable 2009 levy plus aid. Counties again would be eligible for a smaller reduction totaling \$83.2 million or 2.97% if they comply with an initiative to reform human services administration. For aids payable in FY 2012 and thereafter, the reduced appropriation would be distributed through the county program aid formula.

CPA payments are made twice a year, one in July and one in December. County fiscal calendars operate on a calendar year basis whereas the state operates on a July 1st – June 30th fiscal calendar. Therefore aid reductions for state FY 2010 will affect FY 2009 county budgets. The reduction amounts reflected above shift approximately two-thirds of the reduction to the second year of the biennium thus minimizing the affect on counties that have already set their FY 2009 budgets.

Relationship to Base Budget

For aids payable in FY 2010, the proposed reduction is \$42.7 million which is 1.53% of levy plus aid for each county. For aids payable in FY 2011 the proposed reduction is \$83.2 million which is 2.97% of levy plus aid. For aids payable in FY 2012 and thereafter, the reduced appropriation would be distributed through the county program aid formula. Counties could be subject to further reductions in FY 2012 and thereafter if they do not comply with the county program reform initiative. This proposal assumes that counties would choose to comply with the Governor's initiative to form 15 regional human service authorities.

Statutory Change: 477A.0124 and 477A.03

TAX POLICY, AIDS AND CREDITS

Change Item: Local Government Aid Reduction

Fiscal Impact (\$000s)	FY 2010	FY 2011	FY 2012	FY 2013
General Fund				
Expenditures	\$(77,800)	\$(168,000)	\$(129,500)	\$(129,500)
Revenues	0	0	0	0
Other Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact	\$(77,800)	\$(168,000)	\$(129,500)	\$(129,500)

Recommendation

The Governor recommends reducing local government aid payments by \$77.8 million in FY 2010 and \$168 million in FY 2011. The Governor believes that cities, like all agencies, programs, organizations and individuals that depend on state financial resources must share the burden of solving the current budget problem. With this reduction, cities will still receive \$823 million in local government aid from the state in FY 2010-11.

Background

Minnesota has a long history of supplementing local government revenues with state general fund aid payments. This is done in order to alleviate the burden on the property tax system.

Advocates of state aid payments have advanced several reasons for this financial relationship including:

- ◆ State aid payments help communities with limited property wealth to provide basic local services without undue property tax burden.
- ◆ State aid payments help offset the cost of state mandates.
- ◆ State aid payments help limit the overall property tax burden.

Critics of state aid payment have also advanced several concerns about this financial relationship including:

- ◆ State aid distribution formulas are often based more on historical spending patterns than need.
- ◆ State aid programs do not have specific objectives or accountability measures.
- ◆ State aid drives increased spending by local governments; it does not reduce property taxes.

Local Government Aid (LGA) is distributed on a formula basis using several factors to determine the size of payment to an individual city. For cities with population of 2,500 or more need is determined by factors such as population decline, age of housing stock, household size and number of vehicular accidents. For cities with population less than 2,500, need is determined by population decline, age of housing stock, percent of commercial and industrial property and a population adjustment factor.

LGA is paid by the state in two payments, one in July and one in December. Cities operate on calendar year budget whereas the state operates on a July 1 – June 30 fiscal year. The reduction of \$77.8 million in FY 2010 represents less than one-third of the total cut for the biennium so as to minimize the immediate impact on cities that may have already set their 2009 budget—local government aid payments for state FY 2010 are sent in July and December 2009. LGA is distributed to 763 cities while 91 cities receive no LGA. Additionally, 116 cities would receive at least a partial reduction in their homestead and agricultural market value credits.

This proposal is coupled with market value credit reductions and is structured to fairly and evenly distribute the reductions across all cities. The reductions to cities are calculated to equal 5.05% of levy plus aid for each city. The reduction would first be taken from the certified 2009 LGA and then from the market value homestead credit if there is not enough aid. For aids payable in 2010 the total reduction is 11.27% of levy plus aid for each city. For aids payable in 2011 and thereafter the reduced appropriation will be distributed through the LGA formula.

Relationship to Base Budget

This proposal would reduce FY 2010-11 LGA general fund spending by approximately 23%.

Statutory Change: MS 477A.011 and 477A.03

TAX POLICY, AIDS AND CREDITS

Change Item: Residential HMVC Reimbursement

Fiscal Impact (\$000s)	FY 2010	FY 2011	FY 2012	FY 2013
General Fund				
Expenditures	(\$32,700)	(\$35,860)	(\$35,100)	(\$34,300)
Revenues	0	0	0	0
Other Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact	(\$32,700)	(\$35,860)	(\$35,100)	(\$34,300)

Recommendation

The Governor recommends reducing the Homestead Market Value Credit paid to local governments by \$32.7 million in FY 2010 and \$35.86 million in FY 2011. This proposal will eliminate the reimbursement paid to townships and result in a partial reduction to some cities. This recommendation is included to ensure that all local governments, even those that are less reliant on local government aid, share the burden of the state's historic budget shortfall.

Background

Residential and agricultural homesteads receive a benefit from the state-funded market value credit that is shown on their property tax statement as a subtraction from their property taxes. The credit amount is equal to 0.4 percent of market value up to a maximum credit of \$304, which occurs on a home valued at \$76,000. The credit begins to decrease on homes valued at more than \$76,000. Homes valued above \$414,000 receive no credit. Local governments receive a state reimbursement for the reduction in property taxes to homeowners. The reimbursement is paid out twice a year to local governments, once in October and once in December.

Under this proposal, the estimated \$11 million in reimbursements that would be paid to townships in FY 2010 would be eliminated. Reimbursements to cities would be reduced by \$21.7 million.

Under current law levy limits, FY 2010 reductions would not be eligible for additional levy authority. After 2010, it is assumed that local governments receiving a reduction in reimbursement would increase property tax levies. The resulting increase in property tax burden on homesteads would result in higher state-paid direct relief to homeowners through the property tax refund program. The increased payments to homeowners are reflected in this document under the property tax refund and income tax interaction change item.

Market value credit reimbursement reductions are coupled with reductions to local government aid so as to fairly distribute aid reductions to all local governments.

Relationship to Base Budget

This proposal will reduce the market value homestead credit general fund expenditures by 13.1 percent for the biennium.

Statutory Change: M.S. § 273.1384

TAX POLICY, AIDS AND CREDITS

Change Item: Reduce Agricultural MVC Reimbursements

Fiscal Impact (\$000s)	FY 2010	FY 2011	FY 2012	FY 2013
General Fund				
Expenditures	(\$4,340)	(\$4,370)	(\$4,360)	(\$4,360)
Revenues	0	0	0	0
Other Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact	(\$4,340)	(\$4,370)	(\$4,360)	(\$4,360)

Recommendation

The Governor recommends reducing the Agricultural Homestead Market Value Credit paid to local governments by \$4.34 million in FY 2010 and \$4.37 million in FY 2011. This proposal will eliminate the reimbursement paid to townships and result in a partial reduction to some cities. This recommendation is included to ensure that all local governments, even those that are less reliant on local government aid, share the burden of the state's historic budget shortfall.

Background

Agricultural homesteads, similar to residential homesteads, receive a benefit from the state-funded market value credit that is shown on their property tax statement as a subtraction from their property taxes. For taxes payable in 2007, property classed as Class 2a agricultural homestead is eligible for an agricultural credit. The credit is equal to 0.3 percent of the first \$115,000 of the property's market value (base amount). The maximum credit is limited to \$345 and this amount is reached at \$115,000. The credit is reduced by 0.05 percent of the market value in excess of \$115,000, but it is subject to a maximum reduction of \$115. This credit decreases as the market value increases to \$345,000. At that value, the credit reduction reaches the maximum of \$115 and the credit is equal to \$230. For any agricultural homestead valued at \$345,000 or above, the agricultural homestead credit is \$230.

Local governments receive a state reimbursement for the reduction in property taxes to agricultural homesteads. The reimbursement is paid out twice a year to local governments, once in October and once in December.

Under this proposal, the estimated \$4.2 million in reimbursements that would be paid to townships in FY 2010 would be eliminated. Reimbursements to cities would be reduced by \$140,000.

Under current law levy limits, FY 2010 reductions would not be eligible for additional levy authority. After 2010, it is assumed that local governments receiving a reduction in reimbursement would increase property tax levies. The resulting increase in property tax burden on homesteads would result in higher state-paid direct relief to homeowners through the property tax refund program. The increased payments to homeowners are reflected in this document under the property tax refund program and income tax interaction change item.

Market value credit reimbursement reductions are coupled with reductions to local government aid so as to fairly distribute aid reductions to all local governments.

Relationship to Base Budget

This proposal will reduce the market value agriculture credit general fund expenditures by 17.2 percent for the biennium.

Statutory Change: Minn. Stat. § 273.1384

TAX POLICY, AIDS AND CREDITS

Change Item: Property Tax Refund: Change Formula

Fiscal Impact (\$000s)	FY 2010	FY 2011	FY 2012	FY 2013
General Fund				
Expenditures	0	(\$50,700)	(\$51,600)	(\$52,300)
Revenues	0	0	0	0
Other Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact	0	(\$50,700)	(\$51,600)	(\$52,300)

Recommendation

The Governor recommends adjusting the rate for calculating property tax refunds for renters so that it more closely reflects actual property taxes paid. The rate attributable to property taxes would be changed from 19 percent of rent paid to 15 percent of rent paid.

Background

Minnesota's property tax refund program provides income-based property tax refunds to residential homeowners and renters. The refund is based on the relationship between the claimant's property tax and household income. For renters, the portion of rent attributable to property taxes is considered to be 19 percent of the rent payment, a rate that was established in 1998.

Property tax reforms enacted in 2001, however, resulted in class rate reductions for most rental property. A Department of Revenue study shows that property taxes now constitute, on average, less than 15 percent of rent paid. Since the goal of the property tax refund program is to refund a portion of property taxes, it is important to update the rate to more closely reflect the actual property tax share of rental payments.

Under this proposal, the percentage of rent attributable to property tax would be reduced to 15 percent.

Relationship to Base Budget

This proposal will result in an approximately 14 percent reduction in general fund spending on the renter's property tax refund program in FY 2010 – 11.

Statutory Change: Minn. Stat. § 290A.03

TAX POLICY, AIDS AND CREDITS

Change Item: Eliminate Political Contribution Refund

Fiscal Impact (\$000s)	FY 2010	FY 2011	FY 2012	FY 2013
General Fund				
Expenditures	\$(4,800)	\$(6,800)	\$(6,000)	\$(7,100)
Revenues	0	0	0	0
Other Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact	\$(4,800)	\$(6,800)	\$(6,000)	\$(7,100)

Recommendation

The Governor recommends eliminating the political contribution refund program, which will save the state's General Fund \$4.8 million in FY 2010 and \$6.8 million in FY 2011.

Background

Minnesota's Political Contribution Refund Program allows individuals who contribute to a Minnesota political party, or to candidates for state office or the Minnesota legislature to apply for a refund of their contribution. The maximum refund is \$50 for single individuals or \$100 for married couples. Only monetary contributions qualify for the refund. To receive a refund, applicants must file form Political Contribution Refund (PCR) with Minnesota Department of Revenue by April 15 of the year following the contributions. Each application for the refund must include an original receipt issued by the candidate or political party receiving the contribution. The amount necessary to pay the refunds is appropriated to the Commissioner of Revenue. The program results in an indirect state appropriation to political parties and candidates for a state office.

As Minnesota faces an historic budget shortfall, not all programs can continue to be funded. Eliminating the political contribution refund program is estimated to save \$11.6 million in FY 2010-11 and \$13.1 million in FY 2012-13.

Relationship to Base Budget

This proposal will result in approximately \$11.6 million in reduced general fund expenditures in FY 2010–11.

Statutory Change: M.S. 270A.03, 289A.50 and 290.01

TAX POLICY, AIDS AND CREDITS

Change Item: Cap Sustainable Forest Incentive Act Pmt

Fiscal Impact (\$000s)	FY 2010	FY 2011	FY 2012	FY 2013
General Fund				
Expenditures	\$0	\$(5,500)	\$(6,100)	\$(6,900)
Revenues	0	0	0	0
Other Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact	\$0	\$(5,500)	\$(6,100)	\$(6,900)

Recommendation

The Governor recommends capping the maximum Sustainable Forest Incentive Act (SFIA) per-acre payment at \$100,000 per claimant. This cap would take effect beginning for acreage enrolled in 2009 for payment in FY 2011 and would impact four claimants.

Background

The Sustainable Forest Incentive Act (SFIA) was passed in 2001 and allows annual payments to be made to enrolled owners of forested land as an incentive to practice long-term sustainable forest management. The payment rate in 2008 was \$8.61 per acre and cannot be less than \$7.00 per acre in any year. To be enrolled in the program, a participant must meet all of the following requirements:

- ◆ Participants must own 20 or more contiguous acres of land in Minnesota, of which at least 50% is forested. Participants may be private individuals, corporations or partnerships, and can be either residents or nonresidents of Minnesota.
- ◆ There can be no delinquent property taxes owed on the land prior to enrolling, and participants must stay current with their taxes while enrolled in the program.
- ◆ The land must have an active forest management plan in place that was prepared by an approved plan writer within the past ten years. The plan writer must be approved by the Department of Natural Resources (DNR). All management activities prescribed in the plan must meet the recommended timber harvesting and forest management guidelines created by the Minnesota Forest Resources Council.

Relationship to Base Budget

This proposal would reduce the general fund appropriation by \$5.5 million in FY 2011, \$6.1 million in FY 2012, and \$6.9 million in FY 2013. This proposal would reduce SFIA payment general fund spending in FY 2010 – 11 by 34%.

Statutory Change: M.S. 290C

TAX POLICY, AIDS AND CREDITS

Change Item: Reduce Taconite State Aid Appropriation

Fiscal Impact (\$000s)	FY 2010	FY 2011	FY 2012	FY 2013
General Fund				
Expenditures	\$(5,480)	\$(5,480)	\$(5,480)	\$(5,480)
Revenues	0	0	0	0
Other Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact	\$(5,480)	\$(5,480)	\$(5,480)	\$(5,480)

Recommendation

The Governor recommends reducing the taconite state aid appropriation from 22 cents per taxable ton of iron ore produced to 7 cents per ton. The taconite state aid amount would still be distributed according to M.S. 298.28. The Governor believes this reduction in state aid is necessary to deal with the current budget deficit.

Background

In accordance with M.S. 298.285, the taconite state aid appropriation is added to total taconite production tax collected under M.S. 298.27 as if the dollars were taconite production taxes paid by a mining company. The state aid appropriation was enacted in 2001 in response to the shutting down of many mining operations. The aid payment continued, however, even though production tax revenues have rebounded since 2001.

Taconite production tax revenues are distributed based on the formula in M.S. 298.28. Under current law, the annual state aid payment is equal to 22 cents per taxable ton of iron ore produced. The proposal reduces the payment to 7 cents per ton and the total amount available for distribution under M.S. 298.28.

The proposal would reduce amounts available to the Taconite Area Environmental Protection Fund (TEPF) and the Douglas J. Johnson Economic Protection Trust Fund (DJJ), which are remainder accounts that only receive money after all other distributions have been made.

The TEPF is the primary source of funds available to the Office of the Commissioner of Iron Range Resources and Rehabilitation for agency operations, programs and projects. The DJJ is a trust account. Interest from the DJJ also is available to the Commissioner for agency operations, programs and projects.

The proposal would have no impact on distributions made to schools, counties, cities, townships and other recipients under M.S. 298.28 because if there are insufficient funds to cover the distributions to recipients, under M.S. 298.225 this shortfall is made up by the TEPF and DJJ.

Relationship to Base Budget

This proposal would result in a 68% reduction in taconite state aid expenditures from the general fund.

Statutory Change: M.S. 298.285

TAX POLICY, AIDS AND CREDITS

Change Item: PILT Adjustment

Fiscal Impact (\$000s)	FY 2010	FY 2011	FY 2012	FY 2013
General Fund				
Expenditures	\$(4,300)	\$(4,400)	\$(5,200)	\$(5,300)
Revenues	0	0	0	0
Other Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact	\$(4,300)	\$(4,400)	\$(5,200)	\$(5,300)

This change item page is presented for cross reference purposes only. The primary change page and the associated financial impacts are located in the Department of Natural Resources presentation.

Recommendation

The Governor recommends a reduction to the Department of Natural Resources (DNR) in the appropriation for payments in lieu of taxes (PILT).

Background

PILT payments are governed under M.S. 477A.12. The appropriation is made initially to the Department of Natural Resources and then transferred to the commissioner of the Department of Revenue for payment. They are intended to help counties that have a large amount of state owned land. Because state owned land does not pay local property taxes, delivering even basic level services to that state owned land can be financially difficult for local governments.

PILT payment obligations have grown over the last several years, and they are expected to keep growing. The current forecast base for general fund PILT is \$21.787 million in FY 2010 and \$21.905 million in FY 2011.

The Governor is proposing to modify the PILT payment formula to provide 80% of funding currently forecast. A reduction to PILT payments does not affect operations of the DNR, but it is a reduction in payments to counties.

Relationship to Base Budget

This proposal will continue to provide PILT payments to counties at 80% of forecasted funding levels.

Key Goals and Measures

This budget item is submitted to help manage cost in the growing PILT program.

Statutory Change: Updates are needed from M.S. 477A.12

TAX POLICY, AIDS AND CREDITS

Change Item: Federal Conformity

Fiscal Impact (\$000s)	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013
General Fund					
Expenditures		0	0	0	0
Revenues	\$90	\$(11,600)	\$5,410	\$4,705	\$2,845
Other Fund					
Expenditures		0	0	0	0
Revenues		0	0	0	0
Net Fiscal Impact	\$(90)	\$11,600	\$(5,410)	\$(4,705)	\$(2,845)

Recommendation

The Governor recommends that Minnesota law be amended to conform to most federal tax laws passed in The Heroes Earnings Assistance and Relief Tax Act of 2008, The Heartland, Habitat, Harvest, and Horticulture Act of 2008, The Housing Assistance Tax Act of 2008, and the Emergency Economic Stabilization Act of 2008.

- ◆ The Heroes Earnings Assistance and Relief Tax (HEART) Act of 2008
The HEART act provides tax relief and benefits for military personnel and their families, including making permanent the election to include combat pay as earned income for the purposes of the federal Earned Income Credit.
- ◆ The Heartland, Habitat, Harvest, and Horticulture Act of 2008
This act extends agricultural and other programs. Among the provisions, the act extends the special rule for contributions of qualified conservation real property (tax years 2008 and 2009) and allows a deduction for endangered species recovery expenditures.
- ◆ The Housing Assistance Tax Act of 2008
This act includes provisions that are intended to help with the housing crisis.
- ◆ The Emergency Economic Stabilization Act of 2008
This act provides incentives for energy production and conservation, and extends certain expiring tax provisions, such as tax-free distributions from individual retirement plans for charitable purposes.

Certain federal provisions would have a high cost to the state if adopted. Due to the historic deficit Minnesota is currently facing, the Governor does not recommend adopting the following provisions:

- ◆ Additional standard deduction for state and local property taxes, which is estimated to cost \$35.2 million in FY 2009 – FY 2010.
- ◆ Tax deduction for qualified tuition and related expenses, which is estimated to cost \$26.8 million in FY 2009 – FY 2010.
- ◆ Provision to allow ordinary income treatment for gain or loss from the sale or exchange of certain preferred stock by certain financial institutions, which is estimated to cost \$8 million in FY 2009 – FY 2011.
- ◆ Tax deduction for certain educator expenses, which is estimated to cost \$2 million in FY 2009 – FY 2010.

Background

In Minnesota, 2.6 million individual income tax returns are filed each year. In our tax filing system, individuals are required to calculate and pay the correct amount of Minnesota individual income tax. This system only works effectively if the computation of the income tax for the vast majority of taxpayers is easy enough that the taxpayer can simply compute the correct amount of tax.

Under current Minnesota law, the starting point for computing Minnesota income tax is “federal taxable income” as defined in the Internal Revenue Code of 1986 as amended through February 2008. Technically, this means any taxpayer who has an item of income or a deduction that is changed because of post February 2008 federal changes in the code needs to recalculate their federal taxable income before they can start their Minnesota return. For taxpayers in this position, the recalculation of federal taxable income may be a difficult task even with the help of a tax professional.

In general, it has been the position of past administrations and past legislatures to conform to the federal tax code as soon as possible and to the maximum extent possible. Keeping the Minnesota system aligned is often called

TAX POLICY, AIDS AND CREDITS

Change Item: Federal Conformity

“federal conformity.” Federal conformity is not automatic. The legislature is required to act to incorporate new federal changes into Minnesota tax laws. The Governor’s proposal adopts most of the current code and eliminates the need for taxpayers to recalculate their federal taxable income.

Relationship to Base Budget

This proposal carries a revenue gain in FY 2009 of \$90,000 and a revenue loss in FY 2010 of \$11.6 million. In FY 2011 – FY 2013, the proposal would result in revenue gains to the general fund.

Statutory Change: M.S. 289A.02, 290.01, 290.03, and 291.005

TAX POLICY, AIDS AND CREDITS

Change Item: Education Aid Payments Shift

Fiscal Impact (\$000s)	FY 2010	FY 2011	FY 2012	FY 2013
General Fund				
Expenditures	\$(6,797)	\$147	\$111	\$103
Revenues	0	0	0	0
Other Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact	\$(6,797)	\$147	\$111	\$103

Recommendation

The Governor recommends that the payment schedule for state aids and property tax credits paid to school districts and charter schools on a 90% current, 10% final adjustment basis be changed to an 80% current, 20% final adjustment basis beginning in FY 2010. This would result in a total reduction of state expenditures of \$683.2 million in FY 2010, \$9.477 million in FY 2011, \$10.712 million in FY 2012, and \$12.892 million in FY 2013. The amounts detailed in the chart above include only the changes to property tax credits paid to school districts. The K-12 aid payment reductions are reflected in the Minnesota Department of Education portion of the budget document.

Background

The aid payment percentage refers to the amount of the entitlement that will be paid out in the “current year” and the “final year.” Under current law, for programs that are subject to the aid payment shift, 90% of the entitlement is paid to school districts in the “current year” and 10% is paid out in a final adjustment payment in the “final year.” The final adjustment payment must include the amounts necessary to pay a district's full aid entitlement for the prior year based on actual data when actual data is available.

This proposal would change the percentage in the “current year” to 80% and the payment in the “final year” to 20%. Because school districts operate on an accrual basis rather than a cash basis, the reduction in cash paid during the school year allows the district to recognize the same level of revenue while allowing the state (operating on a cash basis) to defer the cost to the next fiscal year.

School districts have authority to borrow for a period of up to 13 months against receivable state aid, federal flow-through aid and local tax receipts, and to participate in a state credit enhancement plan that allows districts to qualify for the best interest rates with state guarantee of payment in the event of district default under M.S. 126C.50-56. For FY 2009, approximately 90 districts borrowed in anticipation of state and federal aid. The number of districts choosing to access additional cash by borrowing against taxes receivable is unknown at this time as the process begins in January and February after final certification of school district tax levies.

Fiscal Impact by Budget Activity Level (\$000s)	FY2010	FY2011	FY2012	FY2013
Disaster Credit	\$(3)	\$3	\$0	\$0
Disparity Reduction	(858)	0	0	0
Border City	(100)	(5)	(5)	(6)
PY Real Property	(22)	0	0	0
Homestead Market Value	(5,172)	149	116	109
Agricultural Land Market Value	(588)	0	0	0
Mobile Home Homestead Market Value	(54)	0	0	0
Total Credit Payment Delay	\$(6,797)	\$147	\$111	\$103

Key Goals and Measures

Districts will not experience revenue loss as a result of the payment shift.

Statutory Change: M.S. 127A.45

TAX POLICY, AIDS AND CREDITS

Change Item: Property Tax Refund and Income Tax Interaction

Fiscal Impact (\$000s)	FY 2010	FY 2011	FY 2012	FY 2013
General Fund				
Expenditures	\$0	\$11,970	\$9,800	\$9,690
Revenues	0	(12,600)	(10,600)	(10,500)
Other Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact	\$0	\$24,570	\$20,400	\$20,190

Recommendation

The Governor's budget recommendations for reductions in Local Government Aid, County Program Aid, Residential and Agricultural Market Value Credit and school levy changes interact with the property tax refund claims and the income tax system. The result is an increase in property tax refunds paid directly to homeowners and an increase in deductions on individual and corporate tax forms.

Background

The Governor's proposed budget changes affect several property tax aid and levy programs. It is assumed that some of these aid reductions to local governments will result in levy increases that will increase property taxes. The property tax increases will raise the amount of property tax refunds to homeowners. The property tax increases will also increase the deductions on individual and corporate tax forms, thereby decreasing income taxes paid.

The homeowner's property tax refund (PTR) program is a state-paid refund that provides direct tax relief to homeowners from the general fund. The PTR is paid to homeowners whose property taxes are high relative to their incomes. If property tax exceeds a threshold percentage of income, the refund equals a percentage of tax over the threshold up to a maximum amount. In 2008, the maximum refund was increased to \$2,310. Homeowners without dependents whose income exceeds \$96,939 are not eligible for a refund.

Relationship to Base Budget

This will result in both reduced revenue coming into the general fund through income taxes and an increase in general fund expenditures through the property tax refund payments to homeowners.

Statutory Change: Not Applicable