

Minnesota Biennial Budget

FY 2012 - 2013



2012 - 2013

Governor's Budget Recommendation

*Presented by
Governor Mark Dayton
To the 87th Legislature
February 15, 2011*

*Volume III
(N - Z)*

FY 2012 – 2013 Governor's Budget Recommendations

Volume 3

Recommendations for the following agencies:

- Natural Resources, Department of
- Nursing, Board of
- Nursing Home Admin, Board of
- Office Enterprise Technology
- Office of Higher Education
- Ombudsperson for Families
- Ombudsperson for MH, MR
- Optometry, Board of
- Peace Officers Stds & Trng Board.
- Perpich Center for Arts Education
- Pharmacy, Board of
- Physical Therapy, Board of
- Podiatry, Board of
- Pollution Control Agency
- Private Detective Board
- Psychology, Board of
- Public Defense Board
- Public Employees Retirement Assn
- Public Facilities Authority
- Public Safety, Department of (Highway)
- Public Utilities Commission
- Racing Commission
- Revenue, Department of
- Science & Technology Authority
- Science Museum of MN
- Secretary of State
- Sentencing Guidelines Commission
- Social Work, Board of
- State Auditor
- Supreme Court
- Tax, Aids and Credits
- Tax Court
- Teachers Retirement Association
- Transportation, Department. of
- Trial Courts
- Uniform Laws Commission
- University of Minnesota
- Veteran's Affairs, Department of
- Veterinary Medicine, Board of
- Water & Soil Resources Board
- Workers Comp Court/Appeals
- Zoological Board

	PAGE
Agency Profile.....	3
Agency Fiscal Page (Gov Rec)	7
Change Summary	9
Agency Change Items	
⇒ Aquatic Plant Management.....	13
⇒ Clean Water Fund.....	14
⇒ General Fund Reduction.....	15
⇒ Hunting And Fishing License Fee Changes.....	17
⇒ Aquatic Invasive Species Prevention/Mgmt.....	19
Program Change Items	
Ecological and Water Resources	
⇒ Maintain Recreational Water Levels	21
⇒ Water Management Account	22
Enforcement NR Laws & Rules	
⇒ Maintenance of Natural Resource Enforcement, Education and Public Safety	23
⇒ Peace Officer Training Account	24
Fish and Wildlife Management	
⇒ Dedicated Accounts Adjustment.....	25
⇒ Lamprey Pass	27
Fish and Wildlife Management	
⇒ Wildlife Health.....	28
Forest Management	
⇒ MN Forests for Future Easement Stewardship.....	29
⇒ Maintenance of Minimum-Maintenance Forest Roads	30
⇒ Native Plant Community Mapping	31
⇒ State Forest Land Management	32
⇒ ATV Fund	33
Parks and Trails Management	
⇒ Forest Campground Income	34
⇒ Investing in our State Parks and Trails	35
⇒ Local Trail Grants-Lottery in Lieu.....	37
⇒ Parks and Trails Fund Grant Program.....	38
⇒ Snowmobile Fund.....	39
⇒ State Park Dedicated Account.....	40
⇒ State Parks and Trails Lottery in-Lieu.....	41
⇒ Water Recreation Program	42

- CONTENTS (Continued)

PAGE

Programs

Land And Minerals Resource Mgt.....	43
Program Summary	47
Ecological And Water Resources.....	49
Program Summary	53
Forest Management.....	55
Program Summary	56
Budget Activities	
Forest Management	58
Budget Activity Summary	62
Fire Fighting	64
Budget Activity Summary	67
Parks And Trails Management.....	68
Program Summary	72
Budget Activities	
Parks And Trails Management	75
Budget Activity Summary	76
Community Partnerships	78
Budget Activity Summary	79
Fish And Wildlife Management.....	80
Program Summary	85
Budget Activities	
Fish And Wildlife Management.....	87
Budget Activity Summary	88
Licensing	90
Budget Activity Summary	92
Enforcement Nr Laws & Rules.....	93
Program Summary	96
Operations Support.....	98
Program Summary	99
Budget Activities	
Operations Support	102
Budget Activity Summary	104
Trust Land Management	106
Federal Funds Summary.....	108
Grants Detail.....	114
Agency Revenue Summary Fiscal Page	118

⇒ Designates that this item is a change item

Agency Purpose

The mission of the Department of Natural Resources (DNR) is *to work with citizens to conserve and manage the state's natural resources, to provide outdoor recreation opportunities, and to provide for commercial uses of natural resources in a way that creates a sustainable quality of life.* DNR's responsibilities are broad, but are fundamentally focused on enhancing and sustaining Minnesota's quality of life through the balanced union of this three-part mission.

At a Glance

DNR seeks to achieve the following six goals to fulfill its mission:

Goal 1 – Grow Minnesota's natural resource-based economies that promote conservation of its abundant natural resources

- Forest certification on 4.8 million acres of state forest lands maintains the market competitiveness of Minnesota's forest industry, providing timber, habitat, clean water, and recreation opportunities
- \$4.3 billion generated each year by fishing, hunting, and wildlife-watching –supporting 55,000 jobs
- 12 million acres of state mineral rights –mining is the biggest contributor to northeast Minnesota's economy

Goal 2 – Conserve and enhance Minnesota's water resources and watersheds

- DNR maps and monitors ground water – two-thirds of public water supply comes from ground water
- DNR monitors the state's surface waters with 2,800 monitoring sites across the state

Goal 3 – Conserve and enhance Minnesota's natural lands and habitats

- 58 state forests, encompassing 4.2 million acres

- 1,430 wildlife management areas (WMAs) with 1.3 million acres of habitat and 840 shoreland miles administered as aquatic management areas (AMAs)
- Approximately 150 scientific and natural areas (SNAs), encompassing 180,000 acres

Goal 4 – Maintain the health of Minnesota's fish and wildlife populations and provide great recreation opportunities

- 29% of Minnesotans fish, 15% Minnesotans hunt or trap, and 54% view or photograph wildlife

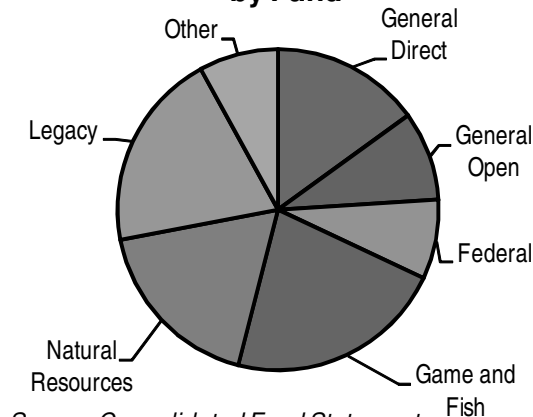
Goal 5 – Maintain and enhance Minnesota's will high-quality and diverse outdoor recreation system

- 74 state parks and recreation areas, 54 state forest campgrounds and day use areas, 8 state waysides
- 1,300 miles of developed state trails, 23,000 miles of snowmobile trails, 1,500 miles of cross-country ski trails, 2,000 miles of off-highway vehicle trails
- 30 water trails totaling 4,300 miles, 1,600 public accesses, 350 fishing piers and shore fishing sites

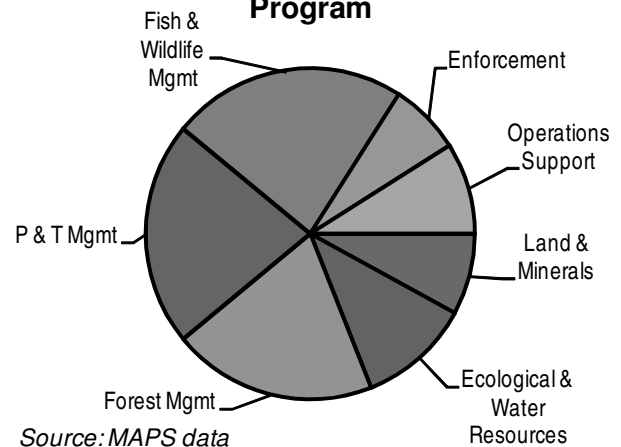
Goal 6 - Effectively and efficiently deliver services to meet our mission

- DNR manages 5,000 pieces of fleet equipment and 2,500 buildings worth more than \$1 billion

Est. FY 2010-11 Expenditures by Fund



Est. FY 2010-11 Expenditures by Program



Natural resource protection: Minnesota's natural lands and waters serve as the foundation for the state's triple bottom line – a healthy environment, a strong economy, and vibrant communities. Natural resource systems provide immeasurable public benefits – from flood mitigation and erosion control to the high quality of life natural lands and waters provide to communities. Protection of the state's rich, natural assets (such as clean water, fish and wildlife, and timber) sustains Minnesota's global, natural resource-based economies and fosters a strong, outdoor heritage in the state.

Economic development: Correspondingly, natural resource-based economies – including recreation tourism, forest products, and water and mineral resources – serve as a cornerstone for Minnesota's economic well-being, generating billions of dollars in the state. For instance, Minnesota's forest industry supports 38,000 jobs and is the state's fourth largest manufacturing sector by employment, while the annual total economic impact of watercraft and boat trip spending is \$4 billion. Sustaining the quality of the state's valuable natural resources, by investing in conservation and ensuring environmentally sound practices, supports the long-term success of Minnesota's natural resource-based economies and provides a high return on investment.



Outdoor recreation: Likewise, outdoor recreation produces important economic benefits, creating jobs and generating significant spending in local economies. For instance, statewide trail-related activities support 43,000 jobs, with trail users spending \$3.3 billion annually. Outdoor recreation also connects people to the outdoors, fostering an ethic of natural resource stewardship among Minnesotans and building an engaged, diverse outdoor recreation public that supports conservation of the state's valued lands and waters.

Recognizing the interdependency of environment and economy, DNR works to optimize the state's triple bottom line to ensure that all Minnesotans are provided high-quality natural resources (clean water, natural lands, and healthy fish and wildlife populations) as a foundation for economic wealth and fun recreation opportunities.

Strategies

Minnesota is facing unprecedented change. Complex natural resource challenges are reshaping the state's resource base. Invasive species threaten the health and resiliency of Minnesota's lands and waters. Growth and development patterns, such as along shorelands, in cities, and on farmlands, impact land and water conditions. Accelerating shifts in climate are anticipated to have significant impacts on Minnesota's lands and waters and are likely to intensify the negative effects of wildfires, invasive species, and disease on the state's resources.

Significant shifts in traditional sources of conservation funding influence how the department accomplishes its work. If current budget trends continue, the state's general fund will increasingly be dedicated to health and human services, education, and public safety to meet the needs of a changing population. DNR is adapting to these shifts in funding by better integrating our work, being innovative and entrepreneurial in our business, improving efficiencies in our operations, and reducing staffing levels over the past several years.

Social and demographic changes have implications both for how public services are provided by state government and how the public interacts with Minnesota's environment. The department is engaged in research to better understand recreation participation trends and is working closely with diverse partners on promoting strategies that encourage Minnesotans to participate and engage in the outdoors in new ways.

Within this context, DNR is focusing its resources and leadership in four areas that, when combined, provide the optimal approach for the department to achieve its mission-critical work while being a part of the state's budget solution:

- ***DNR integrates our natural resources work to be better positioned for the future***

Integrated resource management allows the department to be flexible to address new challenges and take on new opportunities, to be adaptive and adjust our approaches when needed, and to work collaboratively with others. Organizational transformations, such as the formation of the new Division of Parks and Trails, aligns department resources to enable market development around better connecting people to the outdoors through a 21st century state park and trail system. The formation of a new Division of Ecological and Water

Resources allows DNR to more comprehensively address biological diversity and water management issues, recognizing the key role Minnesota's water resources have in supporting a strong economy.

- ***DNR is innovative in our business***

Building on successful business improvements that have increased the efficiency of department operations, DNR is identifying critical leverage points that, with minimal public investment, provide significant cost-savings. DNR's fleet is considered one of the best in the nation, with a reliable, energy-efficient fleet that costs the department much less than the industry standard. With a large workforce stationed at more than 180 locations across the state, the department is improving the energy performance of its buildings and working across units of government to determine opportunities for co-locating facilities to reduce operational costs. Likewise, DNR has made significant improvements in safety performance, saving more than \$4 million in safety claims over the last 10 years.

- ***DNR works in close partnership with Minnesotans to achieve our goals***

DNR recognizes that no one organization is responsible for the health of Minnesota's natural resources. The department depends on strong public and private partnerships and the active participation of citizens to achieve conservation goals. Innovative partnerships (such as with the Minnesota Twins, Best Buy Co., and REI, Inc.) enable DNR to engage new customers and measurably increasing attendance at Minnesota state parks, which serve as a gateway to other outdoor adventures. These partnerships have greatly enhanced DNR's outreach efforts and contribute to building and sustaining a robust recreation tourism industry in the state. Likewise, DNR works closely with private landowners and conservation partners through partnerships such as the Minnesota Forests for the Future Program and the Working Lands Initiative, which leverage state investments with non-state dollars, achieving conservation goals at the lowest possible cost to the state.

- ***DNR is transparent and accountable in our work, communicating results meaningful to the public***

Today's society demands a greater focus on measuring and communicating the results of public investments. Over the past eight years, DNR has built an integrated performance management system to ensure we are meeting the needs of our customers, a diverse and changing public. Charting strategic direction, measuring performance, and making course corrections to improve results are also essential to cost-effectively managing natural resources and achieving conservation outcomes in today's budget climate. DNR continues to increase the transparency and accountability of its operations through efforts such as implementing a new game and fish fund reporting structure, internal control standards, statewide grants management policies, and other business processes that comply with federal and state standards.

Operations

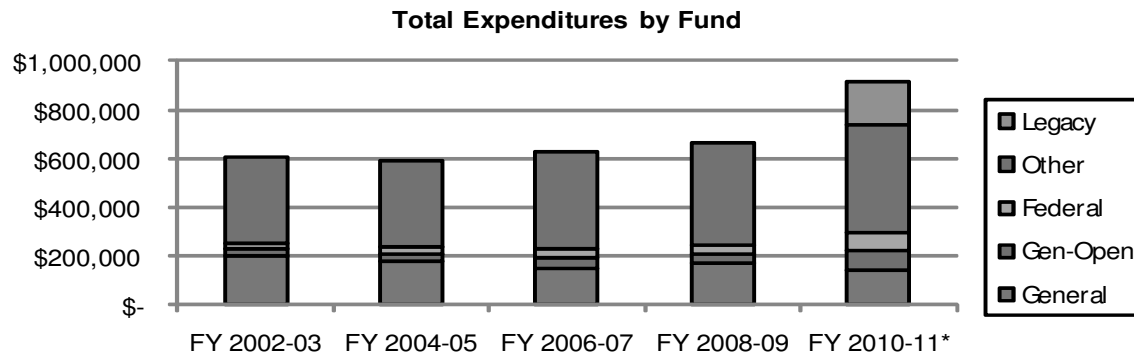
DNR is responsible for conserving the diversity of natural lands, waters, and fish and wildlife that provide the foundation for Minnesota's outdoor recreation heritage and natural resource-based economies (M.S. 84, M.S. 97A). DNR preserves the state's unique natural heritage by protecting rare plant and animal communities throughout the state. DNR manages the state's water resources, sustaining healthy waterways and ground water resources (M.S. 103). DNR provides enriching outdoor recreational opportunities and ensures public access to these resources, including hunting, fishing, wildlife-watching, camping, skiing, hiking, biking, motorized recreation, and conservation education through a state outdoor recreation system that includes parks, trails, wildlife management areas, scientific and natural areas, canoe and boating routes, and other facilities (M.S. 86A). DNR supports natural resource-based economies, managing state forest lands for multiple forest values (M.S. 89), ensuring the maximum long-term economic return from school trust lands (M.S. 127A), and managing the state's 12 million acres of mineral rights (M.S. 93).

DNR is organized into four geographic regions, six operating divisions, and operations support. DNR staff work out of 180 field offices located statewide.

- **Division of Ecological and Water Resources** works to ensure the long-term health of watersheds across the state that support water quality and maintain water quantity, biodiversity, and vital ecosystem services.
- **Division of Enforcement** enforces laws related to game and fish, wetlands, aquatic plants, and the operation of watercraft, snowmobiles, all-terrain vehicles, and other recreational vehicles, and provides conservation and safety education programs.
- **Division of Fish and Wildlife** conserves and enhances the state's fish and wildlife populations and their supporting habitats through regulation, restoration, research, monitoring, and education.
- **Division of Forestry** protects citizens and property from wildfire and strives for the sustainable yield of timber resources for forest products while managing state forests for wildlife habitat and recreation.

- **Division of Lands and Minerals** manages agency real estate transactions and promotes, regulates, and provides expertise on mineral exploration, mining, and mine land reclamation.
- **Division of Parks and Trails** operates a system of state park and state forest campgrounds that conserves natural, scenic, and cultural resources; maintains a statewide network of recreational trails; provides public access to lakes, rivers, and streams; and offers education opportunities.
- **Operations Support** provides direction and coordination of DNR programs and operations, provides local services to the public across the state through regional operations, manages pass-through grants, and directs the management of school and university trust fund lands and mineral rights.

Budget Trends



**FY 2010-11 is budgeted expenditures*

Source data: May 2010 Consolidated Fund Statement (end of 2010 legislative session).

The budget trends graph shows that the general fund open appropriation expenditures increased from FY 2008-09 to FY 2010-11. This is the result of the following factors:

- DNR Payment in Lieu of Taxes (PILT) appropriation is a transfer to the Department of Revenue, so the expenditures are not included in the DNR's expenditure history. However, since the FY10-11 figures are budgeted, the PILT dollars (estimated at \$43.4 million) are included.
- The emergency fire appropriation shows actual dollars spent in FY 2008-09, which was \$2.4 million higher than the budgeted \$22.0 million represented in FY 2010-11.

Federal funding increased from FY 2008-09 to FY 2010-11. FY2010-11 represents the DNR's spending authority (budget), approved through the Legislative Advisory Commission (LAC). Spending authority is always higher than actual spending because:

- Spending authority may be requested for grants at any time during the grant application process. If the grant is not awarded, spending will not occur. For instance, the FY 2010-11 figure includes approximately \$3 million in ARRA grants that were not awarded.
- Most federal grants are available for more than one biennium. Spending authority received in one biennium is not always spent in that biennium.

The FY 2010-11 budget includes approximately \$10 million in spending authority for **new** grants awarded.

Other funding sources include the natural resources fund accounts, game and fish fund accounts, environment and natural resources trust fund.

Contact

Office of the Commissioner
 Minnesota Department of Natural Resources
 500 Lafayette Road
 Saint Paul, Minnesota 55155
 Phone: (651) 259-5555
 Fax: (651) 296-4799
 website: <http://www.mndnr.gov/>

NATURAL RESOURCES DEPT

Agency Overview

Dollars in Thousands					
	Current		Governor Recomm.		Biennium
	FY2010	FY2011	FY2012	FY2013	2012-13
<u>Direct Appropriations by Fund</u>					
Environment & Natural Resource					
Current Appropriation	15,148	14,554	14,554	14,554	29,108
Recommended	15,148	14,554	0	0	0
Change		0	(14,554)	(14,554)	(29,108)
% Biennial Change from 2010-11					-100%
General					
Current Appropriation	71,968	69,513	69,513	69,513	139,026
Recommended	71,968	69,513	56,208	56,203	112,411
Change		0	(13,305)	(13,310)	(26,615)
% Biennial Change from 2010-11					-20.5%
Natural Resources					
Current Appropriation	76,098	75,038	75,038	75,038	150,076
Recommended	76,098	75,038	59,735	60,378	120,113
Change		0	(15,303)	(14,660)	(29,963)
% Biennial Change from 2010-11					-20.5%
Game And Fish (operations)					
Current Appropriation	94,477	94,457	94,457	94,457	188,914
Recommended	94,477	94,457	95,049	98,368	193,417
Change		0	592	3,911	4,503
% Biennial Change from 2010-11					2.4%
Remediation Fund					
Current Appropriation	100	100	100	100	200
Recommended	100	100	100	100	200
Change		0	0	0	0
% Biennial Change from 2010-11					0%
Outdoor Heritage					
Current Appropriation	57,769	69,444	69,444	69,444	138,888
Recommended	57,769	68,694	0	0	0
Change		(750)	(69,444)	(69,444)	(138,888)
% Biennial Change from 2010-11					-100%
Clean Water					
Current Appropriation	6,690	11,835	11,835	11,835	23,670
Recommended	6,690	11,835	12,522	9,092	21,614
Change		0	687	(2,743)	(2,056)
% Biennial Change from 2010-11					16.7%
Parks And Trails					
Current Appropriation	16,861	20,040	20,040	20,040	40,080
Recommended	16,861	20,040	22,366	22,366	44,732
Change		0	2,326	2,326	4,652
% Biennial Change from 2010-11					21.2%

NATURAL RESOURCES DEPT

Agency Overview

Dollars in Thousands

	Current		Governor Recomm.		Biennium
	FY2010	FY2011	FY2012	FY2013	2012-13
<u>Expenditures by Fund</u>					
Direct Appropriations					
Environment & Natural Resource	16,538	22,128	0	0	0
General	69,679	72,068	56,208	56,203	112,411
Minnesota Resources	1	131	0	0	0
Natural Resources	70,139	81,735	59,535	60,378	119,913
Game And Fish (Operations)	89,030	101,310	95,057	98,376	193,433
Remediation Fund	100	100	100	100	200
Outdoor Heritage	50,629	75,834	0	0	0
Clean Water	5,055	13,330	12,522	9,092	21,614
Parks And Trails	11,025	25,876	22,366	22,366	44,732
Permanent School	71	200	200	200	400
Open Appropriations					
General	22,634	19,013	47,323	47,723	95,046
Natural Resources	654	633	540	540	1,080
Game And Fish (Operations)	717	793	793	793	1,586
Statutory Appropriations					
General	26	158	25	0	25
Natural Resources	4,092	6,393	35,434	35,481	70,915
Miscellaneous Special Revenue	26,429	26,572	24,806	25,897	50,703
Game And Fish (Operations)	3,940	3,800	9,721	9,730	19,451
Federal	16,164	34,676	34,190	19,825	54,015
Federal Stimulus	700	0	0	0	0
Remediation Fund	790	381	381	381	762
Reinvest In Minnesota	3,959	5,137	5,390	5,391	10,781
Miscellaneous Agency	4	3	3	3	6
Gift	1,686	1,582	1,608	1,608	3,216
Permanent School	4	200	4	4	8
Total	394,066	492,053	406,206	394,091	800,297
<u>Expenditures by Category</u>					
Total Compensation	166,110	179,578	178,200	180,343	358,543
Other Operating Expenses	122,208	175,636	142,444	136,582	279,026
Capital Outlay & Real Property	45,846	62,310	26,160	22,219	48,379
Payments To Individuals	3	0	0	0	0
Local Assistance	59,881	74,667	32,874	28,108	60,982
Other Financial Transactions	18	173	128	128	256
Non-Cash Transactions	0	(98)	(98)	(98)	(196)
Transfers	0	(213)	26,498	26,809	53,307
Total	394,066	492,053	406,206	394,091	800,297
<u>Expenditures by Program</u>					
Land And Minerals Resource Mgt	10,937	15,258	40,041	40,510	80,551
Ecological And Water Resources	47,126	63,077	52,861	47,890	100,751
Forest Management	83,359	95,260	71,945	65,428	137,373
Parks And Trails Management	90,363	114,377	102,529	102,140	204,669
Fish And Wildlife Management	95,644	118,484	95,561	93,510	189,071
Enforcement Nr Laws & Rules	32,540	33,480	34,902	38,219	73,121
Operations Support	34,097	52,117	8,367	6,394	14,761
Total	394,066	492,053	406,206	394,091	800,297
Full-Time Equivalents (FTE)	2,346.9	2,399.0	2,429.8	2,454.9	

NATURAL RESOURCES DEPT

Change Summary

<i>Dollars in Thousands</i>				
	FY2011	Governor's Recomm.		Biennium
		FY2012	FY2013	2012-13
Fund: ENVIRONMENT & NATURAL RESOURCE				
FY 2011 Appropriations	14,554	14,554	14,554	29,108
Technical Adjustments				
One-time Appropriations		(14,554)	(14,554)	(29,108)
Subtotal - Forecast Base	14,554	0	0	0
Total Governor's Recommendations	14,554	0	0	0
Fund: GENERAL				
FY 2011 Appropriations	69,513	69,513	69,513	139,026
Technical Adjustments				
Approved Transfer Between Appr		0	0	0
Biennial Appropriations		260	260	520
Current Law Base Change		0	0	0
One-time Appropriations		(3,369)	(3,369)	(6,738)
Operating Budget Reduction		(60)	(60)	(120)
Subtotal - Forecast Base	69,513	66,344	66,344	132,688
Change Items				
Forest Campground Income	0	(195)	(200)	(395)
General Fund Reduction	0	(5,916)	(5,916)	(11,832)
Water Management Account	0	(5,000)	(5,000)	(10,000)
Wildlife Health Appropriation	0	975	975	1,950
Total Governor's Recommendations	69,513	56,208	56,203	112,411
Fund: NATURAL RESOURCES				
FY 2011 Appropriations	75,038	75,038	75,038	150,076
Technical Adjustments				
Approved Transfer Between Appr		0	0	0
One-time Appropriations		(660)	(660)	(1,320)
Subtotal - Forecast Base	75,038	74,378	74,378	148,756
Change Items				
ATV Fund	0	400	400	800
Aquatic Invasive Species Prevention/Mgmt	0	3,900	4,000	7,900
General Fund Reduction	0	324	324	648
Local Trail Grants-Lottery in Lieu	0	100	100	200
Maint of Min-Maint Forest Roads	0	200	200	400
Maint. of NR Enf/Educ/Public Safety	0	290	1,033	1,323
Maintain Recreational Water Levels	0	500	500	1,000
Snowmobile Fund	0	200	200	400
State Forest Land Management	0	(11,437)	(11,437)	(22,874)
State Park Dedicated Account	0	(10,620)	(10,620)	(21,240)
State Parks and Trails Lottery in-Lieu	0	300	300	600
Water Recreation Program	0	1,000	1,000	2,000
Total Governor's Recommendations	75,038	59,535	60,378	119,913
Fund: GAME AND FISH (OPERATIONS)				
FY 2011 Appropriations	94,457	94,457	94,457	188,914
Technical Adjustments				
Approved Transfer Between Appr		0	0	0
One-time Appropriations		(1,495)	(1,495)	(2,990)
Subtotal - Forecast Base	94,457	92,962	92,962	185,924
Change Items				
Hunting and Fishing Heritage Initiative	0	6,442	9,361	15,803

NATURAL RESOURCES DEPT

Change Summary

<i>Dollars in Thousands</i>				
	FY2011	Governor's Recomm.		Biennium
		FY2012	FY2013	2012-13
Dedicated Accounts Adjustment	0	(6,345)	(6,345)	(12,690)
Lamprey Pass	0	600	0	600
Maint. of NR Enf/Educ/Public Safety	0	390	1,390	1,780
Native Plant Community Mapping	0	1,000	1,000	2,000
Total Governor's Recommendations	94,457	95,049	98,368	193,417
Fund: REMEDIATION FUND				
FY 2011 Appropriations	100	100	100	200
Subtotal - Forecast Base	100	100	100	200
Total Governor's Recommendations	100	100	100	200
Fund: OUTDOOR HERITAGE				
FY 2011 Appropriations	69,444	69,444	69,444	138,888
Technical Adjustments				
One-time Appropriations		(69,444)	(69,444)	(138,888)
Subtotal - Forecast Base	69,444	0	0	0
Change Items				
MN Forests for Future Easmt Stwrdshp	(750)	0	0	0
Total Governor's Recommendations	68,694	0	0	0
Fund: CLEAN WATER				
FY 2011 Appropriations	11,835	11,835	11,835	23,670
Technical Adjustments				
Current Law Base Change		1,000	0	1,000
One-time Appropriations		(11,835)	(11,835)	(23,670)
Subtotal - Forecast Base	11,835	1,000	0	1,000
Change Items				
Clean Water Fund	0	11,522	9,092	20,614
Total Governor's Recommendations	11,835	12,522	9,092	21,614
Fund: PARKS AND TRAILS				
FY 2011 Appropriations	20,040	20,040	20,040	40,080
Technical Adjustments				
One-time Appropriations		(20,040)	(20,040)	(40,080)
Subtotal - Forecast Base	20,040	0	0	0
Change Items				
Investing in our State Parks and Trails	0	16,201	16,201	32,402
Parks and Trails Fund Grant Program	0	6,165	6,165	12,330
Total Governor's Recommendations	20,040	22,366	22,366	44,732
Fund: GENERAL				
Planned Open Spending	19,013	47,323	47,723	95,046
Total Governor's Recommendations	19,013	47,323	47,723	95,046
Fund: NATURAL RESOURCES				
Planned Open Spending	633	540	540	1,080
Total Governor's Recommendations	633	540	540	1,080
Fund: GAME AND FISH (OPERATIONS)				
Planned Open Spending	793	793	793	1,586
Total Governor's Recommendations	793	793	793	1,586

NATURAL RESOURCES DEPT

Change Summary

<i>Dollars in Thousands</i>				
	FY2011	Governor's Recomm.		Biennium
		FY2012	FY2013	2012-13
Fund: GENERAL				
Planned Statutory Spending	158	25	0	25
Total Governor's Recommendations	158	25	0	25
Fund: NATURAL RESOURCES				
Planned Statutory Spending	6,393	4,852	4,992	9,844
Change Items				
Forest Campground Income	0	195	200	395
General Fund Reduction	0	310	310	620
MN Forests for Future Easmt Stwrdshp	0	30	30	60
Maint. of NR Ent/Educ/Public Safety	0	240	142	382
State Forest Land Management	0	13,437	13,437	26,874
State Park Dedicated Account	0	11,370	11,370	22,740
Water Management Account	0	5,000	5,000	10,000
Total Governor's Recommendations	6,393	35,434	35,481	70,915
Fund: MISCELLANEOUS SPECIAL REVENUE				
Planned Statutory Spending	26,572	24,806	25,897	50,703
Total Governor's Recommendations	26,572	24,806	25,897	50,703
Fund: GAME AND FISH (OPERATIONS)				
Planned Statutory Spending	3,800	3,769	3,778	7,547
Change Items				
Dedicated Accounts Adjustment	0	5,817	5,817	11,634
Peace Officer Training Account	0	135	135	270
Total Governor's Recommendations	3,800	9,721	9,730	19,451
Fund: FEDERAL				
Planned Statutory Spending	34,676	34,190	19,825	54,015
Total Governor's Recommendations	34,676	34,190	19,825	54,015
Fund: REMEDIATION FUND				
Planned Statutory Spending	381	381	381	762
Total Governor's Recommendations	381	381	381	762
Fund: REINVEST IN MINNESOTA				
Planned Statutory Spending	5,137	5,390	5,391	10,781
Total Governor's Recommendations	5,137	5,390	5,391	10,781
Fund: MISCELLANEOUS AGENCY				
Planned Statutory Spending	3	3	3	6
Total Governor's Recommendations	3	3	3	6
Fund: GIFT				
Planned Statutory Spending	1,582	1,608	1,608	3,216
Total Governor's Recommendations	1,582	1,608	1,608	3,216
Fund: PERMANENT SCHOOL				
Planned Statutory Spending	200	4	4	8
Total Governor's Recommendations	200	4	4	8
Revenue Change Items				
Fund: GENERAL				
Change Items				
Forest Campground Income	0	(195)	(200)	(395)
Water Management Account	0	(5,000)	(5,000)	(10,000)

NATURAL RESOURCES DEPT

Change Summary

<i>Dollars in Thousands</i>				
	FY2011	Governor's Recomm.		Biennium
		FY2012	FY2013	2012-13
Fund: NATURAL RESOURCES				
Change Items				
Aquatic Invasive Species Prevention/Mgmt	0	3,155	4,407	7,562
Aquatic Plant Management	0	700	700	1,400
Forest Campground Income	0	195	200	395
Water Management Account	0	5,000	5,000	10,000
Fund: GAME AND FISH (OPERATIONS)				
Change Items				
Hunting and Fishing Heritage Initiative	0	6,070	14,472	20,542
Peace Officer Training Account	0	135	135	270

NATURAL RESOURCES DEPT

Change Item: Aquatic Plant Management

Fiscal Impact (\$000s)	FY 2012	FY 2013	FY 2014	FY 2015
Natural Resources Fund (Water Recreation Account)				
Revenues	\$700	\$700	\$700	\$700
Net Fiscal Impact	\$(700)	\$(700)	\$(700)	\$(700)

Recommendation

The Governor recommends increasing aquatic plant management (APM) permit fees to recover the full costs of the APM permit program as defined in M.S. 103G.615 subd. 2. The receipts will be deposited into the water recreation account in the natural resources fund.

Rationale

The primary purpose of the APM rules is to provide riparian landowners access to open water, while protecting the aquatic habitat and water quality values provided by aquatic plants.

Implementation of the aquatic plant management program costs approximately \$1 million dollars annually. The existing fee structure recovers about 30% of program costs.

The 2008 Legislature directed the DNR to recover the full costs of the APM program through permit fees. The costs of the program include the cost of receiving, processing, analyzing, and issuing the permit and additional costs incurred after the application to inspect and monitor the activities authorized by the permit, and enforce aquatic plant management rules and permit requirements. The DNR initiated a rulemaking process to comply with the legislature's directive; however, the rulemaking process was not completed. This legislative proposal takes into consideration alternatives considered during the rulemaking process, with the help of a stakeholder advisory committee. The proposal would implement APM permit fees that would recover the full cost of the APM permit program. The intent of this proposal is to prevent other revenues in the water recreation account from subsidizing the APM permit program; therefore the proposal would increase revenue into the water recreation account, but would not increase expenditures from the account.

The proposal would raise permit fees for lake shore property owners controlling aquatic plants in public waters from \$35 per property owner with a \$750 cap for group permits to \$90 per property owner with no cap on the maximum permit fee. The proposal would increase the permit fee for swimmer's itch and algae control from \$4.00 per 100 feet of shoreline with a \$200 maximum fee to \$40 per property owner with no maximum fee. The proposal also includes a \$100 annual permit fee for commercial mechanical control and commercial harvest permits and a \$300 dollar fee for the inspection of water bodies proposed for the commercial harvest of aquatic plants for sale (currently there is no fee for these permits).

Relationship to Base Budget

Aquatic plant management permit fees are deposited in the water recreation account. The existing permit fee structure generates approximately \$300,000 in revenue. The total budget for the APM permit program is approximately \$1 million; the remaining \$700,000 is funded from other revenue sources in the water recreation account, game and fish fund, and general fund.

Key Goals and Measures

Minnesota Milestones Goals:

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. Minnesotans will restore and maintain healthy ecosystems that support diverse plants and wildlife.

DNR's Conservation Agenda Goals: Minnesota's water resources and watersheds will be conserved and enhanced. Minnesota's natural lands and habitats will be conserved and enhanced.

This funding would support actions to protect and manage aquatic plants in public waters. Outcomes:

- Receive and review aquatic plant management permit applications from 10,800 lake shore property owners.
- Monitor aquatic plant management activities on approximately 900 Lakes.
- Conduct 1,114 aquatic plant management site inspections.
- Enforce APM regulations.

Statutory Change: This proposal would require modifying permit fee language in M.S. 103G.615 Subd. 2.

NATURAL RESOURCES DEPT

Change Item: Clean Water Fund

Fiscal Impact (\$000s)	FY 2012	FY 2013	FY 2014	FY 2015
Clean Water Fund				
Expenditures	\$11,522	\$9,092	\$0	\$0
Net Fiscal Impact	\$11,522	\$9,092	\$0	\$0

Recommendation

The Governor recommends a FY 2012 appropriation of \$11.522 million and a FY 2013 appropriation of \$9.092 million from the clean water fund to support healthy watersheds through Total Maximum Daily Load (TMDL) plan development and implementation, water quality assessment and monitoring, non-point source restoration and protection, and drinking water protection.

Rationale

The Clean Water Act requires states to achieve and maintain federal water quality requirements by identifying impaired waters, developing TMDLs for pollutants that are causing impairments, and developing and implementing plans to restore impaired waters and prevent waters from becoming impaired. In its first biennium, the majority of clean water funds were directed to the TMDL process to improve water quality by improving land use management.

As part of the Department of Natural Resources (DNR's) goal of conserving and enhancing the state's water resources and watersheds, the department has set a priority of working more effectively with our partners to preserve and protect water, biodiversity, and ecosystem services beyond the lands that we own and manage including lands that are beyond the limits of our regulatory reach. The TMDL initiative provides a tremendous opportunity to help create healthy watersheds throughout Minnesota that will provide abundant fish and wildlife habitat and sustainable supplies of clean water. DNR's role in this effort is to support TMDL initiatives with data collection, technical assistance for planning, and collaborative implementation of actions called for in approved TMDL plans; work with other state agencies and local government units to improve protection of groundwater resources (as drinking water supplies) through better surface water protection strategies; and develop improved decision support tools that clarify connections between land use decisions and the sustainability of high quality water resources.

For the FY 2012-13 biennium this proposal would provide \$3.4 million for technical assistance to TMDL studies and development of watershed data to support TMDL planning for restoration, and implementation; \$7.1 million for water quality assessment and monitoring to include development of biological indicators for water quality, fish tissue mercury monitoring, stream flow monitoring, watershed delineation, and water quality best management practices monitoring in forested watersheds; \$3.3 million for non-point source restoration and protection through targeted TMDL implementation strategies in cooperation with state agencies and local government units, development of products that integrate land and water information into decision support tools, drainage hydrology assessment, and stewardship in forested watersheds; \$4.1 million for drinking water protection that includes water supply planning, aquifer protection and monitoring, and electronic water permitting; and \$2.6 million for development of high resolution elevation data (LiDAR) products to support clean water efforts.

Relationship to Base Budget

DNR received a one-time clean water fund appropriation of \$14.5 million for clean water activities in the FY 2010-11 biennium. During the 2010 legislative session, the legislature approved the transfer of \$4 million from MPCA to DNR and recommended a \$1 million one-time base appropriation for FY 2012 for the 11 county groundwater monitoring network.

Key Goals and Measures

Minnesota Milestones Goals:

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. Minnesotans will restore and maintain healthy ecosystems that support diverse plants and wildlife.

DNR's *A Strategic Conservation Agenda 2009-2013* Goal: Minnesota's water resources and watersheds will be conserved and enhanced.

Indicator: Fish contaminant levels in important fishing waters

Target: Resample major lakes and rivers for fish contamination on an approximate five-year cycle; resample mercury trend lakes on a 2-5 year cycle; collect and test additional samples to support clean water legacy initiatives.

Statutory Change: Not Applicable

NATURAL RESOURCES DEPT

Change Item: General Fund Reduction

Fiscal Impact (\$000s)	FY 2012	FY 2013	FY 2014	FY 2015
General Fund				
Expenditures	\$(5,916)	\$(5,916)	\$(5,916)	\$(5,916)
Other Fund				
Expenditures	634	634	634	634
Net Fiscal Impact	\$(5,282)	\$(5,282)	\$(5,282)	\$(5,282)

Recommendation

The Governor recommends a General Fund reduction of \$5.916 million each fiscal year for the Department of Natural Resources (DNR), which achieves a 10% reduction of agency general fund direct appropriations.

Background

DNR's mission is "to work with citizens to conserve and manage the state's natural resources, to provide outdoor recreation opportunities, and to provide for commercial uses of natural resources in a way that creates a sustainable quality of life." DNR recognizes that changes in our economy, environment, and society demand that we lead in new ways—both to advance conservation results and maintain critical public services while reducing costs.

In developing the general fund reduction proposal, DNR identified areas where the agency could walk away from the general fund by transforming its business—becoming more lean and efficient, more innovative and entrepreneurial, working through partnerships, and reducing staffing levels—while increasing its focus on customer service and maintaining investments in essential activities and activities that drive the state's economic engine. This proposal provides the optimal approach for achieving DNR's mission-critical work while being a part of the state's budget solution.

Forestry (\$2,950,000)

This proposal will result in:

- A shift to a cost certification strategy for professional forest management services on state managed lands;
- A reduction in educational activities;
- A reduction in support to the Minnesota Forest Resources Council; and
- A reduction in private forest management and urban and community program support.

Ecological and Water Resources (\$855,000)

This proposal will result in reductions in:

- Terrestrial invasive species management on state land from 2,500 to 1,100 acres;
- Follow-up inspections for compliance with permits and pesticide regulations;
- Water permitting and planning;
- Inventory analysis and monitoring;
- Mercury monitoring in fish;
- Conservation assistance and regulation; and
- Ecosystem management and protection.

Parks and Trails Management (\$949,000)

This proposal will result in reduced:

- Hours and shorten seasons of operations;
- Hours for lodging visitor services and facility maintenance;
- Routine resource maintenance activities, including noxious weed control, exclosure maintenance, and prescribed burning project planning;
- Ski trail grooming; and
- Interpretive programs.

NATURAL RESOURCES DEPT

Change Item: General Fund Reduction

Grants (\$528,000)

\$528,000 represents a reduction in grants across the agency, including:

- \$138,000 is from Red River Mediation – Funding is reduced from \$264 to \$126K
 - \$35,000 is a 30% reduction in funding to eight watershed teams for project development activities;
 - \$75,000 is eliminated from the River Watch Program, which would need to be picked up by local watershed districts or other funding sources;
 - \$28,000 is a reduction in pass through grant funding for watershed planning and project development, reducing coordination and oversight of project teams;
- \$53,000 is a reduction to the Mississippi Headwaters Board – Pass through grant funding used for reviewing local land use decisions would be eliminated;
- \$197,000 eliminates the Forest Resources Grant to the University of Minnesota, resulting in no contract work with the UMN for IIC activities;
- \$5,000 is a reduction to the Leech Lake Band – Pass through grant funding to participate with the Mississippi Headwaters plan would be eliminated, with little impact expected;
- \$60,000 is a reduction to the Prairie Wetland program, which will impact approximately 20 acres of prairie wetlands; and
- \$75,000 will be reduced from grants for ring dikes, eliminating the cost share on three farmstead ring dikes.

Operations Support (\$634,000)

This funding will be replaced with funding from dedicated sources to more accurately reflect the work of the department.

Relationship to Base Budget

This reduction represents a 10% reduction of agency general fund direct appropriations (not including fire direct appropriations).

Statutory Change

Not applicable.

NATURAL RESOURCES DEPT

Change Item: Hunting and Fishing Heritage Initiative

Fiscal Impact (\$000s)	FY 2012	FY 2013	FY 2014	FY 2015
Game and Fish Fund (230)				
Expenditures	\$6,442	\$9,361	\$9,361	\$9,361
Revenues	6,070	14,472	14,472	14,472
Net Fiscal Impact	\$(372)	\$5,111	\$5,111	\$5,111

Recommendation

The Governor recommends a change in the license choices and prices that are available to hunters and anglers to provide more alternatives to better meet needs while also enhancing revenue. The Governor also recommends additional program funding for game and fish management programs from the associated revenue increase that will be realized by these options.

Background

In 1998, the people of Minnesota voted to amend The Minnesota Constitution to protect the right to hunt and fish. *"Article XIII, Sec. 12. PRESERVATION OF HUNTING AND FISHING. Hunting and fishing and the taking of game and fish are a valued part of our heritage that shall be forever preserved for the people and shall be managed by law and regulation for the public good. [Adopted, November 3, 1998]"* The game and fish fund provides the fiscal foundation for protecting Minnesota's hunting and fishing heritage as set forth in the Constitution and supports the "nuts and bolts" of game and fish management that cannot be funded with the constitutionally dedicated outdoor heritage fund.

Currently, a \$3.88 million balance is projected in the game and fish fund operating account at the end of FY 2013; the balance at the end of FY 2015 is estimated to be a negative \$2.0 million (based on the November 2010 Forecast Fund Statement.) The expenditures from the game and fish fund outpace current revenues by an average of \$2.8 million per year. These figures assume current expenditures and revenues that meet forecasts. In addition, fishing related expenditures exceed fishing revenues, while wildlife related expenditures are less than hunting revenues. Hunting stakeholder are concerned that hunting revenues are subsidizing fisheries programs.

The Governor recommends a price increase for some fishing and hunting licenses for residents and non-residents as well as some lower cost options that are highly desired by hunters and anglers. Some new license types are appealing to less frequent hunters and anglers, while other options and packages will appeal to the most avid participants. The proposed changes will shore up the health of the game and fish fund, provide for future support of game and fish programs, and address the imbalance between hunting and angling expenditures and revenues.

The proposed changes were prepared by the Department in consultation with the Game and Fish Fund Budget Oversight Committee (BOC) as required under M.S. 97A.055, with the following principals:

- Maintain solvency of game and fish fund through FY 2019;
- Balance hunting and fishing expenditures with revenues;
- Maximize ability to leverage federal aid;
- Provide affordable and desirable pricing options;
- Provide adequate financial resources and flexibility to deliver conservation programs and enforcement efforts; and
- Gain informed consent of stakeholders.

Historically, the game and fish fund management philosophy included raising fees high enough to cover existing shortfalls, fund high priority initiatives, and offset future cost of living increases. The life-expectancy of past fee increases was about six years, at which time, the fees were raised again. The last major fee increase was made during the 2000 Legislative Session and took effect in March 2001. This increase has lasted more than the life-expectancy due to increasing federal aid deposited into the fund and efforts to maximize operational efficiencies over the past four years.

The DNR has analyzed fishing license sales trends using regression models, demographic information, month to month sales data, customer surveys and market analysis to predict impacts of various fee structures and prices

on participation and revenues. These analyses were used to structure this proposal in order to generate the necessary revenue while minimizing impacts to hunting and fishing participation.

Fees and revenue changes

Recommendations for new license types and fees were developed in conjunction with the BOC, utilizing results from recently completed surveys of license buyers. License structures and fees reflect behavior and preferences of modern day participation in hunting and angling while ensuring that fees are not significant barriers to participation in hunting and angling activities, especially for youth, first-time or occasional license buyers.

Relationship to Base Budget

This will impact licenses available to our anglers and hunters, providing more option and opportunity.

Key Goals and Measures

This initiative supports measures contained in *DNR's A Strategic Conservation Agenda 2009-2013*.
<http://www.dnr.state.mn.us/conservationagenda/index.html>

Statutory Change:

M.S. 97A.475

NATURAL RESOURCES DEPT

Change Item: Aquatic Invasive Species Prevention/Mgmt

Fiscal Impact (\$000s)	FY 2012	FY 2013	FY 2014	FY 2015
Other Fund				
Expenditures	\$3,900	\$4,000	\$4,000	\$4,000
Revenues	3,155	4,407	4,407	4,407
	\$745	\$(407)	\$(407)	\$(407)

Recommendation

The Governor recommends the following change items to eliminate the structural deficit in the Invasive Species Account (ISA) and increase funding for aquatic invasive species management; increasing the watercraft license surcharge (currently \$5), and increasing the non-resident fishing license surcharge. The increase would be:

- \$5 increase for kayaks, sailboards, canoe, sailboats, paddleboat, and rowing shells over three years;
- \$15 increase for boats under 17 feet over three years;
- \$20 increase for other watercraft over three years; and
- \$3 annual increase on non-resident fishing license surcharge.

Background

The spread of aquatic invasive species is one of the top conservation challenges facing Minnesota today. Aquatic invasive species management is funded primarily with general fund and the ISA. General fund support for this program was increased during the FY 2008-09 biennium, but has subsequently declined because of the general fund deficit. The ISA also has a structural deficit with expenditures exceeding revenues at current levels. The ISA structural deficit was addressed during the FY 2010-11 biennium through a one-time transfer of dollars from the Water Recreation Account.

Most of the revenue to the ISA comes from a \$5 surcharge on watercraft licenses and a \$2 surcharge on non-resident fishing licenses. These two sources generate approximately \$1.6 million/year, while the current annual appropriation is \$2.142 million. At current levels of revenues and expenditures, the ISA is projected to have more than a \$0.5 million deficit in FY 2013.

Increased revenues are needed to achieve goals for aquatic invasive species management and to minimize negative impacts to native species and habitats. This proposal would eliminate the structural deficit in the ISA and provide an estimated \$4.0 million annually in additional funding for aquatic invasive species programs by increasing the watercraft license surcharge and increasing non-resident fishing licenses.

Relationship to Base Budget

Current annual funding levels for aquatic invasive species include \$1.574 million from the General Fund and \$2.142 million from the ISA. In addition, \$820,000 in short-term Federal funding was received in FY 2011.

Key Goals and Measures

Minnesota Milestones goal: Minnesotans will restore and maintain healthy ecosystems that support diverse plants and wildlife.

DNR Conservation Agenda Goal: Minnesota's natural lands and habitats will be conserved and enhanced.

Indicator: Number of water bodies infested with Eurasian watermilfoil and zebra mussels.

Target: Limit the rate of spread of Eurasian watermilfoil to no more than ten new water bodies per year, and prevent the spread of zebra mussels to waters not connected to previous infestations.

This increase in funding would enhance actions to prevent and manage invasive species infestations. Examples of accelerated outcomes that would implement priority recommendations from stakeholder input processes that were conducted in FY 2011 include:

- Increase support for local efforts to deliver invasive species messages;
- Increase enforcement hours by an additional 12,800 hours, which would double the current enforcement effort;
- Develop and implement a licensing and training program for lake service providers;

- Accelerate public awareness efforts, including new messaging, and innovative use of 21st century communication technologies;
- Control invasive plants on 60 additional lakes;
- Implement thorough watercraft inspections at high risk areas; and
- Infrastructure for decontamination stations.

Alternatives Considered

Alternatives considered to address the ISA structural deficit include another one-time transfer from the Water Recreation Account and reducing expenditures from the ISA.

Statutory Change: This proposal would require modifying watercraft license fees in Minn. Stat., sec. 86B.415 and 97A.475.

NATURAL RESOURCES DEPT

Program: ECOLOGICAL AND WATER RESOURCES

Change Item: Maintain Recreational Water Levels

Fiscal Impact (\$000s)	FY 2012	FY 2013	FY 2014	FY 2015
Water Rec Account (181)				
Expenditures	\$500	\$500	\$500	\$500
Net Fiscal Impact	\$500	\$500	\$500	\$500

Recommendation

The Governor recommends an increase of \$500,000 from the water recreation account to increase efforts that maintain lake levels and stream flows, protect aquatic habitat, and provide technical support for local units of government on land use issues.

Rationale

Water level control structures and dams must be maintained to protect lake levels and stream flows for recreation, economic, and environmental purposes. Maintenance work includes structural repairs, debris removal, removal of illegal modifications to a control structure, and water level gage installation and replacement. Increased efforts to maintain and rehabilitate water level control structures will prolong the life of the structures, protect aquatic habitat, and help maintain lake levels and authorized runout elevations at lake outlets.

Monitoring and coordination of dam operation plans, hydropower operations, and drought/flood conditions are necessary to help ensure that water levels are safe for recreational uses.

The Department of Natural Resources (DNR) maintains a network of approximately 1,000 lake gages, which are used by volunteers to measure and report water levels. DNR also maintains a cooperative network of 180 stream flow gages and over 70 of these gages utilize satellites to provide near real time data. Water level and stream flow data are available on DNR's web site for recreational users and resource managers.

Counties and communities administer land use programs to protect lakes and rivers. Providing technical assistance to local units of government on land use issues helps protect and improve water quality and scenic values on lakes and rivers.

Relationship to Base Budget

In FY 2011, the Division of Ecological and Water Resources received \$805,300 from the water recreation account; this request would provide an additional \$500,000 per year.

Key Goals and Measures

This work supports Minnesota Milestones related to water use (59), water quality (64), wildlife habitat (67), changes in land use (68), and parkland and open space (69). Key goals and measure include:

- Maintain water level control structures and dams to protect lake levels and stream flows for recreation, economic, and environmental uses;
- protect aquatic plants and habitat; and
- Make water level data for lakes and near real time flow data for streams available to recreational users and resource managers.

Statutory Change:

Not applicable.

NATURAL RESOURCES DEPT

Program: **ECOLOGICAL AND WATER RESOURCES**

Change Item: Water Management Account

Fiscal Impact (\$000s)	FY 2012	FY 2013	FY 2014	FY 2015
General Fund				
Expenditures	\$(5,000)	\$(5,000)	\$(5,000)	\$(5,000)
Revenues	(5,000)	(5,000)	(5,000)	(5,000)
Natural Resources Fund				
Expenditures	5,000	5,000	5,000	5,000
Revenues	\$5,000	\$5,000	\$5,000	\$5,000
Net Fiscal Impact	0	0	0	0

Recommendation

The Governor recommends that permit application and inspection fees required by M.S. 103G.301 and water use fees required by M.S. 103G.271 be deposited in an account in the natural resources fund and appropriated to the Commissioner via a dedicated appropriation. The proposal is budget neutral in that revenue deposited into the account would be appropriated annually to the Commissioner of the Department of Natural Resources (DNR) for water management activities in place of the general fund.

Rationale

M.S. 103G.301 establishes application and inspection fees for permits to work in public waters, dam safety permits, and permits to appropriate waters of the state. Annual water appropriation permit processing fees are required by M.S. 103G.271. Application, inspection, and water reporting fees generate approximately \$5.0 million for the general fund each year. Since FY 2008, the DNR has been required to assess fees to recover the costs incurred to evaluate large water use proposals that exceed 100 million gallons per year and these fees (less than \$40,000/year) have been credited to the natural resources fund. This request expands the dedication of permit application, inspection, and water use fees to the natural resources fund by \$5.0 million, which would be appropriated annually for water management activities in place of current general fund appropriations.

Water use fee rates have been changed by the legislature four times since 2003 and revenues have increased over 100% (\$2.4M to \$5M). Permit holders have not supported these fee increases in part because they know the fees are going to the general fund instead of directly benefiting resource management work that is needed to sustain water supplies for their economic activities. Associations representing the two largest groups of water users, agricultural irrigation and water utilities, have stated a willingness to support past fee increases that benefit DNR's water management work. Depositing permit fees into a natural resource fund will directly support water management activities and help ensure accountability for the use of permit fees.

Relationship to Base Budget

In FY 2011, the Division of Ecological and Water Resources received \$16.617 million from the General Fund. This proposal would reduce this appropriation by \$5.0 million per year.

Key Goals and Measures

This work supports Minnesota Milestones related to satisfaction with government services (36), price of government (37), growth in gross state product (38), water use (59), water quality (64), wildlife habitat (67), and changes in land use (68). Key goals and measure include:

- Protect surface water and groundwater resources for recreation, economic, and environmental uses.
- Protecting aquatic plants and habitat.
- Managing natural resources to sustain the state's economy.

Statutory Change: M.S. 103G.271

NATURAL RESOURCES DEPT

Program: ENFORCEMENT NR LAWS & RULES

Change Item: Maintenance of Natural Resource Enforcement, Education, and Public Safety

Fiscal Impact (\$000s)	FY 2012	FY 2013	FY 2014	FY 2015
Natural Resources Fund				
Expenditures	\$530	\$1,176	\$1,100	\$1,100
Game and Fish Fund				
Expenditures	390	1,390	1,300	1,300
Net Fiscal Impact	\$920	\$2,566	\$2,400	\$2,400

Recommendation

The Governor recommends \$920,000 in FY 2012 and \$2.565 million in FY 2013 to run conservation officer academies that would restore the effectiveness of natural resource enforcement and public safety. The academy would allow the agency to fill many of the vacant conservation officer positions. \$2.4 million each year beginning FY 2014 would insure the full logistical support required to maintain enforcement efforts at desired levels. This investment initiative maintains the complement of officers assigned to communities across the state that work to ensure public safety and compliance with laws regarding state game and fish, recreational vehicles, non-motorized recreational activities; natural resource commercial operations, and environmental protection.

Rationale

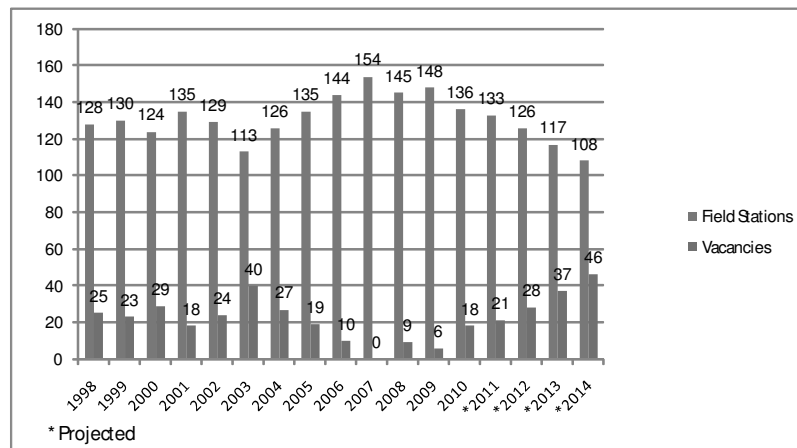
Current conservation officer staffing levels have dropped by 10% (22 officers over the past two years due to retirements). More than ten additional retirements are possible over the next two years. Increases in costs of such items as retirement benefits, retiree insurance and fleet over the same period have prevented the Division of Enforcement from filling these vacancies and have resulted in reductions in mileage available to officers as well as postponement of equipment purchases and reductions in travel and training. This initiative would provide for restoration of operations shortfalls and allow for the hiring of 20 conservation officers over the next two years. This initiative will allow the department to maintain the complement of conservation offices needed to safeguard public safety through education and enforcement efforts (including regulating Off-Highway Vehicle (OHV) and watercraft operation, alcohol impaired operation, and response to natural disasters) and to maintain the quality of the state's game and fish populations and the environment. This work has a direct impact on the economic health of the state and results in the creation and retention of tourism and outdoor recreation related jobs. Today's conservation officers have expanded responsibilities to meet the complex challenges of DNR's mission and to sustain the benefits conservation provides to all Minnesotans.

Relationship to Base Budget

In relationship to the division's current budget, this would be a 3% increase in FY 2012 and 9% increase in FY 2013. This level of funding is consistent with 2007 when full complement was achieved.

Key Goals and Measures

The Division of Enforcement has operated at less than full complement in each of the past 28 years with the exception of 2007. The average vacancy rate for conservation officer field stations over the past 12 years has been 21. We currently have 18 field station vacancies and anticipate an additional ten by the end of the current biennium and another 18 next (FY 2012-13) biennium. (See chart below.) This proposal would maintain vacancies to the average levels experienced over the past 12 years.



Statutory Change: Not applicable

NATURAL RESOURCES DEPT**Program: ENFORCEMENT NR LAWS & RULES****Change Item: Peace Officer Training Account**

Fiscal Impact (\$000s)	FY 2012	FY 2013	FY 2014	FY 2015
Game & Fish Fund (230)				
Expenditures	\$135	\$135	\$135	\$135
Revenues	0	0	0	0
Net Fiscal Impact	\$135	\$135	\$135	\$135

Recommendation

The Governor recommends that the Department of Natural Resources (DNR) create an account in the game and fish fund to receive surcharges on criminal and traffic offenders (M.S. 357.021 subd. 6) and statutorily appropriate it to the commissioner. The funds appropriated would be used for conservation officer training.

Rationale

M.S. 357.021, subd. 7, provides that 1% of court fees paid be transferred to the game and fish fund for conservation officer training. These funds are currently being deposited into an appropriation in the Treasury Department of Minnesota Management and Budget. There is currently no mechanism in place to track these funds and make them available to the Department of Natural Resources (DNR) for the intended purpose. It is the intent of the DNR to begin using these funds according to statute. In an effort to manage these funds more effectively, we request that the funds be deposited into a separate account within the game and fish fund and be annually appropriated to the commissioner.

Relationship to Base Budget

\$145,000 was appropriated from the game and fish fund in FY 2011 only. This proposal would amount to less than 0.5 % of the division's base budget.

Key Goals and Measures

This funding would be used to facilitate mandated and supplemental training required by Conservation Officers to maintain licensing and augment skills needed to remain effective in detecting and apprehending game and fish violators.

Statutory Change: M.S. 357.021.subd. 7.

NATURAL RESOURCES DEPT

Program: FISH AND WILDLIFE MANAGEMENT

Change Item: Dedicated Accounts Adjustment

Fiscal Impact (\$000s)		FY 2012	FY 2013	FY 2014	FY 2015
Game and Fish Fund (230)					
Expenditures		\$ (528)	\$ (528)	\$ (528)	\$ (528)
Revenues		0	0	0	0
Net Fiscal Impact		\$ (528)	\$ (528)	\$ (528)	\$ (528)
Deer Habitat Improvement	232	FY 2012	FY 2013	FY 2014	FY 2015
Existing appropriation level		\$ 1553	\$ 1553	\$ 1553	\$ 1553
Requested change		\$ (153)	\$ (153)	\$ (153)	\$ (153)
Requested appropriation level		\$ 1400	\$ 1400	\$ 1400	\$ 1400
Waterfowl Habitat Improvement	233	FY 2012	FY 2013	FY 2014	FY 2015
Existing appropriation level		\$ 700	\$ 700	\$ 700	\$ 700
Requested change		\$ (100)	\$ (100)	\$ (100)	\$ (100)
Requested appropriation level		\$ 600	\$ 600	\$ 600	\$ 600
Trout and Salmon Management	234	FY 2012	FY 2013	FY 2014	FY 2015
Existing appropriation level		\$ 830	\$ 830	\$ 830	\$ 830
Requested change		\$ 45	\$ 45	\$ 45	\$ 45
Requested appropriation level		\$ 875	\$ 875	\$ 875	\$ 875
Pheasant Habitat Improvement	235	FY 2012	FY 2013	FY 2014	FY 2015
Existing appropriation level		\$ 925	\$ 925	\$ 925	\$ 925
Requested change		\$ (145)	\$ (145)	\$ (145)	\$ (145)
Requested appropriation level		\$ 780	\$ 780	\$ 780	\$ 780
Wildlife Acquisition	237	FY 2012	FY 2013	FY 2014	FY 2015
Existing appropriation level		\$ 1860	\$ 1860	\$ 1860	\$ 1860
Requested change		\$ (60)	\$ (60)	\$ (60)	\$ (60)
Requested appropriation level		\$ 1800	\$ 1800	\$ 1800	\$ 1800
Wild Turkey Management	238	FY 2012	FY 2013	FY 2014	FY 2015
Existing appropriation level		\$ 192	\$ 192	\$ 192	\$ 192
Requested change		\$ 70	\$ 70	\$ 70	\$ 70
Requested appropriation level		\$ 262	\$ 262	\$ 262	\$ 262
Walleye Stamp	23B	FY 2012	FY 2013	FY 2014	FY 2015
Existing appropriation level		\$ 285	\$ 285	\$ 285	\$ 285
Requested change		\$ (185)	\$ (185)	\$ (185)	\$ (185)
Requested appropriation level		\$ 100	\$ 100	\$ 100	\$ 100
		FY 2012	FY 2013	FY 2014	FY 2015
Total existing Appropriation		\$ 6,345	\$ 6,345	\$ 6,345	\$ 6,345
Total change in spending for all accounts		\$ (528)	\$ (528)	\$ (528)	\$ (528)
Total proposed Appropriation		\$ 5,817	\$ 5,817	\$ 5,817	\$ 5,817

Recommendation

The Governor recommends that appropriations for seven dedicated accounts within the game and fish fund be adjusted. In addition, the Governor recommends that all dedicated accounts within the game and fish fund be appropriated to the Commissioner as dedicated appropriations, rather than direct appropriations, for the purposes identified in statute.

NATURAL RESOURCES DEPT

Program: FISH AND WILDLIFE MANAGEMENT

Change Item: Dedicated Accounts Adjustment

Rationale

These changes would make the account balances available for expenditure according to statute language for each fund (M.S. 97A.075; 97A.071). The Game and Fish Fund Budgetary Oversight Committee (authorized in M.S. 97A.055) supports using the balances in dedicated accounts for intended purposes (August 2004 letter to Department of Natural Resources (DNR) Commissioner, "Recommendations for FY 2006-07 Game & Fish Fund Budget"). Revenues are generated through the sale of hunting and fishing licenses, stamps, and surcharges and deposited into the game and fish fund. With fixed biennial appropriations, balances in the dedicated accounts are generated and are not available for spending; or conversely, revenues are not meeting appropriations. This change will adjust the direct appropriations. Expenditures from these dedicated accounts are controlled by statute and annually reviewed by citizen oversight committees.

Relationship to Base Budget

As of the November 2010 forecast, the balances in the Game and Fish Fund at the end of FY2015 are projected in each account as follows: Deer Habitat Improvement - (\$363,000), Waterfowl Habitat Improvement - (\$363,772); Trout and Salmon Management - \$569,490 and stable; Pheasant Habitat Improvement - \$451,448; Wildlife Acquisition – (\$8,549); Wild Turkey Management - \$460,298 and growing; and Walleye Stamp - (\$549,820). If this initiative passes, these balances would be utilized or conserved as balances allow.

Key Goals and Measures

The key measure is more timely utilization of user fees for authorized activities and purposes as follows:

- deer management;
- waterfowl habitat management;
- trout and salmon habitat management;
- trout waters acquisitions;
- pheasant habitat management;
- wild turkey population surveys, monitoring and research, habitat acquisition; and
- walleye stocking

Statutory Change:

M.S. 97A.075 subd. 1-5

M.S. 84.0911 subd. 1

M.S. 97A.071 subd. 1

NATURAL RESOURCES DEPT

Change Item: Lamprey Pass

Fiscal Impact (\$000s)	FY 2012	FY 2013	FY 2014	FY 2015
Game and Fish Fund (230)				
Expenditures	\$600	\$0	\$0	\$0
Revenues	0	0	0	0
Net Fiscal Impact	\$600	\$0	\$0	\$0

Recommendation

The Governor recommends funding of \$600,000 from the game and fish fund for the purchase of wildlife lands. This one-time initiative is to acquire replacement hunting lands on the Lamprey Pass State Wildlife Management Area (LPSWMA) lost when the Department of Natural Resources (DNR) sold a transportation easement.

Rationale

Washington County is constructing an overpass for County Road 83 that includes the construction of a two-lane bridge to extend County Road 83 over Interstate 35 (I-35), turn lane improvements on Everton Avenue, and construction of a wetland basin within the northeastern portion of the LPSWMA. The project caused loss of interest in the property and reduced public access; therefore a payment was made for an easement in the amount of \$600,000. These funds were deposited in the game and fish fund in the state treasury. An agreement was signed by Washington County, Columbus City, Anoka County (Rice Creek Watershed District and Forest Lake also included) and DNR agreeing to the need for replacement lands. This initiative would appropriate the proceeds for the agreed upon purchase of replacement lands.

Relationship to Base Budget

The agency has no current funding for this initiative. The Fish and Wildlife Management's FY 2012-13 biennial budget is \$133.5 million. \$600,000 represents less than 1% of the total biennial budget.

Key Goals and Measures

Replacement lands will be sought for the loss of interest in the lands in LPSWMA.

Statutory Change: Not applicable.

NATURAL RESOURCES DEPT

Program: FISH AND WILDLIFE MANAGEMENT

Change Item: Wildlife Health

Fiscal Impact (\$000s)	FY 2012	FY 2013	FY 2014	FY 2015
General Fund				
Expenditures	\$975	\$975	\$0	\$0
Revenues	0	0	0	0
Net Fiscal Impact	\$975	\$975	\$0	\$0

Recommendation

The Governor recommends \$975,000 increase in general fund appropriations in FY 2012 and FY 2013 to continue funding for monitoring and managing wildlife health issues throughout Minnesota. The Department of Natural Resources (DNR) has cooperated with the Board of Animal Health and state and federal departments of agriculture on efforts to eliminate bovine tuberculosis (TB) in Minnesota. In addition, the DNR has been monitoring for chronic wasting disease (CWD) in cervids, avian influenza in wild birds, Newcastle disease virus in wild birds, and other wildlife diseases.

Rationale

Wildlife health issues have recently become more prevalent in and around Minnesota. In 2009, CWD was confirmed on a captive cervid farm and DNR conducted surveillance in that area as well as along the border with Wisconsin, which has endemic CWD in wild deer not far from the Minnesota border. In 2011, DNR confirmed the first case of CWD in a wild deer, and is implementing a disease monitoring and management response plan in southeast Minnesota. Since its initial discovery in cattle and wild deer in 2005, bovine TB has been confirmed in 27 deer, all located within a relatively small core area near Skime, MN. DNR has been monitoring deer for bovine TB, reducing deer numbers through hunting and landowner shooting and intensively removing deer from the core area by sharpshooting.

DNR also monitors and manages disease in waterfowl and other wild birds, including monitoring for avian influenza as part of a national initiative to detect highly pathogenic strains if they occur in North America; and monitoring and management of Newcastle Disease Virus (NDV) in wild birds which also has potential to affect commercial poultry operations.

Relationship to Base Budget

The initial appropriation for the FY 2010-11 biennium was \$600,000 per year. This request continues the one-time FY 2010 general fund appropriation for ongoing bovine TB management, and continues increased CWD monitoring and management.

Key Goals and Measures

Key measures of performance will be:

- collecting sufficient samples to meet statistical goals of sample size and distribution;
- completing diagnostics on all samples collected;
- conducting surveillance to determine the spatial distribution and infection rates,
- providing liaison with other collaborators;
- purchasing sampling and other supplies, and incur travel and miscellaneous expenses;
- removing where necessary infected species;
- promulgating and enforce rules which prevent spread of disease; and
- promulgate special hunting seasons and limits.

Statutory Change: Not applicable.

NATURAL RESOURCES DEPT

Program: **FOREST MANAGEMENT**

Change Item: MN Forests for Future Easement Stewardship

Fiscal Impact (\$000s)	FY 2012	FY 2013	FY 2014	FY 2015
MFF Stewardship Account				
Expenditures	\$30	\$30	\$30	\$30
Revenues	30	30	30	30
Transfer (from OHF)	750	0	0	0
Net Fiscal Impact	\$750	\$0	\$0	\$0

Recommendation

The Governor recommends that the Department of Natural Resources (DNR) create an account in the natural resource fund and transfer to the account \$750,000 of the \$18 million appropriation from the laws of 2009, Chapter 172 Art.1 Sec. 2 Subd. 3. Revenue in the account should be appropriated to the Commissioner of Natural Resources via a dedicated appropriation, for costs associated with the long-term enforcement of Minnesota Forest for the Future (MFF) easements as required in M.S. 84.66, Subd. 11(a).

Rationale

Under 2009 Minn. Laws Chap. 172 Art.1 Sec. 2 Subd. 3, the Legislature authorized \$18 million in 2010 and \$18 million in 2011 to acquire permanent working forest easements through the MFF program. \$750,000 of the appropriation was identified for the monitoring of conservation easements.

The purpose of this legislation is to create the MFF permanent conservation stewardship account in the natural resources fund in the state treasury for the purpose of conservation easement stewardship, including the management, monitoring, and enforcement of DNR conservation easements acquired pursuant to 2009 Minn. Laws Chap. 172 Art. 1 Sec. 2 Subd. 3. Money deposited in the account would come from the following sources: 1) the amount of the appropriation authorized for conservation easement acquisition by 2009 Minn. Laws Chap. 172 Art. 1 Sec. 2, Subd. 3; 2) donations specified for this purpose; 3) money transferred for this purpose according to session laws; and 4) interest accruing from investments of the account. Money in the account is to be annually appropriated to the commissioner of the DNR and may be spent to cover the costs of monitoring, landowner relations, record keeping, processing landowner notices, requests for approval or amendments, and enforcement.

The priority for conservation easement monitoring and enforcement funds is to conduct regular monitoring of easement properties to:

- safeguard the public's investment in conservation easements; and
- ensure that the conserved properties continue to provide to the state the intended benefits of the conservation easement.

The \$30,000 appropriated from the account each year would be spent on the following activities: conservation easement monitoring, landowner relations, record keeping, processing landowner notices, requests for approval or amendments, enforcement, and other easement management related activities. It is anticipated that approximately \$30,000 in interest would be generated annually to sustain the fund perpetually.

Relationship to Base Budget

The DNR's Division of Forest Management currently does not have any dedicated funding for conservation easement monitoring and enforcement.

This is a one-time appropriation for the MFF permanent conservation stewardship account approved by the legislature in the MFF work plan is \$750,000.

Key Goals and Measures

This initiative supports the DNR's goals of:

- Conserving Minnesota's natural lands and habitats (DNR's *A Strategic Conservation Agenda 2009-2013*); and
- Protecting the state's investment in forest conservation easements.

This initiative supports the DNR's performance measure of:

- Acres and number of conservation easements held by DNR and regularly monitored (from DNR's *A Strategic Conservation Agenda 2009-2013*).

Statutory Change: Add Statute 84.68

NATURAL RESOURCES DEPT

Program: FOREST MANAGEMENT

Change Item: Maintenance of Minimum-Maintenance Forest Roads

Fiscal Impact (\$000s)	FY 2012	FY 2013	FY 2014	FY 2015
Natural Resources Fund –ATV Account (183)				
Expenditures	\$200	\$200	\$200	\$200
Revenues	0	0	0	0
Net Fiscal Impact	\$200	\$200	\$200	\$200

Recommendation

The Governor recommends that \$200,000 annually from the all-terrain vehicle (ATV) account in the natural resources fund be used to maintain minimum-maintenance forest roads so damages made to those roads from motorized recreational vehicles can be addressed.

Rationale

Investments are required to maintain minimum-maintenance forest roads and keep them from deteriorating. Recreational ATV riding opportunities will improve and road damages will be mitigated with the recommended appropriation.

The 2007 legislature modified M.S. 84.927, subd. 2; so it now authorizes money from the dedicated ATV account to be used for “maintenance of minimum-maintenance forest roads designated under M.S. 89.71, subd. 5 and county forest roads that are part of a designated trail system within state forest boundaries as established under M.S. 89.021.” To date the legislature has not directly appropriated any money from the ATV account to maintain minimum-maintenance roads.

A number of state forest minimum-maintenance roads provide key connections between portions of the state's ATV trail systems. The All-Terrain Vehicle Association of Minnesota (ATVAM) supports this initiative.

Relationship to Base Budget

Department of Natural Resources (DNR) Division of Forestry currently receives \$925,000 per year from unrefunded gas tax dollars. Priority for current forest road maintenance dollars is to maintain the high-traffic, higher-standard-system roads, which leave no funding for maintaining minimum-maintenance roads. ATV riders prefer many of the minimum-maintenance roads because of their “rustic” condition and remoteness of location. This appropriation would allow DNR Forestry to maintain these minimum maintenance forest roads that are highly traveled by ATV riders.

The \$200,000 requested for each fiscal year would be split with forested counties: \$100,000 to the DNR, and \$100,000 passed through to forested counties each fiscal year.

Key Goals and Measures

This initiative supports the DNR goals of:

- Protecting the state's investment in a forest transportation and recreation system.
- Maintaining and increasing forest-based economic and recreational opportunities.

There are presently 1,293 miles of designated DNR administered state forest minimum-maintenance roads. This appropriation will be focused on miles of road that are most beneficial to ATVs, but the roads will continue to be maintained as narrow, primitive woods roads. Culvert replacement, washout repairs, and drainage repairs needed where water covers the road are examples of the types of work that this funding will accomplish.

The counties have similar miles of minimum-maintenance forest roads that will qualify.

Statutory Change: Not applicable.

NATURAL RESOURCES DEPT

Program: **FOREST MANAGEMENT**

Change Item: Native Plant Community Mapping

Fiscal Impact (\$000s)	FY 2012	FY 2013	FY 2014	FY 2015
Heritage Enhancement Account (239)				
Expenditures	\$1,000	\$1,000	\$0	\$0
Revenues	0	0	0	0
Net Fiscal Impact	\$1,000	\$1,000	\$0	\$0

Recommendation

The Governor recommends a one-time appropriation from the heritage enhancement account of \$1 million in FY 2012 and FY 2013 to enhance the agency's Ecological Classification System (ECS) in two areas: 1) accelerate native plant community mapping on state forest lands; and 2) continue developing silvicultural interpretations for management based on native plant community mapping.

Rationale

DNR's Ecological Classification System (ECS) is a scientific framework for managing natural resources. ECS tools (native plant community maps, databases, and field guides) help managers select appropriate management treatments to optimize the forest's potential to produce timber and wildlife and protect water and soil.

This initiative supports core ECS tools. First, DNR will continue to identify and map native plant communities. Second, DNR will develop silvicultural interpretations for each native plant community. Silvicultural interpretation, based on the ecological characteristics of native plant communities, is the basis for foresters, wildlife managers, park managers, and other land managers to sustainably manage state forest lands.

Relationship to Base Budget

The heritage enhancement account in the game and fish fund currently provides \$264,000 per year toward development of ECS tools. \$750,000 each year of a \$2.15 million one-time appropriation from the heritage enhancement account was allocated for native plant community mapping. Full silvicultural interpretations have been developed with these dollars for the major native plant communities that occupy about 75% of DNR-administered forest land. The \$1 million in FY 2012 and FY 2013 will allow accelerated native plant community related work to continue, along with a reduced, but continued emphasis on management of invasive species on forest lands. Accelerating native plant community mapping is important because it will provide critical management information that is currently not available for all forest lands.

Key Goals and Measures

The DNR has the goal of maintaining, enhancing, or restoring the health of Minnesota ecosystems so they can continue to serve environmental, social, and economic purposes.

According to M.S. 89.002, subd. 2(a), "The commissioner shall maintain all forest lands under authority of the commissioner in appropriate forest cover with species of trees, degree of stocking, rate of growth, and stand conditions designed to secure optimum public benefits according to multiple use, sustained yield principles and consistent with applicable forest management plans."

The additional \$1 million from the heritage enhancement account in the FY 2012-13 biennium will be used to:

- Implement ECS guidelines and address critical habitat needs during forest management activities.
- Identify and map native plant communities on 100,000 acres of state forest lands each year of the biennium.
- Meet the performance measure in the DNR's *A Strategic Conservation Agenda 2009-2013*: "ECS silvicultural interpretations for forested native plant communities."
- Monitor and respond to invasive pest occurrences on forest lands.

Statutory Change: Not applicable.

NATURAL RESOURCES DEPT

Program: **FOREST MANAGEMENT**

Change Item: State Forest Land Management

Fiscal Impact (\$000s)	FY 2012	FY 2013	FY 2014	FY 2015
Forest Management Investment Account (18J)				
Expenditures	\$2,000	\$2,000	\$2,000	\$2,000
Revenues	0	0	0	0
Net Fiscal Impact	\$2,000	\$2,000	\$2,000	\$2,000

Recommendation

The Governor recommends increasing the appropriation to the Department of Natural Resources (DNR) from the Forest Management Investment Account (FMIA) by \$2 million to the Commissioner of Natural Resources for essential forest management activities on state forest lands (including trust fund lands). In addition, the Governor recommends that revenue in the FMIA account be appropriated to the Commissioner via a dedicated appropriation, rather than a direct appropriation.

Rationale

FMIA appropriations for general forest management are critical to the health of Minnesota's forests and forest products industries. Increased FMIA investments are needed in four critical areas: 1) forest health and productivity gains and improvements that rely on pre-commercial treatments of timber lands; 2) updates to the inventory of forest stands and visits to reforested sites to determine the success of tree plantings; 3) new land-use and access agreements with adjacent landowners and land exchanges; and 4) maintaining DNR's field accomplishments critical to offering wood for sale and generating revenue. Maintaining the amount of state wood on the market when the supply from private forest lands has declined supports the forest industry and its ability to keep mills open.

Relationship to Base Budget

The FMIA (M.S. 89.039) is dedicated to essential DNR forest management activities (reforestation, timber stand improvement, pest management, etc.) and timber sale program costs. This investment initiative will ensure the maintenance of field foresters and support staff, field operations including fleet miles, and contracts for essential management activities. The current appropriation from the FMIA is \$11.093 million per year. An additional \$13.918 million per year is from the general fund.

Key Goals and Measures

One of DNR's goals is to maintain, enhance, or restore the health of Minnesota ecosystems so they can continue to serve environmental, social, and economic purposes.

According to M.S. 89.002, subd. 2(a), "The commissioner shall maintain all forest lands under authority of the commissioner in appropriate forest cover with species of trees, degree of stocking, rate of growth, and stand conditions designed to secure optimum public benefits according to multiple use, sustained yield principles and consistent with applicable management plans."

The additional \$4 million from the FMIA in the FY 2012-13 biennium will be used to meet the performance measures and targets found in the DNR's *A Strategic Conservation Agenda 2009-2013*:

- continue moving toward the goal of achieving full timber productivity potential on DNR forest lands, including forested WMAs, which would result in the DNR providing 25% to 35% of the wood used each year in the state;
- Move from a 20 year reinventory cycle on the DNR's land base to a 15-year cycle;
- maintain dual, third-party sustainable forest management certification on DNR forest lands, including forested WMAs;
- implement management guidelines for control of terrestrial invasive plants on DNR forest lands, including forested WMAs;
- implement practices to minimize the anticipated effects of emerald ash borer and gypsy moth populations on DNR forest lands, including forested WMAs; and
- Consolidate holdings and develop prescriptive easements where needed to secure access and ensure management.

Statutory Change: 89.039

NATURAL RESOURCES DEPT

Change Item: ATV Fund

Fiscal Impact (\$000s)	FY 2012	FY 2013	FY 2014	FY 2015
All-Terrain Vehicle Fund (183)				
Expenditures	\$400	\$400	\$300	\$300
Revenues	0	0	0	0
Net Fiscal Impact	\$400	\$400	\$300	\$300

Recommendation

The Governor recommends an annual increase of \$400,000 from the all-terrain vehicle (ATV) account to the Department of Natural Resources (DNR) Parks and Trails appropriation to enable the department to meet the needs resulting from the Forest Reclassification effort and ATV trail designation. This increase level in funding is also needed to maintain current level of operation, maintenance, and monitoring of state maintained ATV trails and to provide additional oversight and training for ATV clubs and sponsors. Of this, \$100,000 per year is one time for the first biennium to provide digital, downloadable trail maps on-line.

Rationale

Parks and Trails level of effort in this program has increased significantly as has general overall operating costs. Parks and Trails have been instructed by the State Auditor's report to take a more active role in monitoring the Grant-in-Aid program. This will allow Parks and Trails to conduct an annual training meeting for clubs and sponsors to ensure they are aware of any operational or maintenance changes. This will allow Parks and Trails to ensure clubs and sponsors are aware and comfortable with the *Trail Planning, Design, and Development Guidelines* and know how those apply to ATV trail design and maintenance. This investment will enable the current OHV grant-in-aid manual to be updated and incorporate current changes. These changes would include random field audits of several club trails each year, and the monitoring of half the ATV grant-in-aid trails systems by Parks and Trails staff each season.

This funding increase will allow Parks and Trails to increase the level of effort with the newly designated state forest trails to be maintained and monitored for ATV use. Maintenance and operating costs continue to increase and this funding would allow the current level of effort to continue through this funding cycle.

This funding request includes \$100,000 per year, one time appropriation for the first biennium to develop a totally digital and downloadable trail map system that the public can access on line. This will reduce the need for printed maps and keep the map system current and accurate. This has been a highly requested feature. This one time funding will allow that data to be collected and then made available on line in a digital format to be printed or used in GPS units. This provides an opportunity to take this information and package it to better serve the ATV recreational riding public of Minnesota and continue to be a national leader.

Relationship to Base Budget

In FY 2011, the Parks and Trails Program received a direct appropriation of \$2 million from the ATV account in the natural resource fund. The addition of \$300,000 to the base in the direct appropriation from this account is a one-time increase of 15%. This funding will be used to address an increase level of effort and additional operating costs from FY 2009 through FY 2013 which is slightly more than a 3.9 % per year increase.

Key Goals and Measures

With this appropriation Parks and Trails will enable the department to continue with an active and expending effort to manage ATV use on state lands and public trails. Will allow the department to continue with education and outreach efforts to ensure riders understand what the expected and normal behavior is. This will enable the department to complete trail implementation, expand the level of monitoring to include grant-in-aid trails consistent with snowmobile monitoring and work closely with clubs, and sponsors providing annual training. Key measures will be: improved safety, reduced environmental impacts through proper and current training, monitoring of all trails, and reduced printing costs and reduced inappropriate OHV operation with availability of accurate, downloadable maps.

Statutory Change: Not applicable

NATURAL RESOURCES DEPT**Program: PARKS AND TRAILS MANAGEMENT****Change Item: Forest Campground Income**

Fiscal Impact (\$000s)	FY 2012	FY 2013	FY 2014	FY 2015
General Fund				
Expenditures	\$(195)	\$(200)	\$(200)	\$(200)
Revenues	(195)	(200)	(200)	(200)
Natural Resources Fund				
Expenditures	195	200	200	200
Revenues	195	200	200	200
Net Fiscal Impact (GF)	\$0	\$0	\$0	\$0

Recommendation

The Governor recommends the income derived from state forest campgrounds be credited to an account in the natural resources fund for the maintenance of state forest campgrounds and day use areas and be appropriated to the Commissioner via a dedicated appropriation.

Rationale

This proposal would provide funding for 47 state forest campgrounds with approximately 1,100 campsites and seven day use areas by using the funds generated to partially offset the costs of maintaining those facilities. Currently it is estimated that state forest camping fees generates about \$400,000 annually of which about half goes to the school trust fund for those facilities located on school trust lands. The other half goes to the general fund.

Relationship to Base Budget

In FY 2011, the Division of Parks and Trails Management directed \$370,000 of general fund appropriation towards the effort of maintaining forest campgrounds and day use areas. In FY 2001, the division was spending about \$900,000 annually on forest campground and day use areas maintenance and operation. Due to budget reductions the current level of effort has been reduced significantly.

Current funding is used to minimally maintain the campground and day use areas addressing safety issues, patrolling, and routine maintenance through greenview contracts where available. Non-emergency rehabilitation work of campsites, roads or other facilities along with interpretive and informational signing and mapping needs are not being met. This funding would allow revenue that is generated by these facilities to assist with the maintenance and reduce the gap on funding needs.

Key Goals and Measures

With this appropriation the division will be able to continue current level of maintenance and provide minor improvements to these campgrounds and day use areas. Forest recreation areas continue to provide low cost outdoor opportunities in a natural setting which continues to meet the needs of a segment of the camping public. Most of these campgrounds were built thirty years ago or more. Although the forest campground provides a different experience from a State Park, there remains a need to ensure toilets and campsites meet ADA requirements.

Statutory Change: M.S. 89.21

NATURAL RESOURCES DEPT

Program: PARKS AND TRAILS MANAGEMENT

Change Item: Investing in our State Parks and Trails

Fiscal Impact (\$000s)	FY 2012	FY 2013	FY 2014	FY 2015
Legacy Parks & Trails Fund (353)				
Expenditures	\$16,201	\$16,201	0	0
Revenues	0	0	0	0
Net Fiscal Impact	\$16,201	\$16,201	0	0

Recommendation

The Governor recommends \$16.201 million in FY 2012 and \$16.201 million in FY 2013 be appropriated to the Department of Natural Resources (DNR) from the Parks and Trails Fund.

Background

This change is necessary to implement the parks and trails portion of the Clean Water, Land, and Legacy amendment to Minnesota's Constitution, which dedicates an increase of 3/8ths of 1% of the state sales tax to clean water, habitat, arts, and parks and trails. This proposal is centered around the four pillars of the Legacy Framework identified in the 10/25 Minnesota Parks and Trails Legacy Plan. The DNR will use these funds to connect people to the outdoors, acquire land and create new opportunities, take care of what we have and work better together with our partners and other park and trail providers. The DNR will renew, restore, and rehabilitate state parks and state trails along with expanded resource protection. This change will result in accelerated state park and state trail renewal, restoration, development, and strategic high-priority acquisition efforts. The DNR will use these funds to enhance visitor services at state parks and trails and connect people to the outdoors through innovative outreach and public affairs efforts. Additionally, the DNR will use up to \$38,000 of these funds annually for evaluating a sample set of habitat restoration projects in accordance with 2010 Minn. Laws, Chap. 361, Art. 1, Sec. 3, subd. 5.

Relationship to Base Budget

This level of funding represents a significant change to incorporate the four pillars of the Parks and Trails Legacy Plan and framework to supplement existing funding provided for state parks, state trails, state recreation areas and state forest campgrounds and day use areas.

Key Goals and Measures

Connecting people to the outdoors:

- Create gateways to the outdoors through outreach opportunities at state parks, trails, recreation areas, forest recreation areas, and water access sites, targeting young families and new participants. Provide new outdoor recreation experiences and leader led skill building programs such as the I Can! Series and special events.
- Enhance marketing and outreach to target market by creating awareness through public affairs and advertising. Provide an additional 20 virtual tours of state parks and trails experiential product on the DNR website.
- Increase conservation education, interpretation, outdoor skills training, and outreach activities to serve an additional 2,000 new customers per year.
- Acquire land, create opportunities:
- Improve accessibility (ADA) throughout the park and trail systems for visitors of all ability levels at 25 buildings or facilities. This includes modifying playgrounds to meet accessibility guidelines.
- Increase energy conservation by installing new conservation-based energy sources in seven buildings and facilities each year.
- Develop and incorporate nature based play elements into our parks and trails.
- Acquire strategic high priority parcels of land.
- Develop and redevelop parks and trails facilities that provide a wide variety of recreational needs and opportunities.

Take care of what we have:

NATURAL RESOURCES DEPT

Program: **PARKS AND TRAILS MANAGEMENT**

Change Item: Investing in our State Parks and Trails

- Restore an additional 600 acres of division-administered lands that are currently old fields, cropland, or other non-native vegetation (ultimately: 14,850 acres need to be restored to prairie/savanna; 8,600 acres need to be restored to forest/woodland).
- Conduct prescribed burns on an additional 6,000 acres of division-administered lands to maintain/improve/restore native plant communities.
- Map and control invasive plant species and restore native vegetation on 4,500 additional acres of division-administered lands to maintain/improve/restore native plant communities.
- Enhance customer and visitor services, resource management, and facility repairs and services for at 74 state park and recreation areas and 54 state forest campground and day use areas which contain over 5,000 campsites, 68 group sites, 1,250 trail miles, 6,381 picnic sites, 36 swimming beaches, and trail and visitor centers.
- Enhance paved trails, including improved trail surfaces, trailhead operation , vegetation and natural resources management (including invasive species control), and provide more visitor orientation at trailheads, reassurance signs, mile markers and interactive interpretation of natural and cultural resources along state trails. Rehabilitate 20 miles of paved trails, repair five to six trail bridges, and replace one to two bridges in order to maintain public safety along Minnesota's state trails. Rehabilitate and renew 4% of non-motorized trails in state parks and state forests.
- Work better together:
- Create a Park and Trail Legacy fund advisory group to promote and coordinate the implementation of the 25-year long range plan.
- Enhance coordination with other agencies, organizations and non-profits to help advance Minnesota's outdoor recreation legacy.

Statutory Change: Not Applicable.

NATURAL RESOURCES DEPT**Program: PARKS AND TRAILS MANAGEMENT****Change Item: Local Trail Grants-Lottery in Lieu**

Fiscal Impact (\$000s)	FY 2012	FY 2013	FY 2014	FY 2015
State Park Account (18B)				
Expenditures	\$100	\$100	\$100	\$100
Revenues				
Net Fiscal Impact	\$100	\$100	\$100	\$100

Recommendation

The Governor recommends an increase of \$100,000 from the Local Trails Grants Lottery in-lieu account to the Department of Natural Resources (DNR), Division of Parks and Trails to enable the department to meet the public demand for outdoor recreation trail activities in local communities.

Rationale

This proposal would provide funding for the local trail grant program. Currently the division receives \$705,000 that is awarded as grants to local government units to develop local trails. In FY2011, the department received \$1,882,777 in requests for the \$705,000 that was available with a total project cost of \$13,292,109. This program has a significant unmet demand of which this increase would help address.

Relationship to Base Budget

In FY 2011, the Local Trails Grant program was appropriated \$705,000. These funds are all distributed to local government units for trail projects as requested through the grant application process. Current demand for these funds significantly out-pace the funding level so any increase will help meet the demand for these recreational facilities in local communities.

Key Goals and Measures

With this appropriation the division will be able to fund an additional two to four projects annually statewide which will help meet the growing demand for these funds. These local trail projects are important in that it provides trail connections between local schools, businesses and residential areas. This provides safe routes for children and adults through local communities. Provides opportunity for local residence to get out and exercise as the nation moves towards a healthier life style. Everyone should have the opportunity to walk, bike or enjoy a trail close to home, these grants to local communities provide that.

Statutory Change:Not applicable

NATURAL RESOURCES DEPT

Program: PARKS AND TRAILS MANAGEMENT

Change Item: Parks and Trails Fund Grant Program

Fiscal Impact (\$000s)	FY 2012	FY 2013	FY 2014	FY 2015
Parks and Trails Fund (353)				
Expenditures	\$6,165	\$6,165	\$0	\$0
Revenues	0	0	0	0
Net Fiscal Impact	\$6,165	\$6,165	\$0	\$0

Recommendation

The Governor recommends \$6.165 million in FY2012 and \$6.165 million in FY2013 be appropriated to the Department of Natural Resources (DNR) from the parks and trails fund for grants to parks and trails of regional significance.

Background

This change is necessary to continue with a grant program used for outstate parks and trails of regional significance statewide.

Opportunities for local governments to acquire and protect larger parcels for regional parks and trails are rapidly diminishing. Other local governments are unable to develop adequate recreational facilities to meet the needs of their region. Regional parks and trails provide gateways that connect people to the outdoors and provide healthy choices close to home. Local governments lack sufficient resources to acquire or develop these facilities on their own.

Relationship to Base Budget

As directed by the constitutional amendment, these funds would supplement existing funding to provide the necessary functions to support parks and trails of regional significance. Grant programs are used to provide state funding support for these facilities.

In fiscal years 2010, the DNR awarded \$3.9 million in regional parks and trail grants, including \$500,000 for solar grants and in fiscal year 2011, \$4.9 million in regional park and trail grants, with \$600,000 going to solar energy grants. In FY2010 the DNR received 57 trail and 20 park application requesting over \$27 million for \$3.3 million available. In addition there were another 17 applications for solar energy grants requesting \$1.4 million with \$500,000 available. In the FY2011 grant cycle DNR received 45 trail and 22 park grant applications totaling \$26 million with \$4.2 million available. Also received in the FY 2011 funding cycle, a total of 13 solar grants totaling \$532,000 with \$600,000 available. In FY2011 we were able to fund all the solar grants received.

Key Goals and Measure

The Parks and Trail Grants Program (MS 85.535) balance benefits across all regions and residents of the state. The new Legacy grant program (MS 85.535) will help increase participation in outdoor recreation by acquiring and developing outdoor recreation facilities across all regions of the state. Since 1997, the DNR has awarded 25 regional park grants and 59 regional trail grants to communities throughout Minnesota. The regional park and trail grants will address the goal and strategies outlined in the *Minnesota's 2008-2012 State Comprehensive Outdoor Recreation Plan* (SCORP) (mndnr.gov/aboutdnr/reports/scorp/index.html), and will also advance DNR's mission priorities and make progress toward priority indicators as identified in the DNR's *A Strategic Conservation Agenda, 2003-2007: Measuring Progress toward Mission* (<http://mndnr.gov/conservationagenda>).

Alternatives Considered

Funding alternatives considered include additional user fees and various tax scenarios (e.g. sales tax, property tax, vehicle registration and titling tax, hospitality tax).

Statutory Change: Not applicable

NATURAL RESOURCES DEPT

Program: **PARKS AND TRAILS MANAGEMENT**

Change Item: Snowmobile Fund

Fiscal Impact (\$000s)	FY 2012	FY 2013	FY 2014	FY 2015
Snowmobile Fund (182)				
Expenditures	\$200	\$200	\$200	\$200
Revenues	0	0	0	0
Net Fiscal Impact	\$200	\$200	\$200	\$200

Recommendation

The Governor recommends an annual increase of \$200,000 from the snowmobile account in the natural resources fund. This change level in funding is needed to address an increase in the cost of operation and maintenance of state snowmobile trails. This change will also enable the Department of Natural Resources (DNR) to meet the need for increased involvement with the snowmobile Grant-in-Aid program as identified in the 2003 Legislative Auditors Report.

Rationale

The division's level of effort in this program has increased significantly as has general overall operating costs. As recommended by the Legislative Auditors, the division has been taking a more active role in monitoring the Grant-in-Aid snowmobile program, which consists of approximately 21,300 miles of signed, and maintained snowmobile trails. In addition to conducting six to eight random program fiscal reviews with clubs and their sponsor, each area supervisor is expected to monitor at least half of the snowmobile Grant-in-Aid trails systems within their work area on an annual basis. In addition, any complaints received by the area office on Grant-in-Aid trails will be documented, as will any action taken based upon this complaint. This information will be communicated to the appropriate club and sponsor. The division also conducts spring training meetings for clubs and sponsors to ensure they are aware of any operational or maintenance changes.

This funding increase will allow the division to increase the level of effort with the Grant-in-Aid program, and will also allow State trails to be maintained for snowmobile use when appropriate. Maintenance and operating costs for the state trail system continue to increase, and this increase in funding would allow the current level of effort to continue through this funding cycle.

Relationship to Base Budget

In FY 2011, the division received a direct appropriation of \$3.3 million from the snowmobile account in the natural resources fund. The department received a one-time appropriation of \$400,000 each for the FY 2010-11 biennium to conduct this work. This request is to make that one-time appropriation part of the on-going biennial budget so this existing level of effort can be maintained.

Key Goals and Measures

With this appropriation the division will be able to continue the increased level of monitoring, program fiscal reviews, and training for the clubs and sponsors involved in the snowmobile Grant-in-Aid program as recommended by the Legislative Auditors report. It will allow the State Trails to be open for snowmobile use where appropriate and maintained at a safe level. Key measures will be: improved safety, trained riders, trail grooming compliance, and greater monitoring and oversight of the grant-in-aid program. Some of these measures are found in DNR's *A Strategic Conservation Agenda 2009-2013*.

Statutory Change: Not applicable

NATURAL RESOURCES DEPT

Program: PARKS AND TRAILS MANAGEMENT

Change Item: State Park Dedicated Account

Fiscal Impact (\$000s)	FY 2012	FY 2013	FY 2014	FY 2015
State Park Account (189)				
Expenditures	\$750	\$750	\$750	\$750
Revenues	0	0	0	0
Net Fiscal Impact	\$750	\$750	\$750	\$750

Recommendation

The Governor recommends an annual increase of \$750,000 from the state park dedicated account in the natural resources fund to fund maintenance and operations in state parks. The increase will provide the funding to meet the increased costs for maintenance and visitor services. In addition, the Governor recommends that the revenue received in the state park dedicated account be appropriated to the Commissioner of the Department of Natural Resources (DNR) via a dedicated appropriation, rather than a direct appropriation, for the maintenance and operations in state parks.

Rationale

Revenue from the state park dedicated account in the natural resource fund is used for state park and recreation area operations. This revenue includes state park entrance fees, camping fees, and lodging rental fees. Annual revenue in this fund has grown from \$9.8 million in FY 2007 to \$11.2 million in FY 2010. Appropriating \$750,000 of these funds annually for state park operations will help the DNR meet visitor expectations for maintenance and visitor services.

Relationship to Base Budget

State park operations have a FY 2011 direct appropriation base of \$33.6 million. The net fiscal impact of this proposal reflects drawing down the state park account in the natural resources fund by \$750,000 per year. The account is projected to grow to approximately \$4 million in FY 2015 without this proposal being factored in.

Key Goals and Measures

Over 900,000 lodging nights are recorded annually in state parks. A recent customer satisfaction survey showed that 97% of state park customers were satisfied with their experience. Additional funding generated from this change item would help in maintaining high customer satisfaction while helping addressing the three DNR Division of Parks and Trails Strategic Directions: Connecting People to the Outdoors, Accelerating Management of Our Natural, Cultural and Recreational Environments, and Investing in Our Partnerships, Processes and People.

Statutory Change: M.S. 85.055

NATURAL RESOURCES DEPT**Program: PARKS AND TRAILS MANAGEMENT****Change Item: State Parks and Trails Lottery in-Lieu**

Fiscal Impact (\$000s)	FY 2012	FY 2013	FY 2014	FY 2015
State Park Account (188)				
Expenditures	\$300	\$300	\$300	\$300
Revenues	0	0	0	0
Net Fiscal Impact	\$300	\$300	\$300	\$300

Recommendation

The Governor recommends an increase of \$300,000 annually from the State Parks and Trails Lottery in-lieu account to the Department of Natural Resources (DNR), Division of Parks and Trails to enable the department to meet the public demand for outdoor recreation activities.

Rationale

This proposal would provide additional funding for the maintenance and operation of state parks and trails from the interest on the Minnesota Lottery account directed towards natural resource management. This program has a significant operation and maintenance demand of which this increase would help address.

Relationship to Base Budget

In FY 2011 the Parks and Trails Lottery in-lieu program was appropriated approximately \$4.3 million. This change level request would result in 7% increase to base in an attempt to keep up with the growing demand on state parks and trails.

Key Goals and Measures

With this appropriation the division will be able to fund the maintenance and operation activities in State Parks and Trails at the current level. As use continues to grow at these state facilities it is important to maintain the facilities and provide the current level of service. If that is not maintained then the current growth will likely slow or reverse and this will add to funding gap as it will have a negative effect on other funding sources like the state park working capital account and other revenue dependent funding sources.

Statutory Change: Not applicable.

NATURAL RESOURCES DEPT

Program: **PARKS AND TRAILS MANAGEMENT**

Change Item: Water Recreation Program

Fiscal Impact (\$000s)	FY 2012	FY 2013	FY 2014	FY 2015
Natural Resources Fund (181)				
Water Recreation				
Expenditures	\$1,000	\$1,000	\$1,000	\$1,000
Revenues	0	0	0	0
Net Fiscal Impact	\$1,000	\$1,000	\$1,000	\$1,000

Recommendation

The Governor recommends a \$1 million appropriation from the water recreation account in the natural resources fund to enable the department to develop and implement Best Management Practices (BMP's) for water accesses to help meet aquatic invasive species (AIS) prevention strategies.

Rationale

The Public Water Access Program within the Division of Parks and Trails along with the Division of Ecological and Water Resources and concerned citizens participated in a series of stakeholder meetings to discuss strategies that would increase the DNR's overall efforts to control the spread of aquatic invasive species. One of the new initiatives suggested was to improve the function of water access sites to better accommodate aquatic invasive species prevention methods.

Components of the proposed strategies and BMP's under consideration for public water access sites include:

- Create designated areas for stopping and completing AIS checklist or inspection;
- Incorporate stormwater practices to provide site friendly boat drainage areas;
- Provide aquatic vegetation disposal areas;
- Provide shoreline buffer zones to further filter water from boats;
- Create consistent signing strategies and message options;
- Develop instructions on modifying existing sites with cost estimates to assist all water access providers;
- Provide list of priority lakes that would benefit the most from these improvements;
- Promote public awareness efforts based around the proper way to inspect your own boat and use the new AIS prevention area;
- Focus on boater stewardship through local partnerships including sportsman's clubs, angling groups, lake associations and local government units; and
- Demonstration wash sites.

Relationship to Base Budget

The FY 2010-11 base budget for the Water Recreation Program was \$9,598,850 each year. These funds are used to acquire, develop, and maintain 1,595 public water access sites, over 4,000 miles of water trails for small water craft including canoes and kayaks, and 11 small craft/safe harbors on Lake Superior. This additional appropriation of \$1 million is a base increase of approximately 10%.

Key Goals and Measures

- Develop water access BMP's.
- Develop a document that would provide guidance to all water access providers, public and private.
- Implement the BMP's at priority DNR sites.
- Evaluate effectiveness; recommend changes to the BMP's as needed.

Alternatives Considered: N/A

Statutory Change: N/A

Program at a Glance

- National Mineral Commodity Rankings*
 - 7th in non-fuel mineral production
 - 1st in taconite production
 - 6th in sand and gravel production
 - 3rd in horticultural peat production
- \$14 million in mineral revenue for FY 2010
- 12 million acres of land managed for mineral rights and 8 million acres of surface rights managed for horticultural peat, industrial mineral, and construction materials
- Generated \$22 million and \$8.4 million in mineral revenue during FY1009-10 for the Permanent School Fund and Permanent University Fund, respectively
- Reclamation program for iron ore, metallic minerals, and horticultural peat
- Acquisitions of approximately 10,600 acres of fee title land and easements valued at \$40.4 million in FY2010
- Land sales valued at \$1.6 million in FY2009-10
- Exchange of lands valued at about \$1,000,000 in FY2009-2010

*Source: U.S. Geological Survey, Mineral Commodity Summaries, June 2009

Program Description

The Division of Lands and Minerals is responsible for managing the department's real estate portfolio, managing state-owned mineral assets, and issuing mining permits and maintaining environmentally-sound mining practices to protect the environment and waters of the state, as well as providing fiduciary oversight for real estate and minerals transactions.

The division has regulatory authority for mining and is responsible for reclamation through a *permit-to-mine* for ferrous, non-ferrous metallic, and horticultural peat mines. Real estate responsibilities include land acquisition and all legal transactions on the 5.4 million acres of state-owned land. Minerals management responsibilities include the development and sale of state-owned minerals, issuing leases for exploration and mining, and managing revenue transactions related to mining and exploration. The program also provides technical assistance to local governments on mineral resources and mining issues.

Population Served

Within the department, the Lands and Minerals Program provides leadership in developing real estate policy, working with and on behalf of the divisions. In broader terms, the work of the division benefits all citizens of the state, the permanent school and university trust funds, industry, and local government.

Services Provided

This program contributes to the three elements of the Department of Natural Resources (DNR) conservation mission (outdoor recreation, economic development, and natural resources protection) with the following activities:

- **Land asset management** of 5.4 million acres of real estate holdings, implementing the department's strategic decisions relative to purchases, sales, and land exchanges. The division also manages transactions for road easements, utility licenses, and various leases, pays real estate taxes and special assessments, reviews of county-proposed tax-forfeited land sales, conducts land surveying and boundary staking and platting for acquisitions, develops monitoring plans for conservation easements, reviews encroachments and adjoining rights, reviews quiet title actions, and maintains land records for all DNR managed lands.
- **Mineral management** is responsible for mineral leases, title research, maintaining mineral rights information, monitoring global commodity demand and metal markets, determining ore quality, negotiating lease rates, conducting field inspections, developing technical information on construction aggregate resources, and managing iron ore cooperative research related to taconite facilities and the minerals diversification program.
- **Mineland management and reclamation** is responsible for issuing mining permits, establishing and enforcing regulations for reclamation of lands disturbed by mining, enforcing reclamation law, developing mine closure plans, and environmental research directed at reducing the impacts of mining and protecting the environment.

Historical Perspective

During the last six years, the division has moved from being an entirely General Fund sponsored program to a hybrid-funded model, supported by fees and revenue, which has partially replaced General Fund appropriations. The fee for service model was first adopted in FY 2006, when the legislature provided mineral management program funding from a portion of mining revenue generated from state-owned minerals. Subsequently, in

FY2009, the legislature created a fee-based mine permit system to fund a portion the mineland reclamation program; then in FY 2010, the fees were adjusted to provide for the full cost of the permitting program. Also in FY 2010, the legislature established a fee structure for the issuance of utility licenses and easements within the division's real estate management program, and again during the 2010 session, the legislature modified the fee structure, which now funds the program by recouping its full costs. Currently, the General Fund comprises less than one-third of the division's operating budget.

Key Program Goals & Measures

The division is fully integrated into all department programs and department goals. Its work spans overarching department goals including: 1) acquisition work purchasing lands in fee and through conservation easements to protect strategic natural lands and provide for recreational opportunities; 2) development of processes to reduce mercury emissions from taconite plants and mining related sulfate release to protect water resources and fish; and 3) providing for the economic well being of the state through leasing lands for mineral exploration and mining, which also provides state revenue, about 97% of which is generated by taconite production.

More specifically, the division's mineral programs provide for the extraction of state-owned mineral resources and regulation of mining of resources, including ferrous, non-ferrous metallic minerals, and horticultural peat. The division also supports environmental research intended to mitigate the effects of mining. Currently, environmental research is co-funded by industry, the Environment and Natural Resources Trust Fund, and the Great Lakes Restoration Initiative, a multi-agency federal initiative. Research focus is on mercury emissions from taconite plants and evaluating existing and emerging concerns of the public, such as sulfate release from mining into waters of the state.

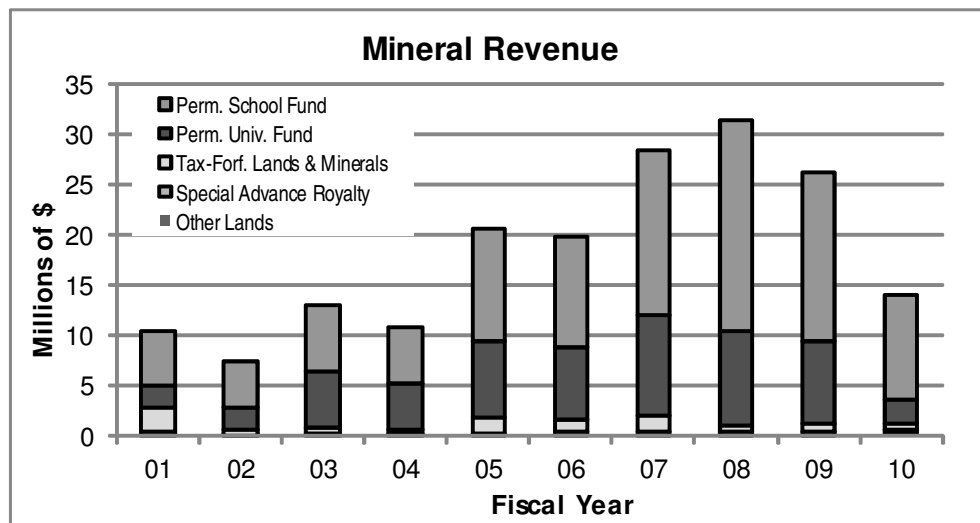
The division's real estate services provide for the acquisition of land and transactions related to the management of state-owned lands, such as the issuance of utility licenses, leases, and easements and for the sale and exchanges of land to improve management. In addition, the division manages the department's land records which comprise the foundation for land asset management decisions of the department. The system is currently being reengineered to provide state-of-the-art land records applications, including new modules that will provide public access to the records via the Internet.

As part of its real estate functions, the division manages the annual calculation of Payment in Lieu of Taxes (PILT), which is a local government aid payment established by the Minnesota Legislature in the late 1970s. The payment is made in lieu of property taxes for "Natural Resources Lands," upon which the state holds fee title interest and which are administered by either the commissioner of natural resources or, in the case of tax-forfeited lands, by the county in which the land is located. The PILT payments issued in July 2010 totaled about \$21.9 million.

The following three key performance measures highlight the division's responsibilities, and more importantly, provide insight into the management of the state's natural resources. They include the traditional measures of mineral revenue from state-owned resources; acquisition of strategic natural resources lands; and mineral developments in the state, an indicator the state's mineral wealth and future possibilities.

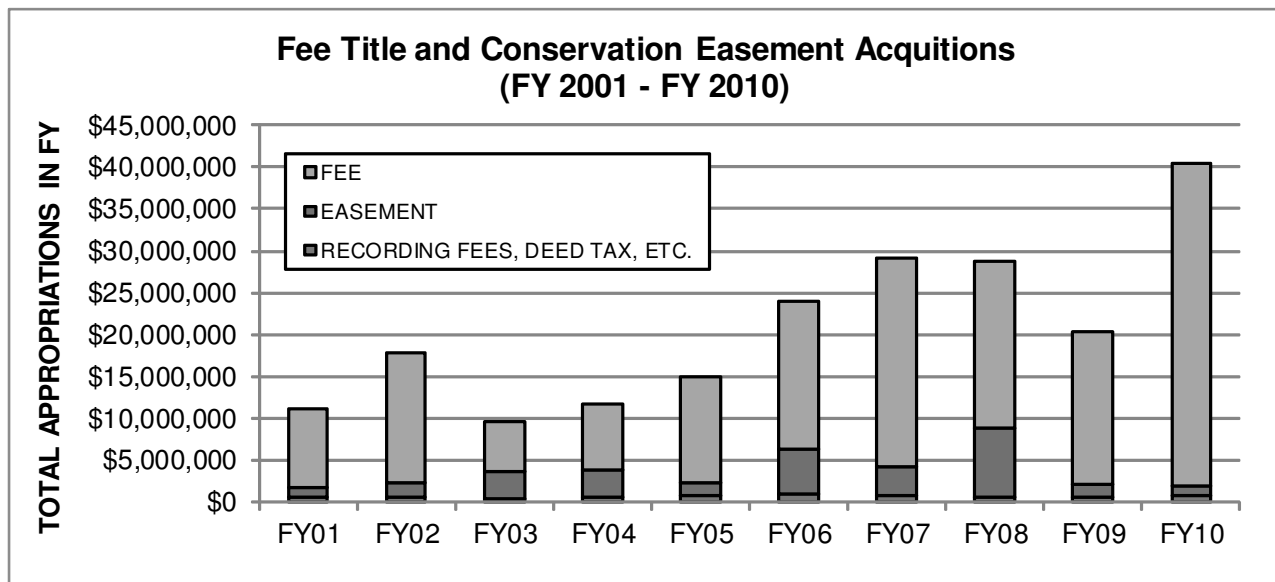
- *Performance Measure: Mineral revenue*

The mineral revenue graph depicts the monies generated as mineral royalties for the ten-year period ending in FY 2010. The chart reflects the rising global demand for resources from Asia beginning in the mid-2000s, and the 2009 downturn in the world and U.S. economy, accompanied by plant idling in Minnesota. Year over year revenues are likely to increase significantly in FY 2011 reflecting a modest recover in the demand for steel and the taconite plants running at full capacity. Revenues benefit the Permanent School Trust, Permanent University Trust, General Fund, and local taxing districts.



- Performance Measure: Land acquisition**

As a major function of managing the department's real estate portfolio, the division implements the department's strategic decisions relative to its land assets, reflecting the goals of both achieving monetary returns for the use of the land and acquiring lands for their natural resource values and their benefit to state citizens. The land acquisition graph represents the department's efforts in acquisition of fee title and conservation easements during the last ten years. While the department has been acquiring conservation easements for trout streams since the 1960s and native prairies since the 1980s, it has accelerated its efforts in acquiring conservation easements during the last eight years primarily through the three following programs: Forest Legacy beginning in 2001, Forests for the Future, and Army Compatible Use Buffers (ACUB).

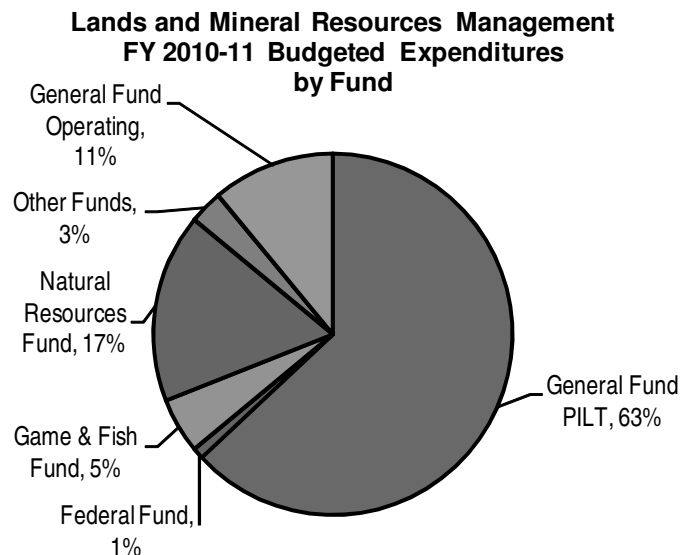


- Performance Measure: Mine permitting and mineral development**

The division regulates mining in the state through the issuance of Permit(s)-to-Mine. At this writing, nine taconite facilities have permits that encompass about 256,000 acres on the Mesabi Iron Range. Of this total, about 73,000 acres have been disturbed since 1980, the inception of reclamation rules, including about 33,000 acres of tailing basins, 20,000 acres of mine pits, and 18,000 acres of stockpiles. One scam operation, which is recovering iron units from what was formerly considered waste material, is permitted, and an additional non-ferrous mining operation has applied for a mining permit. The decisions on issuing permits are made only after mine proposals, and their effects on the environment, are thoroughly analyzed during environmental review. The division maintains a nationally-respected research program to maintain knowledge of mining issues and state-of-the-art mitigation measures in order to protect the state's natural resources and the health of its citizens.

Mineral development in the state mirrors global demand for industrial metals and reflects multi-national investment in mineral resources. Four mining proposals are going through environmental review and have applied for mining permits. They include PolyMet Mining Corp. with funding from Swiss metal house Glencore International; Mesabi Nugget's plant and mine owned by Steel Dynamics, Inc.; U.S. Steel's Keewatin Taconite plant and mine expansion applications; and Essar Steel Minnesota's (Essar Global Limited, India) project change for increased mining and a larger induration furnace. Other mineral exploration and development projects include Cooperative Mineral Resources' manganese project near Emily; the Duluth Metals' (Antofagasta Minerals, Chile, SA) Nokomis project near Ely; Franconia's project on Birch Lake, near Babbitt; and Kennecott Exploration's site in Aitkin County. Providing these developments meet Minnesota's environmental standards, these mineral projects bode well for the State of Minnesota in terms of its economic recovery, revenues for the permanent school and university funds, and jobs. Collectively, they indicate a bright future for mining in the state.

Program Funding



The General Fund PILT portion in the above chart contains dollars from a General Fund Open Appropriation for PILT payments. PILT payments to local government totaled \$43.4 million in FY2010-11. Dollars from the General Fund are transferred to the Department of Revenue for payments to local government.

Contact

Name: Marty Vadis
 Phone: (651) 259-5379
 Fax: (651) 296-5959
 E-mail: marty.vadis@state.mn.us

NATURAL RESOURCES DEPT

Program: LAND AND MINERALS RESOURCE MGT

Program Summary

Dollars in Thousands					
	Current		Governor Recomm.		Biennium
	FY2010	FY2011	FY2012	FY2013	2012-13
<u>Direct Appropriations by Fund</u>					
Environment & Natural Resource					
Current Appropriation	0	270	270	270	540
Technical Adjustments					
One-time Appropriations			(270)	(270)	(540)
Subtotal - Forecast Base	0	270	0	0	0
Total	0	270	0	0	0
General					
Current Appropriation	3,833	3,613	3,613	3,613	7,226
Technical Adjustments					
Approved Transfer Between Appr			(2)	(2)	(4)
One-time Appropriations			(626)	(626)	(1,252)
Operating Budget Reduction			(3)	(3)	(6)
Subtotal - Forecast Base	3,833	3,613	2,982	2,982	5,964
Total	3,833	3,613	2,982	2,982	5,964
Natural Resources					
Current Appropriation	4,849	4,849	4,849	4,849	9,698
Technical Adjustments					
Approved Transfer Between Appr			12	12	24
Subtotal - Forecast Base	4,849	4,849	4,861	4,861	9,722
Governor's Recommendations					
State Forest Land Management		0	(344)	(344)	(688)
Total	4,849	4,849	4,517	4,517	9,034
Game And Fish (operations)					
Current Appropriation	1,386	1,386	1,386	1,386	2,772
Technical Adjustments					
Approved Transfer Between Appr			16	16	32
Subtotal - Forecast Base	1,386	1,386	1,402	1,402	2,804
Total	1,386	1,386	1,402	1,402	2,804

NATURAL RESOURCES DEPT

Program: LAND AND MINERALS RESOURCE MGT

Program Summary

Dollars in Thousands					
	Current		Governor Recomm.		Biennium
	FY2010	FY2011	FY2012	FY2013	2012-13
<u>Expenditures by Fund</u>					
Direct Appropriations					
Environment & Natural Resource	234	427	0	0	0
General	3,505	3,942	2,982	2,982	5,964
Natural Resources	3,957	4,739	4,517	4,517	9,034
Game And Fish (Operations)	1,682	1,763	1,402	1,402	2,804
Permanent School	71	200	200	200	400
Open Appropriations					
General	13	3	26,508	26,815	53,323
Natural Resources	15	23	23	23	46
Statutory Appropriations					
Natural Resources	467	843	974	974	1,948
Miscellaneous Special Revenue	985	2,299	2,590	3,590	6,180
Federal	0	816	838	0	838
Miscellaneous Agency	4	3	3	3	6
Permanent School	4	200	4	4	8
Total	10,937	15,258	40,041	40,510	80,551
<u>Expenditures by Category</u>					
Total Compensation	6,773	7,475	6,605	6,565	13,170
Other Operating Expenses	4,150	7,780	6,928	7,130	14,058
Capital Outlay & Real Property	1	0	0	0	0
Local Assistance	13	3	18	14	32
Transfers	0	0	26,490	26,801	53,291
Total	10,937	15,258	40,041	40,510	80,551
<u>Expenditures by Activity</u>					
Real Estate & Minerals Mgmt	10,937	15,258	40,041	40,510	80,551
Total	10,937	15,258	40,041	40,510	80,551
Full-Time Equivalents (FTE)	84.6	84.6	71.4	71.4	

Program at a Glance

- Inventory and monitor aquatic and terrestrial resources, including surface and groundwater and rare plants and animals
- Provide technical and financial assistance to local units of government to reduce repetitive flood losses
- Protect aquatic and terrestrial resources through regulations governing work in public waters, water appropriation, aquatic plant removal, invasive species, and threatened and endangered species and through oversight of flood plain, shoreland, and wild and scenic rivers programs
- Provide technical assistance and grants to external partners to protect and enhance aquatic and terrestrial resources
- Manage 146 Scientific and Natural Areas (SNA) and 86 Native Prairie Bank (NPB) easements
- Support Clean Water Legacy programs through biological and hydrological monitoring, technical assistance for TMDL planning, and protection and restoration of impaired waters and watersheds

Program Description

The Ecological and Water Resources Program is a new division in the Department of Natural Resources (DNR) formed by the integration of the former Ecological Resources and Waters divisions. The new division is dedicated to promoting and delivering integrated conservation of Minnesota's water resources, biological diversity, and ecosystem services to achieve healthy watersheds throughout Minnesota and ensure a high quality for life for present and future generations of Minnesotans.

Population Served

The new Division of Ecological and Water Resources program serves Minnesotans through a wide range of activities involving inventory, monitoring and analysis, conservation assistance and regulation, and ecosystem management and protection. The division provides data, technical assistance, grants, and stewardship education for the state's ecological and water resources and engages citizens and partners, including other state and federal agencies, local units of government, and nonprofit organizations in the protection of these resources. The division has regulatory programs involving shoreline modification, dams, filling and excavation of public waters, water appropriation, removal of aquatic plants, invasive species, and threatened and endangered species. Land management programs include the Scientific and Natural

Area (SNA) and Native Prairie Bank (NPB) easement programs.

Services Provided

A sustainable natural resource base is integral to a prosperous society and economy – and clean water and biological diversity are the foundation for healthy natural resources. The legislature recognized that all aspects of biological diversity are connected to water by adopting a basin watershed management policy (M.S.103A.212), which states that the “quality of life of every Minnesotan depends on water. Minnesota’s rivers, lakes, streams, wetlands, and groundwater provide a foundation for drinking water and the state’s recreational, municipal, commercial, industrial, agricultural, environmental, aesthetic, and economic well-being.” Further, land use practices have a major influence on the quantity and quality of the state’s water resources as well as biological diversity and ecosystem services. The DNR has land management responsibilities on some state-owned land and some regulatory authority governing land and water use, but these functions alone have not ensured healthy watersheds throughout Minnesota. The new Division of Ecological and Water Resources will play a critical role in supporting the foundation of the state’s economy and society by focusing its efforts on working more effectively with partners to protect the water, biodiversity, and ecosystem services beyond state-owned lands and beyond the limits of our regulatory authority.

This program contributes to the three elements of DNR’s conservation mission (natural resource protection, economic development, and recreational use) with the following activities:

- Promote sustainable economic development and protect land and water resources for future generations—key activities include the Minnesota County Biological Survey; hydrological and biological monitoring of lakes and rivers; and groundwater monitoring. Information and technical analysis gained from these activities is

integral to helping local units of government, the private sector, and other DNR partners make sound economic and resource conservation decisions.

- Protect land and water resources and deliver critical natural resource information to DNR partners—key activities include encompass regulatory programs, including water appropriation, work in the bed of protected waters, aquatic plant removal, invasive species, threatened and endangered species, dam safety, and oversight of land use programs including flood plain, shoreland, and wild and scenic rivers; environmental review; and technical assistance to public and private sector organizations for Clean Water Legacy and land use programs and protection of rare plant and animal resources.
- Protect and restore Minnesota's rare plant and animal communities and support high-quality outdoor recreation—key activities include preventing and managing invasive species infestations; acquiring and managing SNAs and NPB easements; managing nongame wildlife; providing technical assistance for forest resource and wetland management; promoting recreational enjoyment of native plants and wildlife; and developing wildlife and water education programs.

Historical Perspective

The connection between land use and water quantity and quality has been understood for a long time. Since the vast majority of the state's land base has been and will remain privately owned, our approaches to managing the effects of our land use decisions must continue to be more focused on working with partners to leverage better natural resource outcomes.

However, these are times of extraordinary change and opportunity for Minnesota's natural resources. The state is experiencing significant changes in its ecology and economy. Population growth, development, and a changing climate are reshaping the natural resource base. Shifts in the energy, manufacturing, retail, and recreational economies are reshaping the conservation financial resource base.

While regulation and land acquisition will continue to be key strategies in the natural resources conservation equation, alone they are not sufficient to address the natural resource challenges of the 21st century. The new division will play an instrumental part in the budget solution by helping the department build stronger relationships with citizens and external partners who can affect natural resources decisions to achieve healthy watersheds throughout Minnesota. The new division will integrate its information products and decision-making tools to help its partners promote healthy watersheds and strengthen the natural resource base that is critical to the state's economy and quality of life.

The former Division of Waters focused on regulation of water and shoreland resources and providing water resources data to external partners. The former Division of Ecological Resources focused on protecting and restoring native plant and wildlife communities, delivering technical assistance to other units of DNR and external partners, and collecting ecological data. The new Division of Ecological and Water Resources will blend the sciences of ecology and hydrology to better integrate management and policy development for Minnesota's land and water resources. This strategic organizational change will better position the DNR to address the trends and opportunities in 21st century natural resource management.

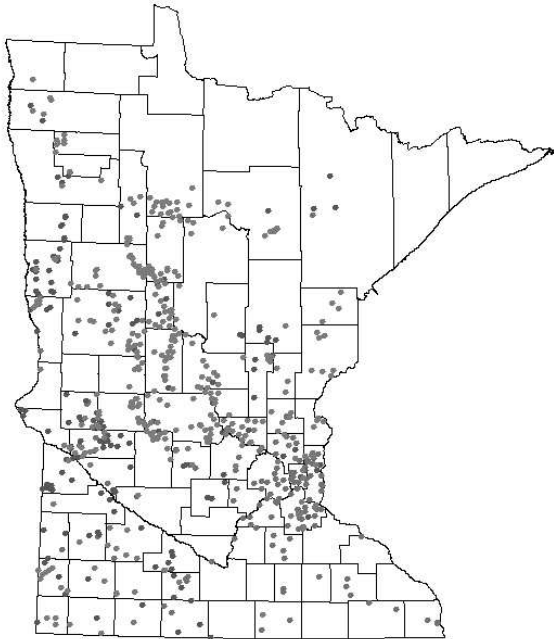
Key Program Goals & Measures

This program includes activities that address all of the department's overarching goals from the DNR's *A Strategic Conservation Agenda 2009-2013*. Natural lands are conserved and enhanced by acquiring and managing SNAs and NPB easements and by providing conservation information to other government agencies and private landowners. Water resources and watersheds are conserved and enhanced through regulatory and restoration programs and by delivering technical assistance to local partners. Fish and wildlife populations are enhanced by the State Wildlife Action Plan, focusing on species in greatest conservation need, through aquatic and terrestrial habitat restoration and protection programs, and through permitting and environmental review programs that work to avoid, minimize, or mitigate the impacts of development on fish and wildlife habitat. SNAs provide recreational opportunities for wildlife watching, hiking, and hunting. Technical assistance and regulatory programs allow for sustainable economic use of the state's natural resources.

The new division's activities are encompassed in three core work areas:

- **Inventory, Monitoring, and Analysis**

Performance Measure: Develop an adequate groundwater level monitoring network to support sustainable water resource management and water supply planning. Complete an 11-county metropolitan area monitoring network and an electronic data access and management system over the next five years.



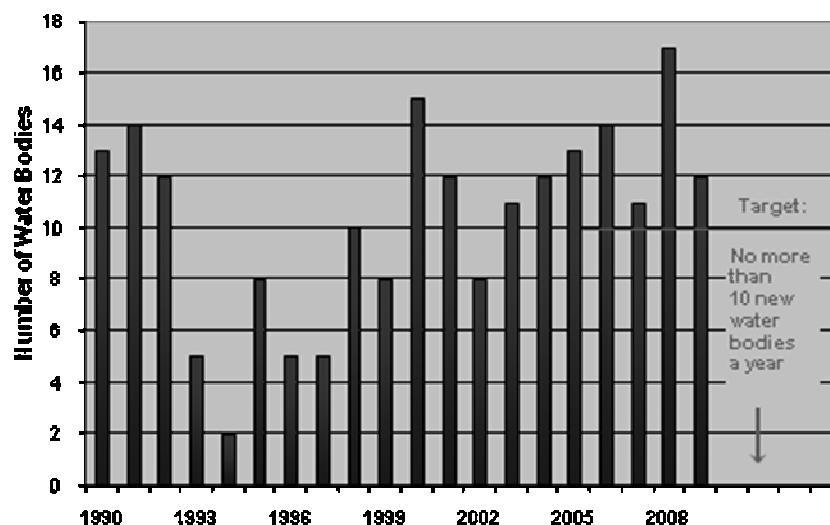
Observation well locations: Since 1944, DNR has managed a statewide network of groundwater level monitoring wells. Data from approximately 750 wells are used to: map and assess ground water resources, determine long term trends, interpret impacts of pumping and climate, plan for future water needs, evaluate water conflicts, and manage water resources. In FY 2010, the DNR completed a legislative report on the development of a “backbone” groundwater level monitoring network for the 11-county metropolitan area. Clean Water Funding was provided to initiate the development the 11-county network, but additional funding will be needed to complete and maintain the network. Another legislative report completed by DNR in January 2010 titled Long-Term Protection of the State's Surface Water and Groundwater Resources identifies 25 year targets for statewide water resource mapping, monitoring and management needs.

- **Ecosystem Management and Protection**

Performance Measure: The rate of spread of Eurasian watermilfoil Eurasian watermilfoil and zebra mussels are invasive species that harm Minnesota waters. Eurasian

watermilfoil can displace native plants, degrade habitat for fish and wildlife, and limit lake recreation. DNR works to increase public awareness and enforce related laws. Numbers of water bodies with Eurasian watermilfoil and zebra mussels likely are much lower than they would have been without these efforts.

Number of Additional MN Water Bodies Where Eurasian Watermilfoil was Found

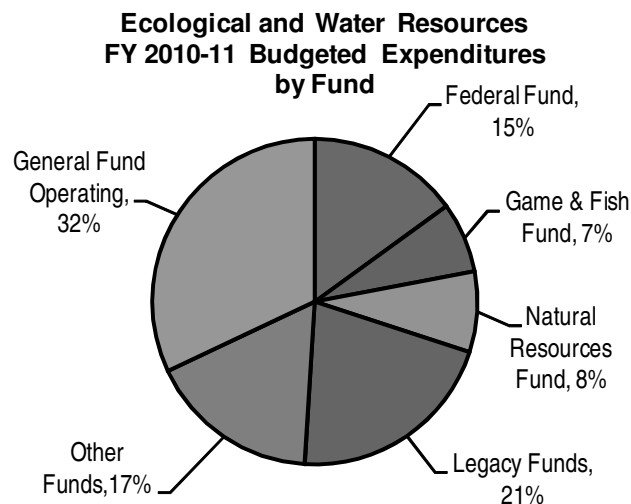


- **Conservation Assistance and Regulation**

Performance Measure: Number of communities with water supply plans that address resource sustainability, infrastructure needs, emergency response, and water conservation.

Water supply plans are required for communities with water systems that serve over 1,000 people. These plans are updated every ten years and DNR is currently working with 298 communities on the second generation of plans. Water supply plans approved by DNR also satisfy other requirements related to source water protection plans, drinking water revolving fund applications, construction of new municipal wells, water appropriation permitting, and comprehensive planning in the metro area.

Program Funding



Contact

Name: Steve Hirsch
 Phone: (651) 259-5106
 Fax: (651) 296-1811
 E-mail: steve.hirsch@state.mn.us

Name: Kent Lokkesmoe
 Phone: (651) 259-5701
 Fax: (651) 296-0445
 E-mail: kent.lokkesmoe@state.mn.us

NATURAL RESOURCES DEPT

Program: ECOLOGICAL AND WATER RESOURCES

Program Summary

Dollars in Thousands					
	Current		Governor Recomm.		Biennium
	FY2010	FY2011	FY2012	FY2013	2012-13
<u>Direct Appropriations by Fund</u>					
Environment & Natural Resource					
Current Appropriation	4,965	3,973	3,973	3,973	7,946
Technical Adjustments					
One-time Appropriations			(3,973)	(3,973)	(7,946)
Subtotal - Forecast Base	4,965	3,973	0	0	0
Total	4,965	3,973	0	0	0
General					
Current Appropriation	17,124	16,475	16,475	16,475	32,950
Technical Adjustments					
Approved Transfer Between Appr			17	17	34
Biennial Appropriations			125	125	250
Operating Budget Reduction			(13)	(13)	(26)
Subtotal - Forecast Base	17,124	16,475	16,604	16,604	33,208
Governor's Recommendations					
General Fund Reduction		0	(1,126)	(1,126)	(2,252)
Water Management Account		0	(5,000)	(5,000)	(10,000)
Total	17,124	16,475	10,478	10,478	20,956
Natural Resources					
Current Appropriation	4,274	4,274	4,274	4,274	8,548
Technical Adjustments					
Approved Transfer Between Appr			62	62	124
Subtotal - Forecast Base	4,274	4,274	4,336	4,336	8,672
Governor's Recommendations					
Aquatic Invasive Species Prevention/Mgmt		0	3,900	4,000	7,900
Maintain Recreational Water Levels		0	500	500	1,000
Total	4,274	4,274	8,736	8,836	17,572
Game And Fish (operations)					
Current Appropriation	3,951	3,951	3,951	3,951	7,902
Technical Adjustments					
Approved Transfer Between Appr			(252)	(252)	(504)
Subtotal - Forecast Base	3,951	3,951	3,699	3,699	7,398
Total	3,951	3,951	3,699	3,699	7,398
Clean Water					
Current Appropriation	6,690	11,835	11,835	11,835	23,670
Technical Adjustments					
Current Law Base Change			1,000	0	1,000
One-time Appropriations			(11,835)	(11,835)	(23,670)
Subtotal - Forecast Base	6,690	11,835	1,000	0	1,000
Governor's Recommendations					
Clean Water Fund		0	11,522	9,092	20,614
Total	6,690	11,835	12,522	9,092	21,614

NATURAL RESOURCES DEPT

Program: ECOLOGICAL AND WATER RESOURCES

Program Summary

<i>Dollars in Thousands</i>					
	Current		Governor Recomm.		Biennium
	FY2010	FY2011	FY2012	FY2013	2012-13
<u>Expenditures by Fund</u>					
Direct Appropriations					
Environment & Natural Resource	6,056	7,689	0	0	0
General	16,481	17,301	10,478	10,478	20,956
Natural Resources	3,980	4,669	8,736	8,836	17,572
Game And Fish (Operations)	3,223	4,096	3,699	3,699	7,398
Outdoor Heritage	0	3,263	0	0	0
Clean Water	5,055	12,185	12,522	9,092	21,614
Open Appropriations					
Natural Resources	16	22	22	22	44
Statutory Appropriations					
Natural Resources	20	97	5,027	5,027	10,054
Miscellaneous Special Revenue	5,365	4,390	3,880	3,880	7,760
Federal	4,658	6,007	6,143	4,502	10,645
Remediation Fund	790	381	381	381	762
Reinvest In Minnesota	1,369	2,908	1,912	1,912	3,824
Gift	113	69	61	61	122
Total	47,126	63,077	52,861	47,890	100,751
<u>Expenditures by Category</u>					
Total Compensation	21,786	28,359	28,197	27,225	55,422
Other Operating Expenses	18,767	28,495	22,507	19,014	41,521
Capital Outlay & Real Property	2,426	2,828	150	150	300
Local Assistance	4,147	3,395	2,007	1,501	3,508
Other Financial Transactions	0	98	98	98	196
Non-Cash Transactions	0	(98)	(98)	(98)	(196)
Total	47,126	63,077	52,861	47,890	100,751
<u>Expenditures by Activity</u>					
Ecological And Water Resources	47,126	63,077	52,861	47,890	100,751
Total	47,126	63,077	52,861	47,890	100,751
<u>Full-Time Equivalents (FTE)</u>					
	313.8	347.4	349.7	351.6	

Program Description

The purpose of the Forest Management Program is to:

- Provide leadership and technical assistance for forest land management activities in the state;
- Manage state forests for multiple forest values, including quality timber, wildlife habitat, and recreation over the long term;
- Protect citizens, property, and natural resources from wildfires; and
- Bring together the state's varied forest resource interests to develop and implement programs that promote sustainable site and landscape-based forest management practices.

This program is the responsibility of the Department of Natural Resources (DNR's) Division of Forestry.

Budget Activities

This program includes the following budget activities:

- Forest Management
- Fire Fighting

NATURAL RESOURCES DEPT
Program: FOREST MANAGEMENT

Program Summary

<i>Dollars in Thousands</i>					
	Current		Governor Recomm.		Biennium
	FY2010	FY2011	FY2012	FY2013	2012-13
<u>Direct Appropriations by Fund</u>					
Environment & Natural Resource					
Current Appropriation	0	300	300	300	600
Technical Adjustments					
One-time Appropriations			(300)	(300)	(600)
Subtotal - Forecast Base	0	300	0	0	0
Total	0	300	0	0	0
General					
Current Appropriation	25,094	24,360	24,360	24,360	48,720
Technical Adjustments					
Approved Transfer Between Appr			49	49	98
Current Law Base Change			(240)	(240)	(480)
One-time Appropriations			(1,868)	(1,868)	(3,736)
Operating Budget Reduction			(14)	(14)	(28)
Subtotal - Forecast Base	25,094	24,360	22,287	22,287	44,574
Governor's Recommendations					
General Fund Reduction		0	(3,147)	(3,147)	(6,294)
Total	25,094	24,360	19,140	19,140	38,280
Natural Resources					
Current Appropriation	12,193	11,093	11,093	11,093	22,186
Subtotal - Forecast Base	12,193	11,093	11,093	11,093	22,186
Governor's Recommendations					
Maint of Min-Maint Forest Roads		0	200	200	400
State Forest Land Management		0	(11,093)	(11,093)	(22,186)
Total	12,193	11,093	200	200	400
Game And Fish (operations)					
Current Appropriation	1,464	1,464	1,464	1,464	2,928
Technical Adjustments					
One-time Appropriations			(1,200)	(1,200)	(2,400)
Subtotal - Forecast Base	1,464	1,464	264	264	528
Governor's Recommendations					
Native Plant Community Mapping		0	1,000	1,000	2,000
Total	1,464	1,464	1,264	1,264	2,528
Outdoor Heritage					
Current Appropriation	18,000	18,000	18,000	18,000	36,000
Technical Adjustments					
One-time Appropriations			(18,000)	(18,000)	(36,000)
Subtotal - Forecast Base	18,000	18,000	0	0	0
Governor's Recommendations					
MN Forests for Future Easmnt Stwrdshp		(750)	0	0	0
Total	18,000	17,250	0	0	0

NATURAL RESOURCES DEPT

Program: FOREST MANAGEMENT

Program Summary

<i>Dollars in Thousands</i>					
	Current		Governor Recomm.		Biennium
	FY2010	FY2011	FY2012	FY2013	2012-13
<u>Expenditures by Fund</u>					
Direct Appropriations					
Environment & Natural Resource	1,956	300	0	0	0
General	23,626	25,418	19,140	19,140	38,280
Natural Resources	11,104	11,132	200	200	400
Game And Fish (Operations)	1,380	1,548	1,264	1,264	2,528
Outdoor Heritage	17,942	17,308	0	0	0
Open Appropriations					
General	14,636	11,000	13,000	13,000	26,000
Natural Resources	62	65	65	65	130
Statutory Appropriations					
Natural Resources	1,610	2,777	15,341	15,341	30,682
Miscellaneous Special Revenue	7,538	9,122	8,675	8,751	17,426
Federal	3,430	16,496	14,233	7,640	21,873
Gift	75	94	27	27	54
Total	83,359	95,260	71,945	65,428	137,373
<u>Expenditures by Category</u>					
Total Compensation	33,735	35,208	33,675	33,509	67,184
Other Operating Expenses	27,199	31,254	29,246	27,352	56,598
Capital Outlay & Real Property	19,887	27,173	6,525	3,525	10,050
Local Assistance	2,519	1,550	2,469	1,012	3,481
Other Financial Transactions	19	75	30	30	60
Total	83,359	95,260	71,945	65,428	137,373
<u>Expenditures by Activity</u>					
Forest Management	59,920	74,242	49,005	42,488	91,493
Fire Fighting	23,439	21,018	22,940	22,940	45,880
Total	83,359	95,260	71,945	65,428	137,373
Full-Time Equivalents (FTE)	495.7	494.8	485.7	485.7	

NATURAL RESOURCES DEPT

Program: FOREST MANAGEMENT

Activity: FOREST MANAGEMENT

Narrative

Activity at a Glance

- Provide statewide leadership in forest management, coordinate management across multiple ownerships, and manage 4.2 million acres of state-owned forest land for multiple values.
- Assure sustainable management of 5.7 million acres of non-industrial private forestland.
- Monitor and report on forest condition and implementation of forest management guidelines
- Maintain a diverse mix of forest types and ages that are home for game and non-game fish and wildlife.
- Provide recreational access to public lands.
- Help keep the state's forest products industry vigorous by supplying about 30% of the wood fiber used in the state.
- Help keep Minnesota's forest industry competitive via certification

Activity Description

The Department of Natural Resources' (DNR) forest management activity helps sustain the high quality of life Minnesotans enjoy by improving the health, productivity, accessibility, and use of Minnesota's forests. The DNR:

- Provides leadership in management and policy development for forests and influences and enhances forest management of all Minnesota forestland;
- Manages 4.2 million acres of state-owned forest lands for a sustainable supply of forest resources (as defined in M.S. 89.001) including clean water, abundant wildlife habitat and populations, quality timber, outdoor recreation, and biological diversity;
- Collaborates with other forest landowners and natural resource professionals to protect working forests from encroaching development;
- Supports the commercial use and public enjoyment of forest resources and maintains a cost-effective means to accomplish forest resource management via public lands, public access, forest roads, and recreational trails.
- Advises the governor and federal, state, and local governments on forest policy and practices, as required

by the Sustainable Forest Resources Act, M.S.89A, through the Minnesota Forest Resources Council (MFRC), a forum of diverse forest stakeholders.

Population Served

Forest stakeholders include forest landowners; conservation groups; hunters, anglers, and other outdoor enthusiasts; school teachers, pupils, and parents; loggers and other forest operators; employees of forest industries; consulting foresters and other forestry professionals.

Ongoing forums, such as the Minnesota Forest Resources Council (MFRC) and its regional committees, Minnesota Forest Resources Partnership (MFRP), State Forest Stewardship Committee, Minnesota Forests for the Future Advisory Committee, allow citizens to influence forest management. DNR also solicits public input via public meetings on forest management, the DNR and MFRC web sites, and at area offices in many communities.

Services Provided

This activity contributes to the three elements of DNR's conservation mission (outdoor recreation, economic development, and natural resources protection) through the following:

- Management of state forest lands, by improving the health and productivity state forest lands in order to sustain clean water, abundant wildlife habitat, timber, and outdoor recreation opportunities;
- Cooperative forest management, by providing technical assistance and supporting the efforts of private landowners and communities to maintain and enhance forest resources;
- Forest information, planning, and outreach, by managing forest insects and disease, promoting responsible use of forest products, and gathering and sharing information vital to sustaining the management of state forests; and
- Implementation of the Sustainable Forest Resources Act (SFRA) (M.S. 89A).

Substantial public and private investments over the past three decades have strengthened the forest products industry and the supporting infrastructure (i.e., productive forests, forest roads, and skilled forest operators) needed to use an abundant and renewable natural resource - wood fiber. These investments have made the forest products industry the fourth largest manufacturing sector in Minnesota. DNR and MFRC leadership in

NATURAL RESOURCES DEPT

Program: FOREST MANAGEMENT

Activity: FOREST MANAGEMENT

Narrative

developing the policies and practices of the evolving woody biomass industry are helping to insure that energy production from biomass is sustainable.

Many game (e.g., grouse, woodcock, deer) and non-game species (e.g. song birds, raptors, amphibians) depend on forest habitats created and maintained by disturbance. For the most part, timber harvesting and other forest management actions have replaced natural disturbances, such as fire, in Minnesota's forests. Thus, habitat needs of Minnesota's diverse wildlife populations are a primary consideration in forest management in the state.

State forest roads and trails provide public access to forested lands for fish and wildlife-based outdoor recreation.

Historical Perspective

DNR's Division of Forestry will celebrate its 100th anniversary in 2011. The primary purposes of the Division of Forestry remains essentially the same today as it was 100 years ago:

- Protect lives, property and natural resources from wildfires (see Fire Fighting BACT narrative);
- Sustainably manage state-owned forest lands; and
- Provide forest management assistance to others.

However, strategies for sustaining Minnesota's forest lands have been changed over time by state statute (e.g., 1982 Forest Resources Management Act; 1995 Sustainable Forest Resources Act), comprehensive studies (e.g., the GEIS on Timber Harvesting and Forest Management in Minnesota), and most recently, third-party forest management certification systems.

DNR vigorously pursues innovative ways to sustain Minnesota's forests. For example, the Division of Forestry is examining the benefits and implications of 1) leasing state forest lands for management by other entities; 2) alternative ways of offering state timber for sale; and 3) coordinated, multi-owner forest management and protection efforts. Recent changes to the DNR Forest Stewardship Program allow the division to partially recover the cost of preparing stewardship plans.

In 2007-2009, the annual timber harvest in Minnesota was about 2.9 million cords, down from 3.6-3.8 million cords per year in 2000-2007 in large part due to the economic recession. Forest products mill shut downs and logging businesses that are struggling to survive require that the DNR address the immediate, critical needs of forest industry within the bounds of sustainable forest management.

The DNR's Forest Stewardship Program provides professional natural resource management expertise and cost sharing (for tree planting and other actions) to private landowners. Incentive payments for landowners that follow a professionally prepared forest management plan (Sustainable Forestry Incentives Act, M.S. 290C) and the new Managed Forestland property tax classification have increased the demand for forest management plan preparation and other assistance for private forestland owners.

The 1995 Sustainable Forest Resources Act (M.S. 89A.03) created the MFRC to develop and oversee programs to address impacts of timber harvesting and forest management and to coordinate landscape-level forest resource planning. Recent MFRC efforts include an assessment of the feasibility of meeting Next Gen Energy Act greenhouse gas emission reduction goals via forestation; recommendations for retaining the working forest land base in face of parcelization and development pressure; regional, multi-owner forest management plans; and ongoing improvements and monitoring of forest management guidelines designed to protect water quality, soil fertility, and wildlife populations.

Key Activity Goals & Measures

Sustaining Minnesota's forest ecosystems in a healthy, resilient, and productive state will ensure that current and future generations enjoy a full range of forest benefits, a primary goal of the DNR's *A Strategic Conservation Agenda 2009 – 2013*. DNR's forest management efforts foster economic development within the forest products industry by providing a sustainable supply of raw materials; encourage forest-based outdoor recreation by

NATURAL RESOURCES DEPT

Program: FOREST MANAGEMENT

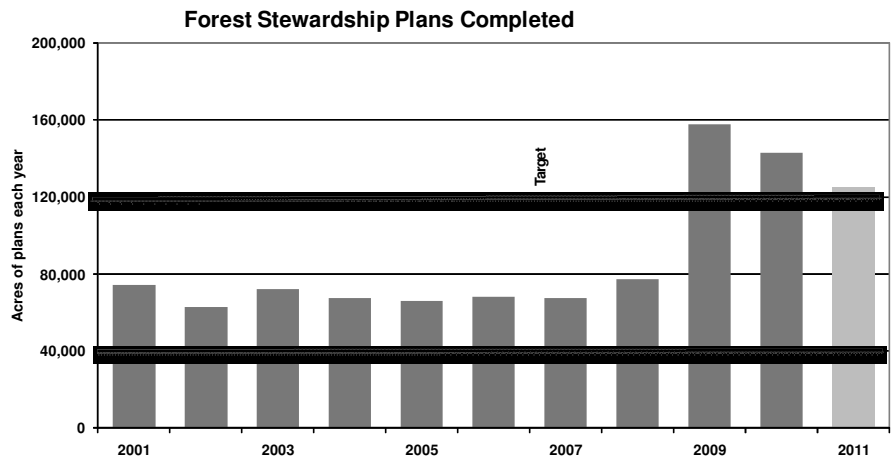
Activity: FOREST MANAGEMENT

Narrative

providing high quality opportunities and ready access; and secure our forest resources by expanding sustainable practices and protecting large blocks of working forest from development.

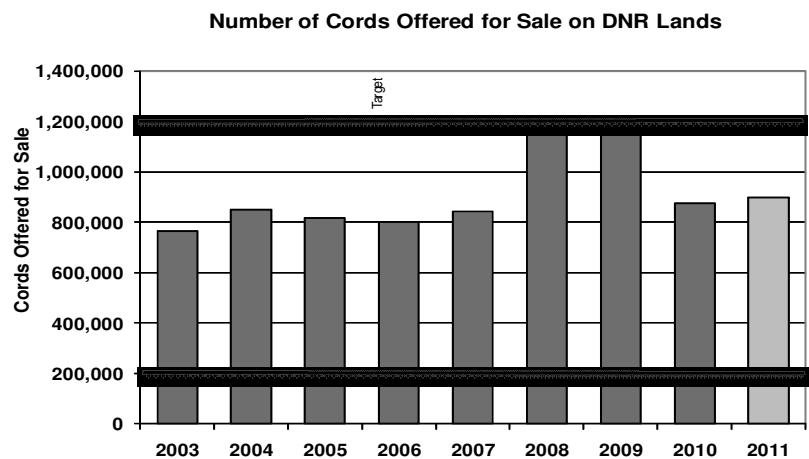
- Performance Measure: Acres of private forestlands with stewardship plans.*

More than 140,000 individuals and organizations (excluding corporations and forest industry) own 40% of Minnesota's forestland. These forestlands provide 30-50% of the timber harvested in the state. The Forest Stewardship Program prepares sustainable management plans for non-industrial, private forest owners that facilitate retention and sustainable management of these forestlands despite increasing development pressure. DNR's target is to complete 125,000 acres of forest stewardship plans in FY2011 with 25,000 acres completed by DNR staff and the remainder by the private sector.



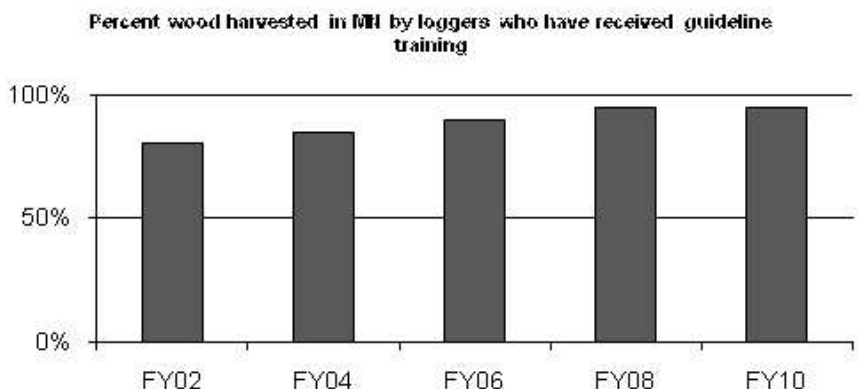
- Performance Measure: Number of cords of wood offered for sale on DNR lands.*

With 28% of the state's forest land, DNR is a significant source of raw materials for forest products industries and energy production. Harvesting imitates the natural disturbances of the past that created habitat for many kinds of wildlife. DNR integrates timber production with maintaining wildlife populations, water quality, and biodiversity, and providing recreational opportunities with guidance from citizens and the legislature.



- Performance Measure: Percent of wood harvested by loggers who have received guideline training*

MFRC guidelines help protect water quality, soil fertility, wildlife populations, and other forest values. Ongoing monitoring and education efforts increase the effectiveness of the guidelines. DNR's target is trained loggers harvest over 95% of Minnesota's wood.



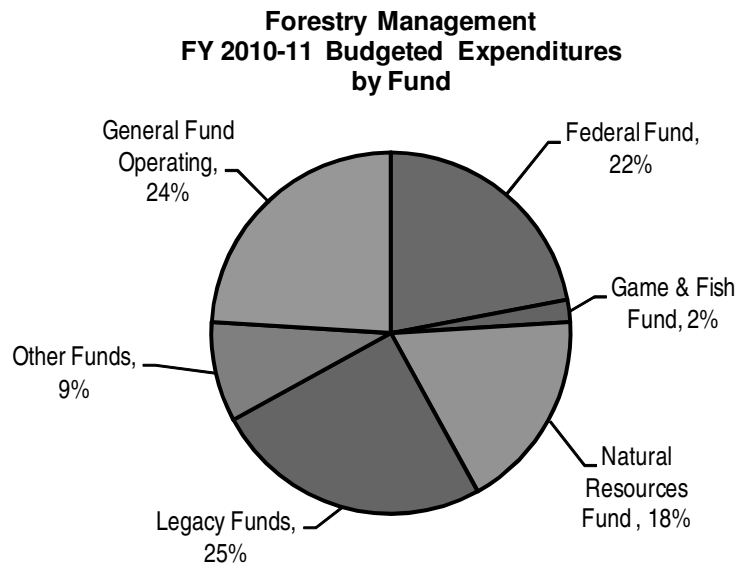
NATURAL RESOURCES DEPT

Program: FOREST MANAGEMENT

Activity: FOREST MANAGEMENT

Narrative

Activity Funding



Contact

Name: Dave Epperly, State Forester and Division of Forestry Director

Phone: (651) 259-5289

Fax: (651) 296-5954

Email: dave.epperly@state.mn.us

NATURAL RESOURCES DEPT
Program: FOREST MANAGEMENT
Activity: FOREST MANAGEMENT

Budget Activity Summary

<i>Dollars in Thousands</i>					
	Current		Governor's Recomm.		Biennium
	FY2010	FY2011	FY2012	FY2013	2012-13
<u>Direct Appropriations by Fund</u>					
Environment & Natural Resource					
Current Appropriation	0	300	300	300	600
Technical Adjustments					
One-time Appropriations			(300)	(300)	(600)
Subtotal - Forecast Base	0	300	0	0	0
Total	0	300	0	0	0
General					
Current Appropriation	17,949	17,215	17,215	17,215	34,430
Technical Adjustments					
Approved Transfer Between Appr			49	49	98
Current Law Base Change			(240)	(240)	(480)
One-time Appropriations			(1,868)	(1,868)	(3,736)
Operating Budget Reduction			(14)	(14)	(28)
Subtotal - Forecast Base	17,949	17,215	15,142	15,142	30,284
Governor's Recommendations					
General Fund Reduction		0	(3,147)	(3,147)	(6,294)
Total	17,949	17,215	11,995	11,995	23,990
Natural Resources					
Current Appropriation	12,193	11,093	11,093	11,093	22,186
Subtotal - Forecast Base	12,193	11,093	11,093	11,093	22,186
Governor's Recommendations					
Maint of Min-Maint Forest Roads		0	200	200	400
State Forest Land Management		0	(11,093)	(11,093)	(22,186)
Total	12,193	11,093	200	200	400
Game And Fish (operations)					
Current Appropriation	1,464	1,464	1,464	1,464	2,928
Technical Adjustments					
One-time Appropriations			(1,200)	(1,200)	(2,400)
Subtotal - Forecast Base	1,464	1,464	264	264	528
Governor's Recommendations					
Native Plant Community Mapping		0	1,000	1,000	2,000
Total	1,464	1,464	1,264	1,264	2,528
Outdoor Heritage					
Current Appropriation	18,000	18,000	18,000	18,000	36,000
Technical Adjustments					
One-time Appropriations			(18,000)	(18,000)	(36,000)
Subtotal - Forecast Base	18,000	18,000	0	0	0
Governor's Recommendations					
MN Forests for Future Easmnt Stwrdshp		(750)	0	0	0
Total	18,000	17,250	0	0	0

NATURAL RESOURCES DEPT
Program: FOREST MANAGEMENT
Activity: FOREST MANAGEMENT

Budget Activity Summary

<i>Dollars in Thousands</i>					
	Current		Governor's Recomm.		Biennium
	FY2010	FY2011	FY2012	FY2013	2012-13
<u>Expenditures by Fund</u>					
Direct Appropriations					
Environment & Natural Resource	1,956	300	0	0	0
General	16,511	18,243	11,995	11,995	23,990
Natural Resources	11,104	11,132	200	200	400
Game And Fish (Operations)	1,380	1,548	1,264	1,264	2,528
Outdoor Heritage	17,942	17,308	0	0	0
Open Appropriations					
Natural Resources	62	65	65	65	130
Statutory Appropriations					
Natural Resources	1,610	2,777	15,341	15,341	30,682
Miscellaneous Special Revenue	5,850	6,279	5,880	5,956	11,836
Federal	3,430	16,496	14,233	7,640	21,873
Gift	75	94	27	27	54
Total	59,920	74,242	49,005	42,488	91,493
<u>Expenditures by Category</u>					
Total Compensation	22,989	25,492	21,516	21,350	42,866
Other Operating Expenses	14,562	20,034	18,547	16,653	35,200
Capital Outlay & Real Property	19,887	27,173	6,525	3,525	10,050
Local Assistance	2,463	1,468	2,387	930	3,317
Other Financial Transactions	19	75	30	30	60
Total	59,920	74,242	49,005	42,488	91,493
Full-Time Equivalents (FTE)	326.0	325.1	305.7	305.7	

NATURAL RESOURCES DEPT

Program: FOREST MANAGEMENT

Activity: FIRE FIGHTING

Narrative

Activity at a Glance

- Protect people, property, natural resources from wildfire on 45.5 million acres of land in Minnesota
- Respond to about 1,400 fires reported to the DNR each year
- Oversee open burning and issue 60,000-70,000 burning permits each year
- Coordinate firefighting activities and equipment in Minnesota and provide out-of-state reciprocal assistance via the Minnesota Interagency Fire Center
- Provide equipment and trained staff for emergency response

Activity Description

The Department of Natural Resources (DNR) is charged with preventing and suppressing wildfires on 45.5 million acres of public and private land in Minnesota. This activity is the responsibility of the DNR's Division of Forestry. The DNR:

- Protects against wildfire to avoid loss of life;
- Minimizes loss of property and natural resources;
- Responds to fire and natural disaster emergencies in Minnesota and cooperates with Federal and regional fire fighting organizations;
- Prevents wildfires through education and regulation;
- Supports the use of prescribed fire as a natural resource management tool.

Wildfire control efforts under state authority originated in the early 1900s after a series of devastating wildfires destroyed Hinckley, Baudette, Chisholm, and Cloquet. In 1976, the legislature created an open appropriation account to fund emergency fire suppression efforts. The division's efforts assure accountability in state fire suppression costs and foster cooperation with Federal and regional fire fighting organizations that reduces the our reliance on state resources alone.

Population Served

The population served by this activity includes most Minnesotans, but especially:

- Minnesota citizens, homeowners, landowners, and businesses;
- Minnesota rural fire departments;
- Other state, provincial, and federal agencies as partners in wildfire and other emergency response; and
- Land and natural resources managers.

Services Provided

This activity contributes to the three elements of DNR's conservation mission (outdoor recreation, economic development, and natural resources protection) by protecting against the loss of life, property, and natural resources from wildfire and by enhancing the effectiveness of prescribed fire in natural resource management.

- *Prevention* includes public education, regulation of open burning, enforcement of state wildfire and open burning laws, investigation of wildland arson, and training for homeowners, developers, and communities that reduces the risk of wildfire.
- *Pre-suppression* includes training firefighters and support personnel, operating the Minnesota Interagency Fire Center, maintaining partnerships and mutual aid agreements with other fire protection agencies, ensuring that specialized heavy ground and aerial suppression equipment are available statewide, and maintaining an emergency communications network.
- *Suppression* requires trained firefighters, support personnel, and aerial and ground-based equipment. Activities include locating wildfires using aerial patrols, public reports, and lookout towers; pre-positioning fire-fighting resources to shorten response times; and controlling the spread of wildfires and minimizing the damage they cause.
- *Prescribed burning* helps prepare sites for reforestation; control insects, diseases, and invasive plants; improve wildlife habitat; maintain natural community types; reduce the risk and severity of wildfires; and provide valuable fire suppression training.

Historical Perspective

As the state's population increases and the wildland-urban interface expands, maintaining wildfire suppression capability will require greater reliance on aircraft, temporary emergency firefighters, sharing of resources from partner agencies, and other innovative approaches.

DNR augments its wildfire management capacity with cooperative agreements with its statewide and regional partners (e.g., Minnesota National Guard, Superior and Chippewa National Forests, Minnesota Indian Tribes, the states of Wisconsin and Michigan, and the Provinces of Ontario and Manitoba). In addition, DNR maintains cooperative agreements with over 600 Rural Fire Departments in the state. DNR needs an aggressive training program to impart knowledge and skills to the generation of foresters replacing retiring employees.

Although rural fire departments have long been reliable partners, many rural are having difficulty recruiting, training, and retaining volunteer personnel. In addition, they tend to focus on fighting fires in buildings and rely heavily on the DNR for expertise in wildland-urban interface fires.

Key Activity Goals & Measures

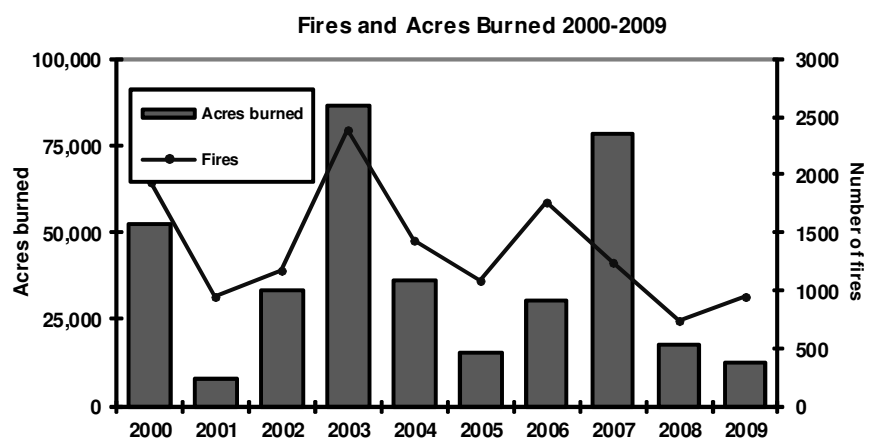
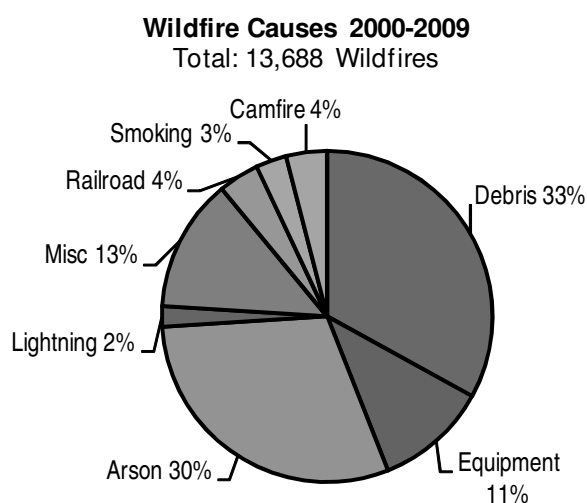
Although protecting the lives and property of citizens is the DNR's primary goal, protecting forests from wildfire is essential to sustaining the economies of rural communities, supplying biomass for renewable energy production, and maintaining habitat for Minnesota's native plants and animals.

Key goals include:

- Protection from wildfire for Minnesotans.
- Minimal loss of property and natural resources.
- Fewer wildfires through education and regulation.
- Enhanced forest regeneration and native plant communities via appropriate use of prescribed fire.

Performance Measure: Wildfire protection

The charts below describe the causes, frequency, and size of fires suppressed by the DNR or reported to the DNR by other fire departments. Wildfire protection is significant workload on that is unpredictable from year to year, as illustrated in the graph below.



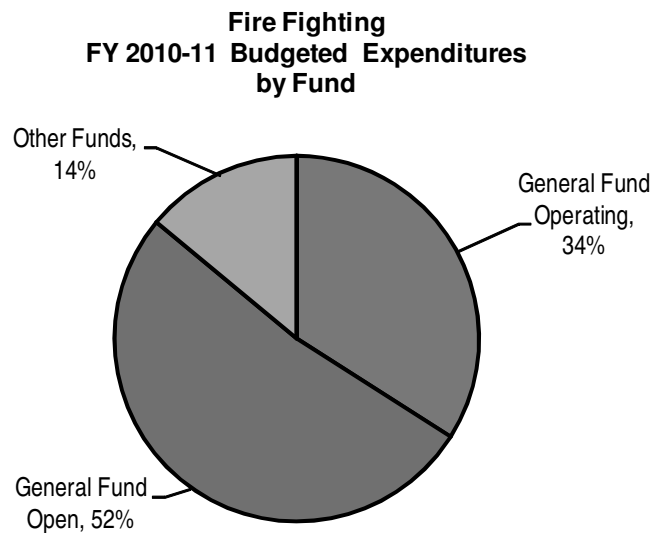
NATURAL RESOURCES DEPT

Program: FOREST MANAGEMENT

Activity: FIRE FIGHTING

Narrative

Activity Funding



Contact

Name: Dave Epperly, State Forester and Division of Forestry Director

Phone: (651) 259-5289

Fax: (651) 296-5954

Email: dave.epperly@state.mn.us

NATURAL RESOURCES DEPT
Program: FOREST MANAGEMENT
Activity: FIRE FIGHTING

Budget Activity Summary

<i>Dollars in Thousands</i>					
	Current		Governor's Recomm.		Biennium
	FY2010	FY2011	FY2012	FY2013	2012-13
<u>Direct Appropriations by Fund</u>					
General					
Current Appropriation	7,145	7,145	7,145	7,145	14,290
Subtotal - Forecast Base	7,145	7,145	7,145	7,145	14,290
Total	7,145	7,145	7,145	7,145	14,290
<u>Expenditures by Fund</u>					
Direct Appropriations					
General	7,115	7,175	7,145	7,145	14,290
Open Appropriations					
General	14,636	11,000	13,000	13,000	26,000
Statutory Appropriations					
Miscellaneous Special Revenue	1,688	2,843	2,795	2,795	5,590
Total	23,439	21,018	22,940	22,940	45,880
<u>Expenditures by Category</u>					
Total Compensation	10,746	9,716	12,159	12,159	24,318
Other Operating Expenses	12,637	11,220	10,699	10,699	21,398
Local Assistance	56	82	82	82	164
Total	23,439	21,018	22,940	22,940	45,880
Full-Time Equivalents (FTE)	169.7	169.7	180.0	180.0	

Program at a Glance

- 67 state parks, seven state recreation areas, and eight state waysides with almost 5,000 campsites
- 54 state forest day and overnight recreation areas
- 3,640 miles of trails, including:
 - 1,270 miles on 21 state trails (500 miles of paved bike trails)
 - 1,280 miles of state park trails
 - 1,090 miles of state forest trails
- 22,000 miles of snowmobile trails
- 32 water trails
- 1,600 boat launches
- 8 safe harbors on Lake Superior
- 340 fishing piers and shore fishing areas
- People using snowmobile trails and state park facilities contribute \$373 million in direct spending annually

The above amount is a portion of the \$2.6 billion in economic benefits derived from all outdoor recreation activities in Minnesota

Program Description

The purpose of the Parks and Trails Program is to provide an outdoor recreation system that connects Minnesota residents and visitors to the outdoors, fosters stewardship of the state's natural resources, and conserves Minnesota's scenic, natural, and cultural resources for current and future generations. This program manages Minnesota state parks, state recreation areas, state trails, water trails, boat launches, and state forest recreation. People are drawn to these places because they represent Minnesota's most scenic landscapes and provide access to some of Minnesota's most popular lakes.

Population Served

The Parks and Trails Program serves state park and recreation area customers; motorized and non-motorized trail customers; and water recreationists who access Minnesota's lakes and rivers to boat, canoe, kayak, or fish. Last year, Minnesota's state parks hosted 1.1 million campers and overnight guests. Some 30% of all Minnesotans visit a state park each year – over 1.5 million residents. Parks and trails draw local, national, and international tourists. Likewise, Minnesota ranks first in the nation in the number of boats per capita (one boat for every six people) and third in the nation for total boats registered (866,000). All Minnesotans benefit from a high quality

system of state parks and trails that offer recreation opportunities within 30 miles of almost every Minnesotan. With the passage of the Clean Water, Land, and Legacy amendment, this program has been able to achieve more success in connecting people to the outdoors, managing and improving natural resources, and accelerating maintenance and rehabilitation of outdoor recreation facilities.

Services Provided

This program contributes to the three elements of the Department of Natural Resources (DNR) conservation mission (outdoor recreation, economic development, and natural resources protection) by connecting people to the outdoors through unforgettable park, trail, and water recreation experiences that inspire people to pass along the love for the outdoors to current and future generations. Outdoor recreation opportunities promote personal wellness, a high quality of life, natural resource stewardship, tourism, and economic development. Safe and diverse nature-based recreation opportunities are provided, from ATV'ing and snowmobiling, to bicycling and camping. Some of the most scenic places in Minnesota are managed in their natural state along with significant historic and cultural resources. This program maintains and develops strong partnerships with local units of government, chambers of commerce, and the private sector, which support vital communities around the state. With nature-based recreation experiences creating a major draw for tourism throughout the state, the Minnesota State Parks and Trails program contributes to a nearly \$3 billion outdoor recreation economic engine.

Historical Perspective

The Parks and Trails programs were integrated in 2008 with the goal of providing exceptional outdoor recreation opportunities to all Minnesotans by developing broader strategies to better serve existing patrons and reach out to new ones. The integrated program focuses on increasing outdoor recreation participation; promotes efficiencies through shared administration and management activities; and garners support for environmental stewardship while promoting economic vitality. The program has used a marketing approach to increase per capita and next generation engagement in outdoor recreation. There was a conscious change in the business model from "build it and they will come," to analyzing the motivations and barriers to outdoor recreation participation and developing strategies to help people overcome obstacles. The strategies have included innovating products, creative pricing, increased paid and public promotion and adaptive placement of information (i.e. interactive kiosk placement at the IDS center). The program has leveraged partnerships with private sector partners that share in the objective of

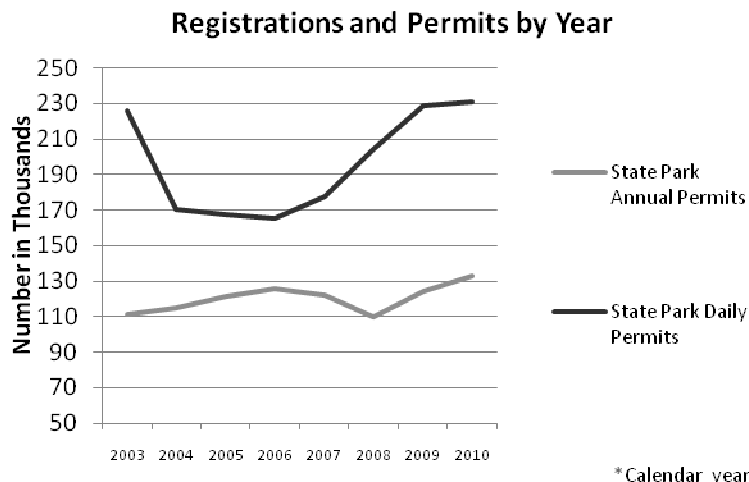
increasing outdoor recreation participation (REI), share environmental goals (Minnesota Twins), or provide a better connection with our target market (Best Buy Corporation and Minnesota Public Radio). Examples of specific activities include partnering with Explore Minnesota Tourism to present the first ever statewide bicycling conference and developing six outreach touch screen kiosks placed in areas frequented by our target market. The resource management and outreach activities have been greatly expanded through the legacy-funded Conservation Corps of Minnesota program. In FY 2010-11, legacy funds became available and there was a concerted effort to support local communities through legacy grants, connect people to the outdoors, and accelerate natural resource management, maintenance, and rehabilitation of an aging system to meet customer needs and incorporate ADA standards and improve energy efficiency.

Key Program Goals and Measures

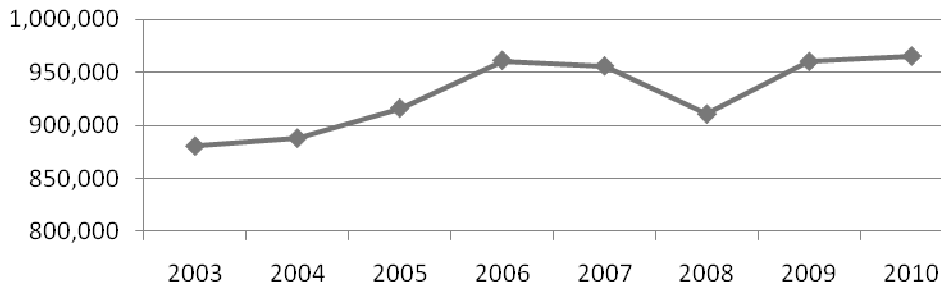
Minnesota State Parks and Trails are a vital part of the state's tourism attraction base, and between snowmobiling and state park visits, create over \$373 million in direct economic benefit through visitor spending and contributes to the \$2.6 billion generated by state parks and all trail recreation activities in Minnesota. It is important to the state's economic future that citizens continue to utilize recreation destinations. In order to provide a sustainable future for this economic driver, the outdoor recreation experiential product needs to be relevant to the next generation. The core functions of providing a state park and trail system and grants linking this state system to local communities will continue to be provided. Product innovation is imperative along with conservation education experiences, including skill-building programs, to engage new and returning customers in the enjoyment of the outdoors. The use of technology is becoming increasingly important in supporting the delivery of these services – enhanced websites, geo-caching, touch screens for interactive information and education, and Wi-Fi accessibility are examples of how the department is striving to meet these new needs. A 10 year parks and trails strategic plan and a 10-25 year state and regional outdoor recreation plan will guide future investments in developing and improving state and regional parks and trails to meet the changing needs and expectations of Minnesotans. Natural lands and waters are conserved and enhanced through resources management activities such as prairie restoration and shoreline protection. The division works to ensure the effective and efficient delivery of recreational services that continue to meet public expectations and promote state parks and trails as high-quality destinations for all Minnesotans.

- Connecting People to the Outdoors:** Minnesota State Parks and Trails have increased awareness efforts and motivation for visiting state parks and trails for day use as well as overnight. The number of web page views, sale of state park vehicle permits, and overnight visitor numbers are an indicator of the success of outreach efforts to attract more visitors. A partnership with the Minnesota Twins leveraged nearly \$300,000 in promotion benefits for an investment by the DNR of around \$40,000. A cooperative agreement with Minnesota Public Radio (MPR) resulted in the sale of almost 5,000 annual permits and an estimated \$130,000 in promotional value.

Many of the outreach activities have been accelerated by the Clean Water, Land and Legacy amendment, allowing the division to reach out to new customers.



Overnight Guests at MN State Parks and Recreation Areas



Recreational opportunities: This program provides a host of outdoor recreation activities, both non-motorized and motorized, including camping, picnicking, hiking, biking, in-line skating, horseback riding, climbing, scuba diving, cross-country skiing, wildlife viewing, geocaching, paddling, fishing, off-highway vehicle (OHV) riding, and snowmobiling. The units managed by this program provide year-around recreation opportunities which support Minnesota's quality of life and its state, regional, and local economies. Developing and sustaining a diverse park and trail system helps the DNR meet the needs of a variety of outdoor recreationists. In particular, demand continues to grow for additional opportunities for mountain biking, a use that is just starting to be addressed.

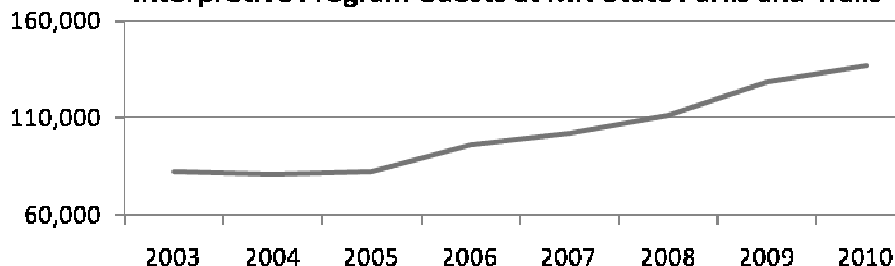
Minnesota's motorized trails are in large part maintained and groomed through partnerships with local units of government and local snowmobile and motorized club volunteers. More than 20,000 miles of snowmobile trails in Minnesota would not exist without the snowmobile grant-in-aid program. The annual economic impact of snowmobiling in Minnesota has been estimated at \$173 million. Roughly 1,600 miles of grant-in-aid OHV trails could not exist without local government cooperation and the work of thousands of club volunteers. In FY 2010, \$9.3 million was granted to over 200 local units of government for pass-through to club recipients.

DNR's fishing pier and shore fishing program provides water access to children, the elderly, those who do not own a boat and people with disabilities in more than 340 locations throughout the state.

- **Conservation Education:** Programs that connect people to the outdoors through skill building, special events, and natural and cultural resource interpretation are critical to building the next generation of stewards for Minnesota's great outdoors. These programs are often the reason why people visit Minnesota State Parks and Trails. Minnesota State Parks and Trails serve as the "Gateway" to all DNR messages and programs.

There has been much innovation in this program area in the last couple of years to include the development of skill building series, "I can camp!" and "I can fish!", a special program series – Outdoors Extra!, educational touch screen computers, podcasts, geocaching, Kids Discovery Kits, DNR Gateway programs and special events such as "Geology Days", candlelight walks and snowshoeing that draw thousands of people out, even in sub-zero temperatures. We have leveraged corporate partnerships in order to expand our outreach and services in a cost-effective way.

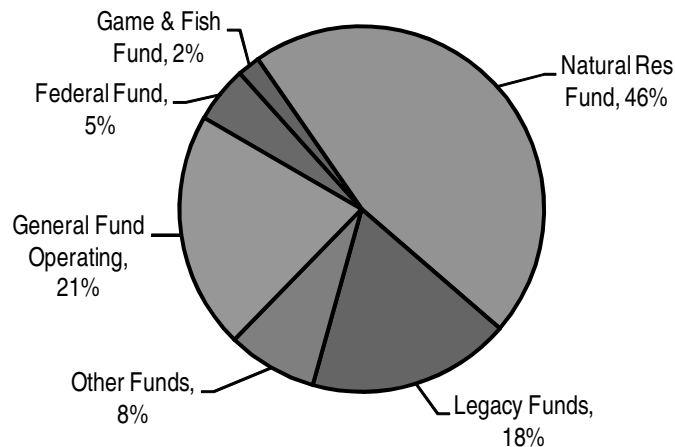
Interpretive Program Guests at MN State Parks and Trails



- Protecting critical natural landscapes:** State residents and visitors choose to visit Minnesota state parks, state trails, state recreation areas, water trails and other units managed by the Parks and Trails program in large part because of their settings – unmatched natural and cultural resources and high quality recreation facilities. By improving the quality of native plant communities, wildlife habitat and regional landscape integrity, visitor experiences are enhanced. The program protects, preserves, and restores representative examples of the natural and cultural landscapes of the state. These places are unique in Minnesota because they have over 280 federal or state endangered, threatened or special concern species, 80 types of important native plant communities, and 66 historic districts, sites and landmarks. Management activities include prescribed fire in prairie and woodland communities, native plant community restoration, hardwood and pine reforestation, invasive species control, archaeological investigations, and repair of visitor impacts. These activities are required to ensure that important natural and cultural features on state park and trail lands are maintained at a high quality level. Approximately 13,000 acres of land are restored and enhanced each year.

Program Funding

**Park and Trails Management
FY 2010-11 Budgeted Expenditures
by Fund**



Contact

Name: Courtland Nelson
 Phone: (651) 259-5600
 Fax: (651) 297-1157
 Email: Courtland.Nelson@state.mn.us

Name: Forrest Boe
 Phone: (651) 259-5615
 Fax: (651) 297-1157
 Email: Forrest.Boe@state.mn.us

NATURAL RESOURCES DEPT

Program: PARKS AND TRAILS MANAGEMENT

Program Summary

Dollars in Thousands					
	Current		Governor Recomm.		Biennium
	FY2010	FY2011	FY2012	FY2013	2012-13
<u>Direct Appropriations by Fund</u>					
Environment & Natural Resource					
Current Appropriation	1,590	2,317	2,317	2,317	4,634
Technical Adjustments					
One-time Appropriations			(2,317)	(2,317)	(4,634)
Subtotal - Forecast Base	1,590	2,317	0	0	0
Total	1,590	2,317	0	0	0
General					
Current Appropriation	21,017	20,455	20,455	20,455	40,910
Technical Adjustments					
Approved Transfer Between Appr			32	32	64
Operating Budget Reduction			(16)	(16)	(32)
Subtotal - Forecast Base	21,017	20,455	20,471	20,471	40,942
Governor's Recommendations					
Forest Campground Income		0	(195)	(200)	(395)
General Fund Reduction		0	(949)	(949)	(1,898)
Total	21,017	20,455	19,327	19,322	38,649
Natural Resources					
Current Appropriation	43,721	43,781	43,781	43,781	87,562
Technical Adjustments					
Approved Transfer Between Appr			29	29	58
One-time Appropriations			(660)	(660)	(1,320)
Subtotal - Forecast Base	43,721	43,781	43,150	43,150	86,300
Governor's Recommendations					
ATV Fund		0	400	400	800
Local Trail Grants-Lottery in Lieu		0	100	100	200
Snowmobile Fund		0	200	200	400
State Park Dedicated Account		0	(10,620)	(10,620)	(21,240)
State Parks and Trails Lottery in-Lieu		0	300	300	600
Water Recreation Program		0	1,000	1,000	2,000
Total	43,721	43,781	34,530	34,530	69,060
Game And Fish (operations)					
Current Appropriation	2,194	2,194	2,194	2,194	4,388
Subtotal - Forecast Base	2,194	2,194	2,194	2,194	4,388
Total	2,194	2,194	2,194	2,194	4,388
Parks And Trails					
Current Appropriation	16,611	20,040	20,040	20,040	40,080
Technical Adjustments					
One-time Appropriations			(20,040)	(20,040)	(40,080)
Subtotal - Forecast Base	16,611	20,040	0	0	0
Governor's Recommendations					
Investing in our State Parks and Trails		0	16,201	16,201	32,402
Parks and Trails Fund Grant Program		0	6,165	6,165	12,330
Total	16,611	20,040	22,366	22,366	44,732

NATURAL RESOURCES DEPT

Program: PARKS AND TRAILS MANAGEMENT

Program Summary

<i>Dollars in Thousands</i>					
	Current		Governor Recomm.		Biennium
	FY2010	FY2011	FY2012	FY2013	2012-13
<u>Expenditures by Fund</u>					
Direct Appropriations					
Environment & Natural Resource	1,894	4,074	0	0	0
General	21,017	20,502	19,327	19,322	38,649
Minnesota Resources	1	131	0	0	0
Natural Resources	41,095	49,410	34,530	34,530	69,060
Game And Fish (Operations)	1,632	2,756	2,194	2,194	4,388
Parks And Trails	10,851	25,800	22,366	22,366	44,732
Open Appropriations					
Natural Resources	561	523	430	430	860
Statutory Appropriations					
Natural Resources	430	1,291	12,276	12,416	24,692
Miscellaneous Special Revenue	9,252	6,881	6,729	6,905	13,634
Federal	2,719	2,832	4,500	3,800	8,300
Federal Stimulus	700	0	0	0	0
Gift	211	177	177	177	354
Total	90,363	114,377	102,529	102,140	204,669
<u>Expenditures by Category</u>					
Total Compensation	36,567	40,853	38,870	38,870	77,740
Other Operating Expenses	26,871	36,663	29,989	30,165	60,154
Capital Outlay & Real Property	10,839	18,337	13,166	13,166	26,332
Local Assistance	16,086	18,737	20,496	19,931	40,427
Transfers	0	(213)	8	8	16
Total	90,363	114,377	102,529	102,140	204,669

NATURAL RESOURCES DEPT

Program: PARKS AND TRAILS MANAGEMENT

Program Summary

<i>Dollars in Thousands</i>					
	Current		Governor Recomm.		Biennium
	FY2010	FY2011	FY2012	FY2013	2012-13
<u>Expenditures by Activity</u>					
Parks And Trails Management	75,697	96,958	85,050	84,526	169,576
Community Partnerships	14,666	17,419	17,479	17,614	35,093
Total	90,363	114,377	102,529	102,140	204,669
<i>Full-Time Equivalents (FTE)</i>	580.4	600.6	598.3	598.3	

NATURAL RESOURCES DEPT

Program: PARKS AND TRAILS MANAGEMENT

Activity: PARKS AND TRAILS MANAGEMENT

Narrative

Activity at a Glance

- Manage state parks and recreation areas
- Manage state trails and water trails for both non-motorized and motorized recreation use
- Provide access to boating and fishing opportunities with boat launches, fishing piers and shore-fishing sites
- Provide conservation education and outreach programs
- Protect and restore natural and cultural resources

Activity Description

This activity provides for the management of Minnesota's state parks, state recreation areas, state trails, water trails, boat launches, and state forest recreation areas. The purpose of this activity is to provide an integrated recreation system that connects people to the outdoors, conserves Minnesota's scenic, natural, and cultural resources, and fosters stewardship of these important resources.

Population Served

The Parks and Trails Management Activity serves state park and recreation area customers; motorized and non-motorized trail customers; and water recreationists who access Minnesota's lakes and rivers to boat, canoe, kayak,

or fish. Parks and trails draw local, national, and international tourists. Approximately 30% of all Minnesotans visit a state park each year. Last year, state parks hosted 1.1 million campers and overnight guests. Likewise, Minnesota ranks first in the nation in the number of boats per capita (one boat for every six people) and third in the nation for total boats registered (866,000).

Services Provided

This activity provides for the operation and maintenance of state parks and trails; state park and trail visitor services, including conservation education and interpretive programs; and natural and cultural resource management. Park and trail facilities are a critical economic driver in rural Minnesota. With nature-based recreation experiences creating a major draw for tourism throughout the state, state parks and trails contribute to a nearly \$3 billion outdoor recreation economy in Minnesota.

Historical Perspective

Parks and Trails Management activities were integrated in 2008 with the goal of providing exceptional outdoor recreation opportunities to all Minnesotans by developing broader strategies to better serve existing patrons and reach out to new ones. This activity focuses on increasing outdoor recreation participation; promotes efficiencies through shared administration and management activities; and garners support for environmental stewardship while promoting economic vitality. This activity has leveraged partnerships with private sector partners that share in the objective of increasing outdoor recreation participation and share environmental goals. See the Parks and Trails Program narrative for more information.

Key Activity Goals & Measures

This activity includes program efforts that address departmental goals and outcomes from the DNR's *A Strategic Conservation Agenda 2009-2013*. Key measures and outcomes are described in detail in the Parks and Trails Program narrative.

Contact

Name: Courtland Nelson
Phone: (651) 259-5600
Fax: (651) 297-1157
Email: Courtland.Nelson@state.mn.us

Name: Forrest Boe
Phone: (651) 259-5615
Fax: (651) 297-1157
Email: Forrest.Boe@state.mn.us

NATURAL RESOURCES DEPT

Program: PARKS AND TRAILS MANAGEMENT

Activity: PARKS AND TRAILS MANAGEMENT

Budget Activity Summary

Dollars in Thousands					
	Current		Governor's Recomm.		Biennium
	FY2010	FY2011	FY2012	FY2013	2012-13
<u>Direct Appropriations by Fund</u>					
Environment & Natural Resource					
Current Appropriation	1,590	2,317	2,317	2,317	4,634
Technical Adjustments					
One-time Appropriations			(2,317)	(2,317)	(4,634)
Subtotal - Forecast Base	1,590	2,317	0	0	0
Total	1,590	2,317	0	0	0
General					
Current Appropriation	21,017	20,455	20,455	20,455	40,910
Technical Adjustments					
Approved Transfer Between Appr			32	32	64
Operating Budget Reduction			(16)	(16)	(32)
Subtotal - Forecast Base	21,017	20,455	20,471	20,471	40,942
Governor's Recommendations					
Forest Campground Income		0	(195)	(200)	(395)
General Fund Reduction		0	(949)	(949)	(1,898)
Total	21,017	20,455	19,327	19,322	38,649
Natural Resources					
Current Appropriation	33,092	33,052	33,052	33,052	66,104
Technical Adjustments					
Approved Transfer Between Appr			29	29	58
One-time Appropriations			(560)	(560)	(1,120)
Subtotal - Forecast Base	33,092	33,052	32,521	32,521	65,042
Governor's Recommendations					
ATV Fund		0	400	400	800
Snowmobile Fund		0	200	200	400
State Park Dedicated Account		0	(10,620)	(10,620)	(21,240)
State Parks and Trails Lottery in-Lieu		0	300	300	600
Water Recreation Program		0	1,000	1,000	2,000
Total	33,092	33,052	23,801	23,801	47,602
Game And Fish (operations)					
Current Appropriation	2,194	2,194	2,194	2,194	4,388
Subtotal - Forecast Base	2,194	2,194	2,194	2,194	4,388
Total	2,194	2,194	2,194	2,194	4,388
Parks And Trails					
Current Appropriation	12,641	15,140	15,140	15,140	30,280
Technical Adjustments					
One-time Appropriations			(15,140)	(15,140)	(30,280)
Subtotal - Forecast Base	12,641	15,140	0	0	0
Governor's Recommendations					
Investing in our State Parks and Trails		0	16,201	16,201	32,402
Total	12,641	15,140	16,201	16,201	32,402

NATURAL RESOURCES DEPT

Program: PARKS AND TRAILS MANAGEMENT

Activity: PARKS AND TRAILS MANAGEMENT

Budget Activity Summary

	<i>Dollars in Thousands</i>				
	Current FY2010	FY2011	Governor's Recomm. FY2012	FY2013	Biennium 2012-13
<u>Expenditures by Fund</u>					
Direct Appropriations					
Environment & Natural Resource	1,894	4,074	0	0	0
General	21,017	20,502	19,327	19,322	38,649
Minnesota Resources	1	34	0	0	0
Natural Resources	30,557	38,141	23,801	23,801	47,602
Game And Fish (Operations)	1,632	2,756	2,194	2,194	4,388
Parks And Trails	7,032	20,624	16,201	16,201	32,402
Open Appropriations					
Natural Resources	561	523	430	430	860
Statutory Appropriations					
Natural Resources	157	474	11,751	11,756	23,507
Miscellaneous Special Revenue	9,252	6,881	6,729	6,905	13,634
Federal	2,683	2,772	4,440	3,740	8,180
Federal Stimulus	700	0	0	0	0
Gift	211	177	177	177	354
Total	75,697	96,958	85,050	84,526	169,576
<u>Expenditures by Category</u>					
Total Compensation	36,176	40,285	38,670	38,670	77,340
Other Operating Expenses	26,747	36,476	29,930	30,106	60,036
Capital Outlay & Real Property	10,734	18,337	13,166	13,166	26,332
Local Assistance	2,040	2,073	3,276	2,576	5,852
Transfers	0	(213)	8	8	16
Total	75,697	96,958	85,050	84,526	169,576
Full-Time Equivalents (FTE)	577.5	597.0	596.7	596.7	

NATURAL RESOURCES DEPT

Program: PARKS AND TRAILS MANAGEMENT

Activity: COMMUNITY PARTNERSHIPS

Narrative

Activity at a Glance

The Division of Parks and Trails distributes approximately \$17 million annually to local government units and organizations for park and trail assistance.

- Provide grants to 40 ski clubs through local government units.
- Provide 50 grants to Off-highway vehicle clubs through local government units.
- Provide 185 grants to snowmobile clubs through local government units.
- Provide 12 grants to local government units for parks and trails.
- Provide ten solar grants to local government units.
- Provide eight grants to parks of regional or statewide significance.
- Provide eight grants to trails of regional or statewide significance.

Activity Description

The Community Partnership activity cooperates with volunteers and local communities to provide a system of local and regional parks and trails.

Population Served

All Minnesota residents and visitors benefit from a high quality outdoor recreation system. Community assistance grants enable local units of government to help meet close-to-home outdoor recreational demands. In 2008, for instance, more than 208 million person-days were spent in trail activities statewide, with local trail users (within 30 minutes of home) accounting for nearly three-quarters of the walker/hiker total days. Providing outdoor recreation opportunities benefits communities and local economies by increasing tourism and promotes public health by providing people quick and accessible opportunities to exercise.

Services Provided

This activity provides grants to local units of government and organizations to supplement their efforts to increase local and regional outdoor recreational opportunities in parks and trails throughout the state. These grants, which require a match, provide funding for parks and trail acquisition, development, and maintenance and include the protection of high-quality natural resources through acquisition of critical lands, the on-going maintenance of cross country ski and snowmobile grant-in-aid trails, and the development and maintenance of designated off-highway vehicles (OHV) trails. The community partnership activity depends on successful partnerships with local government, organizations, and public and private landowners to build and maintain high-quality local and regional parks and trails.

Local and regional parks and trails provide important economic benefits to communities throughout the state. For instance, in 2008, trail users in Minnesota spent \$3.3 billion, contributed \$2.8 million in local taxes, and accounted for 43,000 jobs according to a 2010 study conducted by the University of Minnesota. In this same study, from June 2007 through May 2008, 670 public and private campgrounds in Minnesota sold two million site nights, and campers spent a total of \$627 million.

Through the Minnesota Trail Assistance Program (Grant-in-Aid), the division provides about \$200,000 annually for the maintenance of cross country ski trails by local clubs; about \$1.5 million annually for the development and maintenance of designated off-highway vehicle trails on public and private lands; \$8 million annually for the maintenance of Minnesota's 22,000 mile snowmobile trail system. These trail assistance programs are accomplished through partnerships with local units of government and by working with public and private landowners and over 200 local clubs.

Historical Perspective

The Department of Natural Resources (DNR's) community partnership program and local grant program continue to grow. In 2008, the Division of Parks and Trails awarded approximately \$8.8 million in grants to local governments. In 2010, approximately \$17 million was awarded to local units of government of the nearly \$70 million in requests received.

Key Activity Goals and Measures

This activity will support the acquisition and enhancement of natural lands and key habitats through partnerships with local units of government. Collaboration with local government and organizations will improve the delivery of recreational services statewide, particularly in rural Minnesota communities. Sound financial management practices will be employed. Innovation will be encouraged and support provided to motivated and dedicated volunteers, local government units, and clubs. Programs will be designed to promote user and visitor safety. An enterprise approach will be designed to manage information, utilizing the web, and other electronic media.

Contact

Name: Courtland Nelson

Phone: (651) 259-5600

Fax: (651) 297-1157

Email: Courtland.Nelson@state.mn.us

Name: Forrest Boe

Phone: (651) 259-5615

Fax: (651) 297-1157

Email: Forrest.Boe@state.mn.us

NATURAL RESOURCES DEPT

Program: PARKS AND TRAILS MANAGEMENT

Activity: COMMUNITY PARTNERSHIPS

Budget Activity Summary

<i>Dollars in Thousands</i>					
	Current		Governor's Recomm.		Biennium
	FY2010	FY2011	FY2012	FY2013	2012-13
<u>Direct Appropriations by Fund</u>					
Natural Resources					
Current Appropriation	10,629	10,729	10,729	10,729	21,458
Technical Adjustments					
One-time Appropriations			(100)	(100)	(200)
Subtotal - Forecast Base	10,629	10,729	10,629	10,629	21,258
Governor's Recommendations					
Local Trail Grants-Lottery in Lieu		0	100	100	200
Total	10,629	10,729	10,729	10,729	21,458
Parks And Trails					
Current Appropriation	3,970	4,900	4,900	4,900	9,800
Technical Adjustments					
One-time Appropriations			(4,900)	(4,900)	(9,800)
Subtotal - Forecast Base	3,970	4,900	0	0	0
Governor's Recommendations					
Parks and Trails Fund Grant Program		0	6,165	6,165	12,330
Total	3,970	4,900	6,165	6,165	12,330
<u>Expenditures by Fund</u>					
Direct Appropriations					
Minnesota Resources	0	97	0	0	0
Natural Resources	10,538	11,269	10,729	10,729	21,458
Parks And Trails	3,819	5,176	6,165	6,165	12,330
Statutory Appropriations					
Natural Resources	273	817	525	660	1,185
Federal	36	60	60	60	120
Total	14,666	17,419	17,479	17,614	35,093
<u>Expenditures by Category</u>					
Total Compensation	391	568	200	200	400
Other Operating Expenses	124	187	59	59	118
Capital Outlay & Real Property	105	0	0	0	0
Local Assistance	14,046	16,664	17,220	17,355	34,575
Total	14,666	17,419	17,479	17,614	35,093
Full-Time Equivalents (FTE)	2.9	3.6	1.6	1.6	

Program at a Glance

- Serves 1.5 million licensed anglers, 600,000 hunters and trappers, and 2.1 million wildlife watchers
- Generates \$4.3 billion in annual expenditures in Minnesota from fishing, hunting, wildlife watching, and trapping
- Manages 1,430 wildlife management areas (WMAs) with 1.3 million acres of habitat and 840 shoreland miles administered as aquatic management areas (AMAs)
- Manages over 50 wildlife game species in Minnesota
- In Minnesota, annual fishing and hunting expenditures support an estimated 55,700 jobs

Program Description

The purpose of the Fish and Wildlife Management Program is to manage the state's fish and wildlife populations, their habitats, and public use, including fishing, hunting, and trapping. It is the policy of the state of Minnesota that the ownership of wild animals is in the state's sovereign capacity for the benefit of all the people of the state and that fish and wildlife are renewable natural resources to be conserved and enhanced through scientific management, protection, and use (M.S. 97A.025; M.S. 84.941). In addition, hunting, fishing and the taking of game and fish are recognized in the Minnesota State Constitution as a valued part of Minnesota's heritage that shall be forever preserved for the people and managed by law and regulation for the public good (Article XIII, Sec. 12).

Population Served

The primary population served by this program includes the state's two million anglers, 600,000 hunters, fishing and

hunting-related businesses and tourism, trappers, 2.1 million wildlife viewers, wildlife photographers, and others who enjoy and benefit from abundant fish and wildlife populations and high quality habitat. Other key stakeholders include national and state conservation organizations, local conservation clubs, landowners and communities that benefit from the coordination, information, and technical assistance that the program provides.

For many of Minnesota's citizens, the quality of life in this state is largely defined by the abundance and quality of outdoor experiences and recreation opportunities, and healthy fish and wildlife populations and high-quality habitat are integral to Minnesota's identity as a great outdoors state. Outdoor recreation also promotes personal wellness and directly benefits Minnesota businesses through tourism and recreation. Minnesotans continue to build on this legacy of a strong, outdoor heritage through their ongoing support for policies that conserve the state's fish and wildlife populations and the natural and cultural resources that define Minnesota. In the past decade, citizens have passed two constitutional amendments related to preserving Minnesota's outdoor heritage. In November 1998, 78% of voters affirmed the importance of hunting and fishing and the taking of game and fish. In November 2008, 56% voters approved an increase in the state sales and use tax dedicated to restoring, protecting, and enhancing wetlands, prairies, forests, and habitat for fish, game, and wildlife, as well as for clean water, parks and trails, and arts and culture.

Services Provided

This program contributes to the three elements of the Department of Natural Resources (DNR's) conservation mission (outdoor recreation, economic development, and natural resources protection) with the following activities:

- **Fish and Wildlife Population Management**, which results in healthy fish and wildlife populations that are maintained on a sustained basis and support high quality and abundant fishing, hunting, trapping, and wildlife viewing opportunities that generate billions of dollars in annual expenditures.
- **Fish and Wildlife Habitat Management**, which results in productive aquatic and terrestrial fish and wildlife habitats that are maintained on a sustained basis and support high quality and abundant fishing, hunting, trapping, and other wildlife related recreation opportunities and access.
- **Technical Assistance, Planning, and Public Participation**, which results in application of effective fish and wildlife habitat management projects and practices by landowners, organizations and agencies; provides state, regional, and national leadership in resource stewardship; and produces effective citizen partnerships to manage fish and wildlife resources.
- **Outreach**, which results in increased participation and appreciation of outdoor activities and heritage by under-represented groups including multicultural, urban, and youth populations.

- **Public Information and Customer Service**, which results in clear and effective public information and communications; ensures high quality customer service and satisfaction; and fosters an engaged public knowledgeable about the ecological and social values of a healthy environment and supportive of the conservation of natural resources and ecological systems.

The Fish and Wildlife Management Program integrates and sustains the three elements of the DNR mission — recreational use, economic development, and natural resources conservation. Fishing, hunting, trapping, and wildlife watching annually provide an estimated 38.9 million days of fish and wildlife related outdoor recreation, including 24.4 million fishing days, 6.5 million hunting days, and eight million wildlife watching away from home days. These activities combine to generate direct annual expenditures of \$4.3 billion in Minnesota, and hunting and fishing activities support 55,700 jobs in the state. These recreational opportunities and the economic benefits that derive from them are directly linked to the habitat conservation work conducted and supported by staff and programs in the fish and wildlife division.

Historical Perspective

The Fish and Wildlife Management Program is funded largely through dedicated sources of funding consisting of user fees, including fishing and hunting license fees and state allotments of federal excise taxes from the sale of fishing and hunting related products and equipment. These revenues are deposited in the game and fish fund in the state treasury (M.S. 97A.055). Revenue from fees charged for hunting and angling licenses may not be used for any purpose other than game and fish activities and related activities under the administration of the commissioner (M.S. 97A.057). The game and fish fund currently comprises more than two-thirds of the Fish and Wildlife Management Program's operating budget.

The Fish and Wildlife Management Program has a history of adaptation and innovation in its program in response to changing public needs and demands for fish and wildlife conservation delivery. Given the current trends affecting fish and wildlife resources and the increasing demand for specialized services from our customers, the need for new and innovative approaches has never been greater. In that context, the program has launched a continuous improvement process called Long Range Organizational Planning (LROP) that is re-examining the ways in which the program is organized to deliver fish and wildlife conservation services. The program has organized its wildlife research and populations staff into research groups around the state's major habitat types (wetlands, forests, farmland/prairies) and its fisheries research staff into research groups around major functions (habitat, populations, human dimensions). This restructuring reinforces an adaptive management approach that bases decision-making on the best available science, then collects data to monitor and evaluate the impacts of these decisions, and adjusts future decision-making based on the outcomes achieved and lessons learned.

The Fish and Wildlife Management Program leverages benefits to fish and wildlife resources and recreation by integrating with other related DNR efforts. Examples include participation in forest planning to incorporate wildlife habitat goals and objectives, participation in landscape level planning efforts of federal and state agencies, engaging in the forest certification process.

With professional field staff located throughout the state, the Fish and Wildlife Management Program provides critical infrastructure for the state's habitat conservation efforts, providing coordination, technical assistance, and support to leverage partner activities. For instance, with the passage of the Clean Water, Land, and Legacy constitutional amendment in 2008, program staff work closely with agency and nongovernmental partners to develop and implement projects that conserve the state's wetlands, prairies, forests, and fish and wildlife habitat, and also coordinate and award grants to external groups for local projects throughout the state. The program also leverages resources by integrating with other related efforts, such as forest planning and certification, clean water initiatives, and farm policy. This program also partners with the Board of Soil and Water Resources and other organizations on a farm bill assistance program that directly works with private landowners to improve wildlife habitat as part of federal farm program implementation and also works with coalitions of organizations, agencies and landowners to promote creation and improvement of wetland/prairie complexes through a "working lands" initiative. More recently the program has begun looking at innovative uses of prairie grasses and brush as potential biomass to accomplish the dual objectives of achieving needed habitat management while providing support for the developing renewable fuels industry. The program also has initiated innovative outreach programs,

including MinnAqua aquatic and fishing education, hunter recruitment and retention, mentoring, Becoming an Outdoors Woman and Becoming an Outdoor Family programs, and a Southeast Asian program.

Key Program Goals & Measures

This program includes activities that address all of the department's overarching goals from the DNR's *A Strategic Conservation Agenda 2009-2013*. The program conserves and enhances natural lands and habitats by acquiring and managing wildlife and aquatic management areas, creating and enhancing prairie wetland complexes in partnership with private landowners, and providing technical assistance. The program conserves water resources and watersheds through the restoration and enhancement of wetlands and shallow lakes, protection and restoration of shorelines and stream habitat, the restoration and enhancement of natural vegetation within watersheds, and aquatic plant management. The program contributes to healthy fish and wildlife populations and recreation through fish and wildlife population research, monitoring, and assessment; the regulation of fishing, hunting and trapping seasons; and the monitoring and management of fish and wildlife health. The program contributes to a high quality and diverse outdoor recreation system by acquiring and managing wildlife and aquatic management areas for public hunting, wildlife viewing, and trout stream access. The program contributes to sustainable economic use of natural resources by providing for fishing, hunting and wildlife viewing opportunities that support an estimated 55,700 jobs in the state. The program contributes to effective and efficient service delivery through the sale of more than two million fishing and hunting licenses annually.

- *Performance Measure: Walleye population levels and numbers of walleye stocked.*
Maintain walleye population levels within normal range of variability for all categories of walleye lakes.

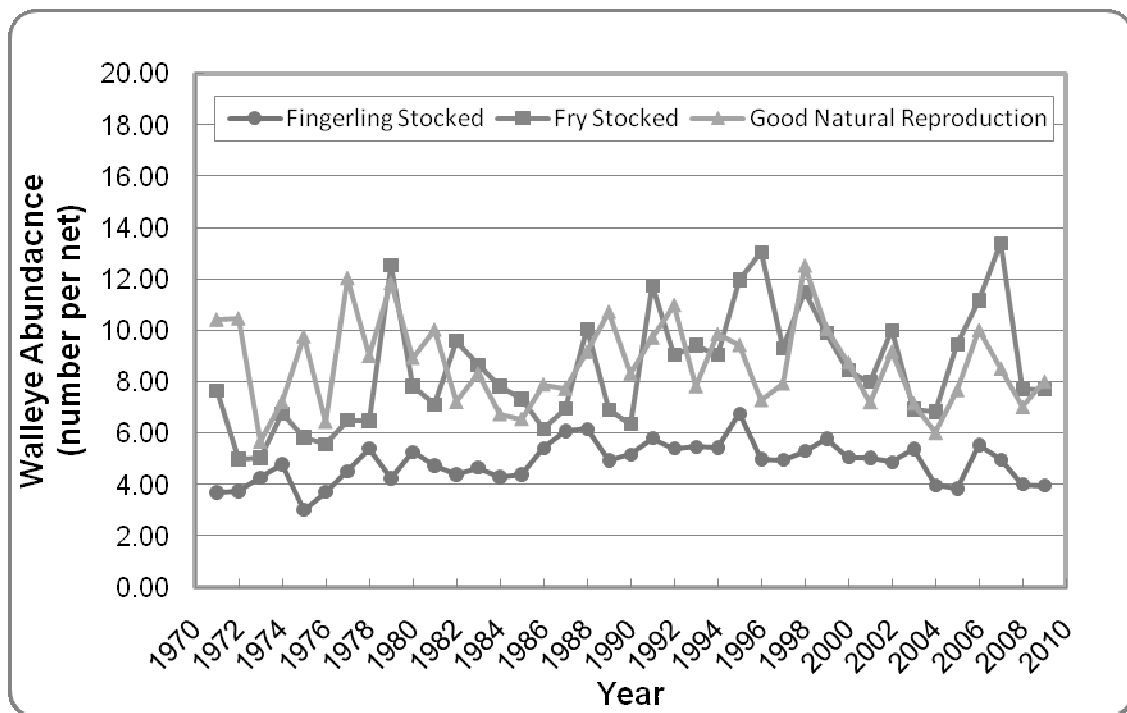


Figure 1. Walleye abundance for three categories of walleye lakes (good natural reproduction lakes not stocked).

- *Performance Measure: Fish and wildlife health.*
Over the past four biennia, the program has reallocated existing resources and successfully leveraged federal and other state resources to address disease threats such as chronic wasting disease of cervids (CWD); bovine tuberculosis (TB) in deer associated with positive cattle herds; surveillance for highly pathogenic avian influenza (AI); and surveillance and implementation of preventive regulations for viral hemorrhagic septicemia (VHS) in fish. The goal is complete eradication (zero prevalence) of bovine TB in wild deer, and significant progress has been made towards that goal (see Figure 2).

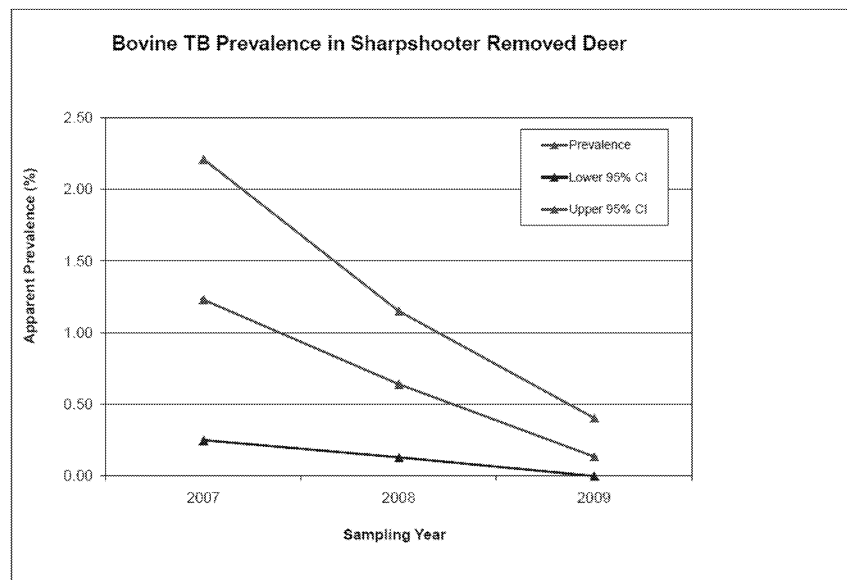


Figure 2. Bovine TB prevalence in deer taken by sharpshooters since 2007.

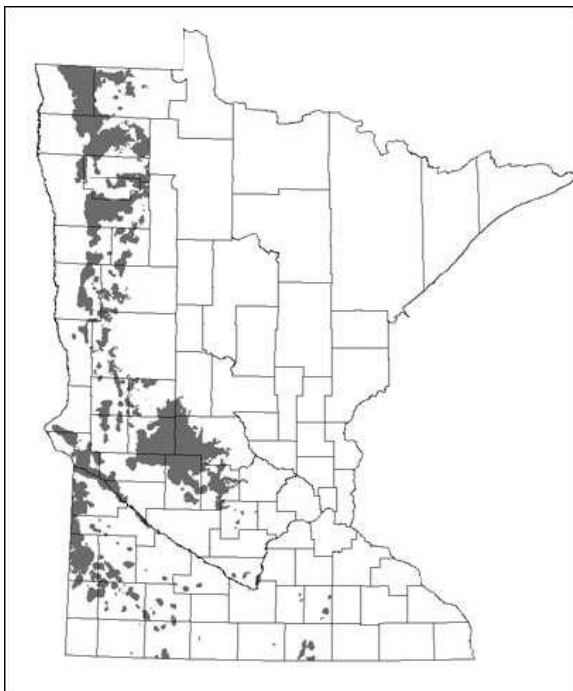


Figure 3. The map shading represents areas with the best opportunities for restoring and protecting prairie-wetland complexes.

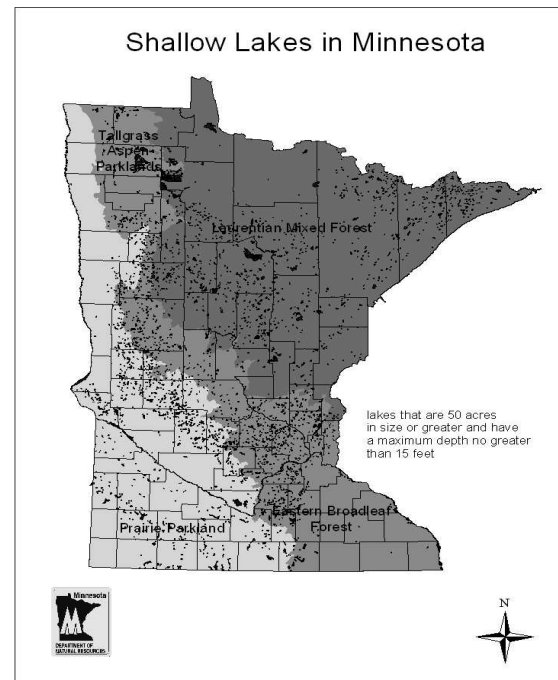


Figure 4. Shallow lakes are distributed through the forest, transition and prairie portions of the state.

- Performance Measure: Gray wolf management.**
 Since listing under the Endangered Species Act of 1973, the Minnesota wolf population has increased and expanded into Wisconsin and Michigan, resulting in a Western Great Lakes regional population of 4,000 wolves. The population in this region has greatly exceeded all measures of recovery called for in federal wolf recovery plans.

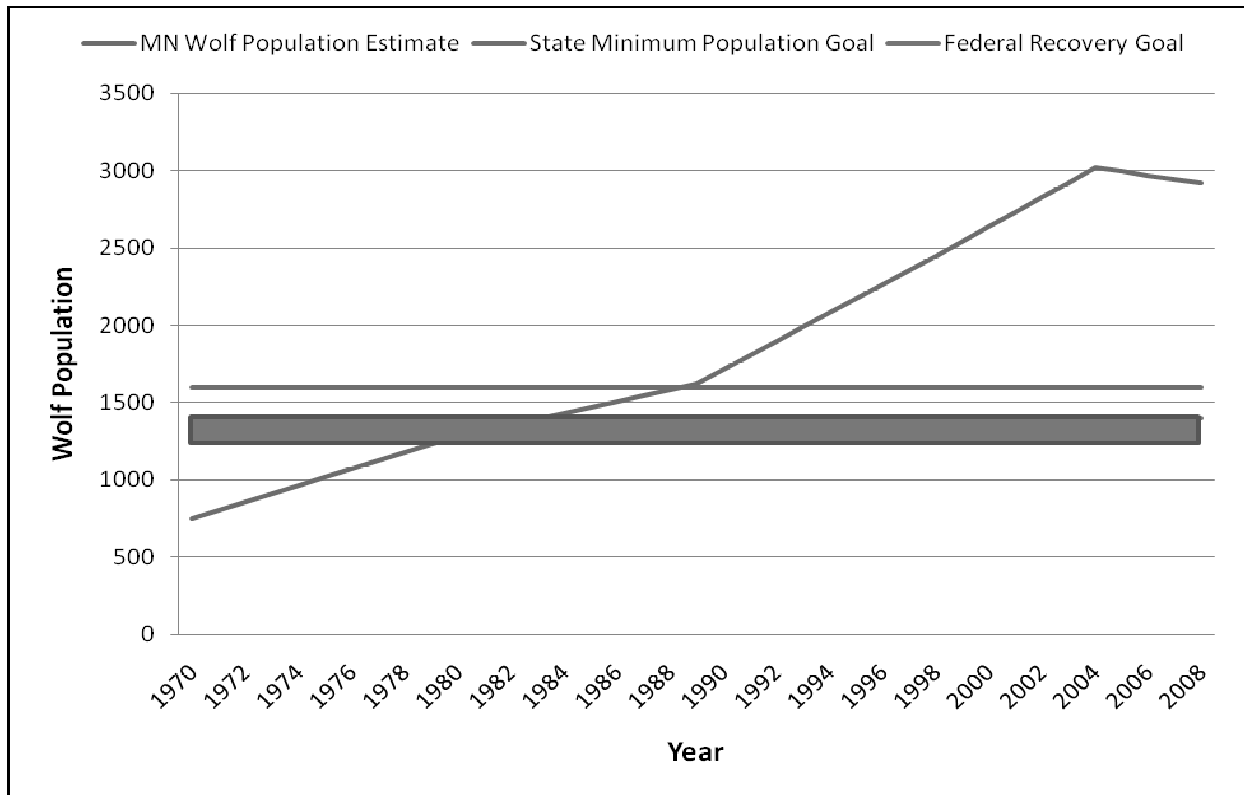
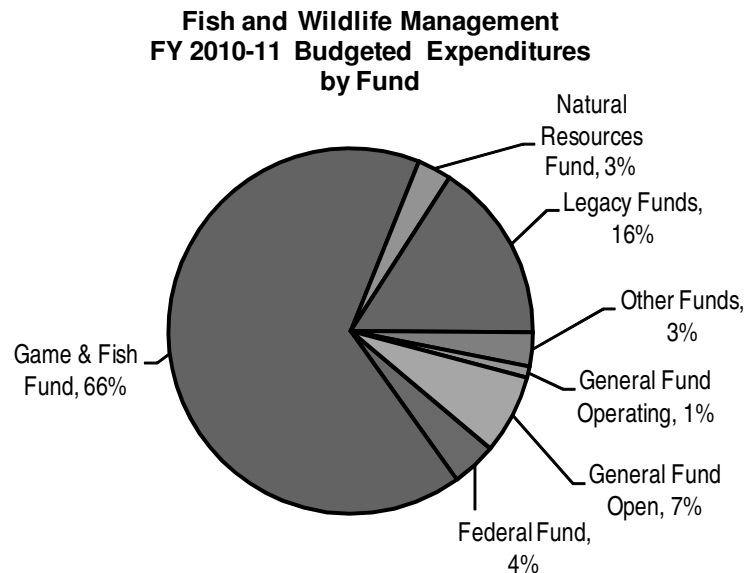


Figure 5. Current and historic wolf populations in Minnesota in relation to the federal wolf recovery plan goal range and the minimum population goal established in Minnesota's Wolf Management Plan.

Program Funding



Contact

Name: Dave Schad, Director
 Phone: 651-259-5180
 Fax: 651-297-7272
 E-mail: dave.schad@state.mn.us

NATURAL RESOURCES DEPT

Program: FISH AND WILDLIFE MANAGEMENT

Program Summary

Dollars in Thousands					
	Current		Governor Recomm.		Biennium
	FY2010	FY2011	FY2012	FY2013	2012-13
<u>Direct Appropriations by Fund</u>					
Environment & Natural Resource					
Current Appropriation	1,445	507	507	507	1,014
Technical Adjustments					
One-time Appropriations			(507)	(507)	(1,014)
Subtotal - Forecast Base	1,445	507	0	0	0
Total	1,445	507	0	0	0
General					
Current Appropriation	1,075	850	850	850	1,700
Technical Adjustments					
Current Law Base Change			(205)	(205)	(410)
One-time Appropriations			(375)	(375)	(750)
Operating Budget Reduction			(8)	(8)	(16)
Subtotal - Forecast Base	1,075	850	262	262	524
Governor's Recommendations					
General Fund Reduction		0	(60)	(60)	(120)
Wildlife Health Appropriation		0	975	975	1,950
Total	1,075	850	1,177	1,177	2,354
Natural Resources					
Current Appropriation	1,976	1,976	1,976	1,976	3,952
Technical Adjustments					
Approved Transfer Between Appr			(77)	(77)	(154)
Subtotal - Forecast Base	1,976	1,976	1,899	1,899	3,798
Total	1,976	1,976	1,899	1,899	3,798
Game And Fish (operations)					
Current Appropriation	64,423	64,258	64,258	64,258	128,516
Technical Adjustments					
Approved Transfer Between Appr			300	300	600
One-time Appropriations			(150)	(150)	(300)
Subtotal - Forecast Base	64,423	64,258	64,408	64,408	128,816
Governor's Recommendations					
Hunting and Fishing Heritage Initiative		0	4,908	6,155	11,063
Dedicated Accounts Adjustment		0	(6,345)	(6,345)	(12,690)
Lamprey Pass		0	600	0	600
Total	64,423	64,258	63,571	64,218	127,789
Outdoor Heritage					
Current Appropriation	18,261	17,889	17,889	17,889	35,778
Technical Adjustments					
One-time Appropriations			(17,889)	(17,889)	(35,778)
Subtotal - Forecast Base	18,261	17,889	0	0	0
Total	18,261	17,889	0	0	0

NATURAL RESOURCES DEPT

Program: FISH AND WILDLIFE MANAGEMENT

Program Summary

<i>Dollars in Thousands</i>					
	Current		Governor Recomm.		Biennium
	FY2010	FY2011	FY2012	FY2013	2012-13
<u>Expenditures by Fund</u>					
Direct Appropriations					
Environment & Natural Resource	902	1,794	0	0	0
General	869	646	1,177	1,177	2,354
Natural Resources	1,413	2,458	1,899	1,899	3,798
Game And Fish (Operations)	60,583	69,522	63,579	64,226	127,805
Outdoor Heritage	11,437	21,632	0	0	0
Clean Water	0	1,145	0	0	0
Open Appropriations					
General	7,985	8,010	7,815	7,908	15,723
Game And Fish (Operations)	717	793	793	793	1,586
Statutory Appropriations					
Natural Resources	1,460	1,322	1,211	1,216	2,427
Miscellaneous Special Revenue	2,506	2,343	2,282	2,282	4,564
Game And Fish (Operations)	3,740	3,514	9,321	9,330	18,651
Federal	1,335	2,866	3,796	990	4,786
Reinvest In Minnesota	2,590	2,229	3,478	3,479	6,957
Gift	107	210	210	210	420
Total	95,644	118,484	95,561	93,510	189,071
<u>Expenditures by Category</u>					
Total Compensation	42,626	44,341	45,842	47,090	92,932
Other Operating Expenses	34,172	55,277	39,851	39,386	79,237
Capital Outlay & Real Property	11,612	11,220	5,503	4,903	10,406
Payments To Individuals	3	0	0	0	0
Local Assistance	7,231	7,646	4,365	2,131	6,496
Total	95,644	118,484	95,561	93,510	189,071
<u>Expenditures by Activity</u>					
Fish And Wildlife Management	88,093	109,320	87,306	85,207	172,513
Licensing	7,551	9,164	8,255	8,303	16,558
Total	95,644	118,484	95,561	93,510	189,071
Full-Time Equivalents (FTE)	596.6	597.5	636.3	636.1	

NATURAL RESOURCES DEPT

Program: FISH AND WILDLIFE MANAGEMENT

Activity: FISH AND WILDLIFE MANAGEMENT

Narrative

Activity at a Glance

- Serves 1.5 million licensed anglers, 600,000 licensed hunters and trappers, and 2.1 million wildlife watchers
- Generates \$4.3 billion in annual expenditures in Minnesota from fishing, hunting, wildlife watching, and trapping
- Manages fisheries in Minnesota's lakes, streams, and rivers
- Manages over 50 wildlife game species in Minnesota

Activity Description

The purpose of the Fish and Wildlife Management Activity is to manage fish and wildlife populations and habitat and to provide for the public use of fish and wildlife in the state, including fishing, hunting, and trapping opportunities. This activity provides for the coordination and delivery of comprehensive fish and wildlife management services through regional offices, area offices, and fish hatcheries throughout the state.

Population Served

This activity improves the quality of life for all Minnesotans and visitors. It ensures public access to enjoyable hunting,

fishing, trapping, and wildlife-watching opportunities through a system of wildlife management areas (WMAs) and aquatic management areas (AMAs). These outdoor recreation opportunities promote personal health and benefit Minnesota's economy. For instance, annual fishing and hunting expenditures in Minnesota support an estimated 55,700 jobs.

Services Provided

The Fish and Wildlife Management Activity contributes to the Department of Natural Resources' (DNR) conservation mission by managing fish and wildlife populations, conserving fish and wildlife habitats, responding to fish and wildlife disease, and providing recreational opportunities that also support the state's economy through the use and development of these opportunities. See the Fish and Wildlife Program for descriptions of the primary services provided by this activity:

- Fish and Wildlife Population Management
- Fish and Wildlife Habitat Management
- Technical Assistance, Planning, and Public Participation
- Outreach
- Public Information and Customer Service

Historical Perspective

The Fish and Wildlife Management Activity is funded largely through dedicated sources of funding consisting of user fees, including fishing and hunting license fees and state allotments of federal excise taxes from the sale of fishing and hunting related products and equipment. These revenues are deposited in the game and fish fund in the state treasury (M.S. 97A.055).

The Fish and Wildlife Management Activity has a history of adaptation and innovation in its program in response to changing public needs and demands for fish and wildlife conservation delivery. However, given the current trends affecting fish and wildlife resources and the increasing demand for specialized services from our customers, the need for new and innovative approaches has never been greater. With professional field staff and equipment located throughout the state, the Fish and Wildlife Management Activity provides critical infrastructure for the state's habitat conservation efforts and also leverages resources by integrating with other related efforts, including outdoor heritage and clean water fund initiatives and farm bill programs.

Key Activity Goals and Measures

This activity addresses the department's overarching goals from the DNR's *A Strategic Conservation Agenda 2009-2013*. The department uses a range of performance measures to assess its progress towards the management, protection, use, understanding, and enjoyment of Minnesota's fish and wildlife resources. See the Fish and Wildlife Management program narrative for specific examples of fish and wildlife measures.

Contact

Name: Dave Schad, Director
Phone: (651) 259-5180
Fax: (651) 297-7272
E-mail: dave.schad@state.mn.us

NATURAL RESOURCES DEPT

Program: FISH AND WILDLIFE MANAGEMENT

Activity: FISH AND WILDLIFE MANAGEMENT

Budget Activity Summary

Dollars in Thousands					
	Current		Governor's Recomm.		Biennium
	FY2010	FY2011	FY2012	FY2013	2012-13
<u>Direct Appropriations by Fund</u>					
Environment & Natural Resource					
Current Appropriation	1,445	507	507	507	1,014
Technical Adjustments					
One-time Appropriations			(507)	(507)	(1,014)
Subtotal - Forecast Base	1,445	507	0	0	0
Total	1,445	507	0	0	0
General					
Current Appropriation	1,075	850	850	850	1,700
Technical Adjustments					
Current Law Base Change			(205)	(205)	(410)
One-time Appropriations			(375)	(375)	(750)
Operating Budget Reduction			(8)	(8)	(16)
Subtotal - Forecast Base	1,075	850	262	262	524
Governor's Recommendations					
General Fund Reduction		0	(60)	(60)	(120)
Wildlife Health Appropriation		0	975	975	1,950
Total	1,075	850	1,177	1,177	2,354
Natural Resources					
Current Appropriation	726	726	726	726	1,452
Technical Adjustments					
Approved Transfer Between Appr			3	3	6
Subtotal - Forecast Base	726	726	729	729	1,458
Total	726	726	729	729	1,458
Game And Fish (operations)					
Current Appropriation	63,074	62,909	62,909	62,909	125,818
Technical Adjustments					
Approved Transfer Between Appr			324	324	648
One-time Appropriations			(150)	(150)	(300)
Subtotal - Forecast Base	63,074	62,909	63,083	63,083	126,166
Governor's Recommendations					
Hunting and Fishing Heritage Initiative		0	4,884	6,097	10,981
Dedicated Accounts Adjustment		0	(6,345)	(6,345)	(12,690)
Lamprey Pass		0	600	0	600
Total	63,074	62,909	62,222	62,835	125,057
Outdoor Heritage					
Current Appropriation	18,261	17,889	17,889	17,889	35,778
Technical Adjustments					
One-time Appropriations			(17,889)	(17,889)	(35,778)
Subtotal - Forecast Base	18,261	17,889	0	0	0
Total	18,261	17,889	0	0	0

NATURAL RESOURCES DEPT

Program: FISH AND WILDLIFE MANAGEMENT

Activity: FISH AND WILDLIFE MANAGEMENT

Budget Activity Summary

	<i>Dollars in Thousands</i>		<i>Dollars in Thousands</i>		<i>Biennium</i>
	<i>Current</i>	<i>Current</i>	<i>Governor's Recomm.</i>	<i>Governor's Recomm.</i>	
	<i>FY2010</i>	<i>FY2011</i>	<i>FY2012</i>	<i>FY2013</i>	<i>2012-13</i>
<u>Expenditures by Fund</u>					
Direct Appropriations					
Environment & Natural Resource	902	1,794	0	0	0
General	869	646	1,177	1,177	2,354
Natural Resources	699	752	729	729	1,458
Game And Fish (Operations)	59,702	67,798	62,230	62,843	125,073
Outdoor Heritage	11,437	21,632	0	0	0
Clean Water	0	1,145	0	0	0
Open Appropriations					
General	7,985	8,010	7,815	7,908	15,723
Game And Fish (Operations)	717	793	793	793	1,586
Statutory Appropriations					
Natural Resources	91	122	14	14	28
Miscellaneous Special Revenue	1,178	993	932	932	1,864
Game And Fish (Operations)	482	406	6,207	6,207	12,414
Federal	1,334	2,790	3,721	915	4,636
Reinvest In Minnesota	2,590	2,229	3,478	3,479	6,957
Gift	107	210	210	210	420
Total	88,093	109,320	87,306	85,207	172,513
<u>Expenditures by Category</u>					
Total Compensation	41,075	42,807	44,283	45,496	89,779
Other Operating Expenses	28,172	47,647	33,155	32,677	65,832
Capital Outlay & Real Property	11,612	11,220	5,503	4,903	10,406
Payments To Individuals	3	0	0	0	0
Local Assistance	7,231	7,646	4,365	2,131	6,496
Total	88,093	109,320	87,306	85,207	172,513
Full-Time Equivalents (FTE)	571.1	572.0	610.8	610.6	

NATURAL RESOURCES DEPT

Program: FISH AND WILDLIFE MANAGEMENT

Activity: LICENSING

Narrative

Activity at a Glance

- Manage the transactions and collect revenues from 2.9 million DNR game and fish licenses as well as 1.4 million boat/vehicle registrations and watercraft titles
- Manage 1,600 point-of-sale hunting and fishing license agents and 173 registration and titling agents
- Collect \$63 million in receipts annually
- Process over 500,000 pieces of mail annually
- Answer over 100,000 questions via telephone each year

Activity Description

The License Center manages the issuance of game, fish, and commercial licenses, registration and titling of watercraft, and registrations of all-terrain vehicles (ATVs), off-highway vehicles (OHVs), off-highway motorcycles (OHMs), and snowmobiles through an electronic licensing system (ELS) developed specifically for the state of Minnesota.

Population Served

This activity serves the general public, licensing agents, deputy registrars, and management within the Department of Natural Resources (DNR).

Services Provided

Licensing supports DNR's three-part mission by ensuring easy access to licenses is provided to outdoors enthusiasts. Most agent sites include retail sales of outdoor sporting equipment at locations throughout the state that are also near recreation opportunities, such as hunting, hiking, or fishing.

DNR's License Center is responsible for the development, implementation, and maintenance of the statewide ELS. Hunting and fishing licenses can be purchased at any of the 1,600 ELS agent locations, by phone, or online. License Center responsibilities also include commercial licenses (e.g., minnow dealers, game farms, and shooting preserves) and the lottery system for issuing controlled hunt permits (e.g., turkey, antlerless deer, bear, moose, and elk). The License Center issues all watercraft registration and titles and the registration of ATVs, snowmobiles, off-road vehicles (ORVs), and OHMs through the web-based ELS.

A walk-in service counter provides service to customers for all types of license, registration, and titling transactions. Other services include the statewide distribution of a variety of DNR-related materials. This includes hunting regulations, fishing regulations, waterfowl supplements, boating guides, snowmobile regulations, and OHV regulations.

Historical Perspective

ELS has enabled the department to provide accurate and timely information pertaining to license holders, license and recreation activities, revenue collected, and numbers of licenses, registrations, and titles issued for use. In addition, the ELS system accelerates the collection of revenues from license, registration, and title sales.

In February 2010, the DNR rolled out an enhanced version of the ELS system using the latest technology available. The system is now web-integrated, has a Windows operating system which is touch screen and user friendly, and has barcode readability to make more accurate data entry. Usability and pricing improvements were also made to the online sale system.

Purchase of licenses can be made from a local agent, by phone, or online. Hunting and fishing licenses can be purchased electronically any time of the day, any day of the week. ELS has also streamlined business practices and cut administrative costs. Currently 135 different transactions are available online, ranging from hunting and fishing licenses to cross-country ski passes, snowmobile trail stickers, and boat and recreational vehicle registration renewals.

Key Activity Goals and Measures

Supporting the overall DNR mission, this Licensing Activity focuses on providing outdoor recreation opportunities. Licensing Activity goals include:

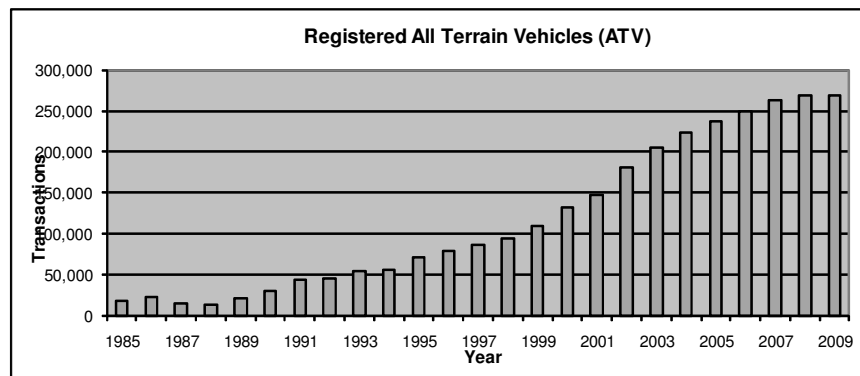
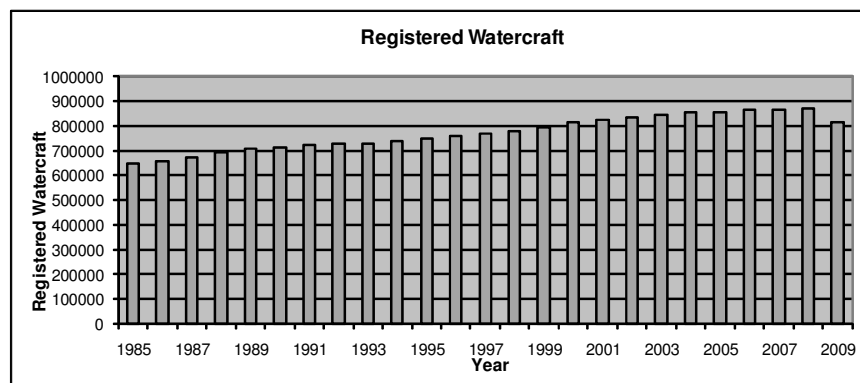
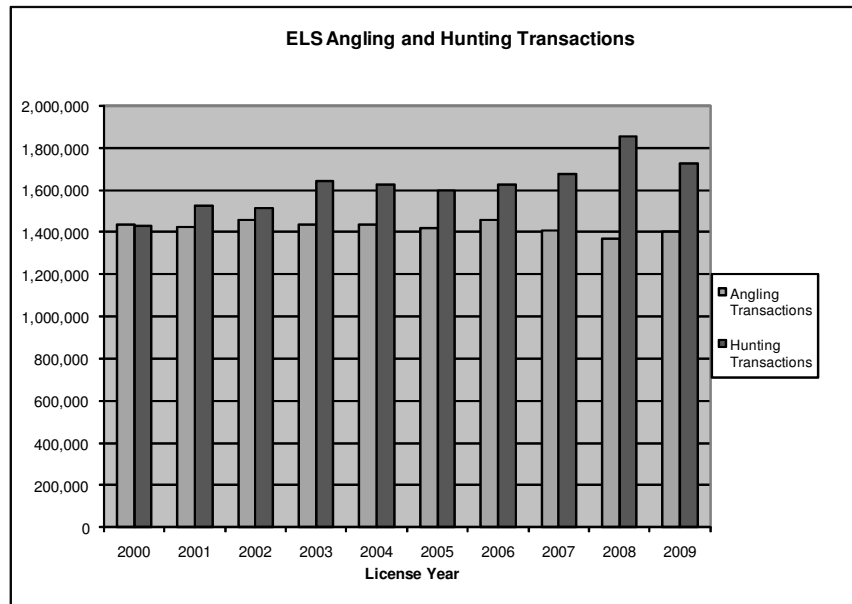
- DNR will support local economies by making licenses available at 1,600 locations statewide;
- DNR will provide license services in an efficient and cost effective manner;
- License vendors will provide accurate regulation information to customers purchasing licenses; and
- ELS data will be used as appropriate for analysis for resource management and recreational trends.

NATURAL RESOURCES DEPT

Program: FISH AND WILDLIFE MANAGEMENT

Activity: LICENSING

Narrative



Contact

Name: Peter Skwira, Administrative Services Section Chief

Phone: (651) 259-5238

Fax: (651) 297-4916

E-mail: peter.skwira@state.mn.us

NATURAL RESOURCES DEPT

Program: FISH AND WILDLIFE MANAGEMENT

Activity: LICENSING

Budget Activity Summary

<i>Dollars in Thousands</i>					
	Current		Governor's Recomm.		Biennium
	FY2010	FY2011	FY2012	FY2013	2012-13
<u>Direct Appropriations by Fund</u>					
Natural Resources					
Current Appropriation	1,250	1,250	1,250	1,250	2,500
Technical Adjustments					
Approved Transfer Between Appr			(80)	(80)	(160)
Subtotal - Forecast Base	1,250	1,250	1,170	1,170	2,340
Total	1,250	1,250	1,170	1,170	2,340
Game And Fish (operations)					
Current Appropriation	1,349	1,349	1,349	1,349	2,698
Technical Adjustments					
Approved Transfer Between Appr			(24)	(24)	(48)
Subtotal - Forecast Base	1,349	1,349	1,325	1,325	2,650
Governor's Recommendations					
Hunting and Fishing Heritage Initiative		0	24	58	82
Total	1,349	1,349	1,349	1,383	2,732
<u>Expenditures by Fund</u>					
Direct Appropriations					
Natural Resources	714	1,706	1,170	1,170	2,340
Game And Fish (Operations)	881	1,724	1,349	1,383	2,732
Statutory Appropriations					
Natural Resources	1,369	1,200	1,197	1,202	2,399
Miscellaneous Special Revenue	1,328	1,350	1,350	1,350	2,700
Game And Fish (Operations)	3,258	3,108	3,114	3,123	6,237
Federal	1	76	75	75	150
Total	7,551	9,164	8,255	8,303	16,558
<u>Expenditures by Category</u>					
Total Compensation	1,551	1,534	1,559	1,594	3,153
Other Operating Expenses	6,000	7,630	6,696	6,709	13,405
Total	7,551	9,164	8,255	8,303	16,558
Full-Time Equivalents (FTE)	25.5	25.5	25.5	25.5	

Program at a Glance

The Division of Enforcement protects the state's natural resources. There is a direct link between natural resources and the state's quality of life, as well as the tourism industry and the state's economy. FY 2010 highlights include:

- Protected public safety by responding to emergencies such as floods, fires, and tornadoes
- Documented 26,500 violations
- Provided education and safety classes to 25,400 citizens
- Enforced the Wetlands Conservation Act (WCA)
- Partnered with other division and bureau staff in support of the law enforcement mission
- Administered \$1.9 million in grants to local law enforcement agencies for enforcement work in boat and water, snowmobile, Off-Highway Vehicles (OHV), and also administered matching dollars for the improvement of public shooting and archery ranges

Program Description

The purpose of the Natural Resource Laws and Rules Enforcement Program is to ensure public safety and compliance with laws regarding state game and fish, recreational vehicles, non-motorized recreational activities; natural resource commercial operations, and environmental protection. This program is the responsibility of the Department of Natural Resources' (DNR) Division of Enforcement.

Major responsibilities include law enforcement, public safety, and education in:

- hunting and fishing seasons, methods of taking wild animals, and possession limits;
- public safety, including regulating Off-Highway Vehicle (OHV) and watercraft operation, alcohol impaired operation, and response to natural disasters;
- regulating commercial use and exploitation of natural resources and products;
- protection of the state's land, air, and water quality; and
- safety training and hunter education for youth and adults.

Population Served

The division serves all Minnesotans both directly and indirectly by safeguarding the public safety through our education and enforcement efforts and maintaining the quality of the state's game and fish populations and the environment. This work has a direct impact on the economic health of the state and results in the creation and retention of tourism and outdoor recreation related jobs. Protecting the environment adds to the quality of life for all Minnesotans, as well as for tourists and other visitors enjoying our abundant natural resources and recreational opportunities. Protecting the quality of Minnesota's natural resources and maintaining the safety of our trails and waterways is essential in keeping Minnesota a desirable destination for outdoor enthusiasts from throughout the nation.

Services Provided

The Division of Enforcement supports the department's three-part mission – outdoor recreation, economic development, and natural resources protection – by protecting natural resources, ensuring safe and enjoyable recreational experiences, and protecting public safety. The Division of Enforcement provides services to the state through the use of community-based conservation officers and specially trained officers assigned for support. Services currently provided through the division include:

- 154 officer stations at full complement, assigned to communities for field operations (14 vacancies currently);
- Special Investigation Unit (SIU), targeting unlawful commercial activity;
- Water Resource Enforcement Officers (WREOs), specifically trained in the complexities of state and federal wetland issues dealing with unlawful activity related to wetlands and wetlands destruction, and also serve as the lead unit addressing invasive species enforcement and education;
- Training and Standards Unit, concentrating on officer training, academy training, professionalism, and promoting safe recreational use of the state's lands and waters;
- Information and Education program, administering mandated safety training and education programs delivered through volunteer instructors, regional training officers, and local conservation officers; and
- Administration of grants to counties for additional work in recreational vehicle enforcement.

Historical Perspective

Natural resource commercial and recreational use has increased many-fold in the last half-century; however, the Division of Enforcement currently has the same number of field officer positions that were present in 1940. In addition to the exponential increase in the number of traditional hunters – for instance, the number of deer hunters has increased over 650% and the number of anglers has increased over 400% since 1940 – the state has many new user groups. Responsibilities that have been added to the division since the 1940s include:

- Wetlands drainage/Wetlands Conservation Act (WCA) enforcement;
- Invasive species enforcement and education;
- State/grants-in-aid (GIA) trails (20,000 miles);
- All-Terrain Vehicles (ATV's), Off-Road Vehicles (ORV's), Off-Highway Motorcycles (OHM's), Snowmobiles (540,619 registered);
- Firearm Safety Education (23,221), Snowmobile Safety Education (9930), OHV Safety Education (4131), Adult Hunter Education (2182 students), and Boat and Water Safety Enforcement (812,325 registered watercraft);
- Water quality and pollution issues;
- Commercial enterprises such as shooting preserves, taxidermists, and game farms;
- State parks and trails enforcement;
- Forest Arson Investigations, Timber Trespass, and Bough Harvest;
- New seasons for wildlife species, e.g., metro goose, light geese, turkey, moose, muzzleloader deer, archery deer, mourning doves, crows, and prairie chicken;
- Indian Treaty issues including those pertaining to the 1837, 1854, and 1855 Treaties;
- Cross-Country Ski Passes and horse passes;
- Shoreline Protection and Aquatic Plant Management; and
- Impaired operation of recreational vehicles and hunting while impaired.

While the traditional role of conservation officer patrol and the apprehension of violators is a key factor in effective management, specialized training and skills are required for a more comprehensive approach to wildlife and environmental protection.

Key Program Goals & Measures

Quality law enforcement contributes to the overall effectiveness of the department's management goals by ensuring the fair and safe use of the state's resources. Specifically, the division's role in the preservation of key wetlands is integral to the habitat needs of many of Minnesota's important species. Likewise, enforcement efforts on special regulation/experimental waters are needed to preserve the integrity of the fisheries programs that have been a focus of the DNR's *A Strategic Conservation Agenda 2009-2013*. As little as a 10% violation rate in these waters can negate the research efforts of these programs and can result in a neutralization of management efforts.

The effectiveness of law enforcement efforts cannot be gauged simply by tabulating the results of citations and warnings issued. The division has a three-pronged approach to gaining compliance; information, education, and law enforcement, with enforcement action as the last measure. The division will continue to use the media to inform and influence citizens to increase voluntary compliance and report more violations, and educational efforts will be enhanced. As part of the division's efforts to provide greater access to safety training education programs, the Youth Hunter Education course is now available online through an interactive internet format. The following measures illustrate the division's core program activities. Detailed descriptions of performance measures are found in the DNR's *A Strategic Conservation Agenda 2009-2013*.

- *Performance Measure: Game and fish protection*
Compliance with natural resource laws is difficult to measure. Our goal is to increase the compliance rate as well as maintain levels of service hours in the following priority areas:
 - Environmental Protection: Wetlands Conservation Act (WCA) and related water quality enforcement. Due to increased support from Ecological Resources, the division will continue enforcement and education efforts in invasive species. During 2009, more than 9,900 hours were spent on WCA enforcement and

NATURAL RESOURCES DEPT

Program: ENFORCEMENT NR LAWS & RULES

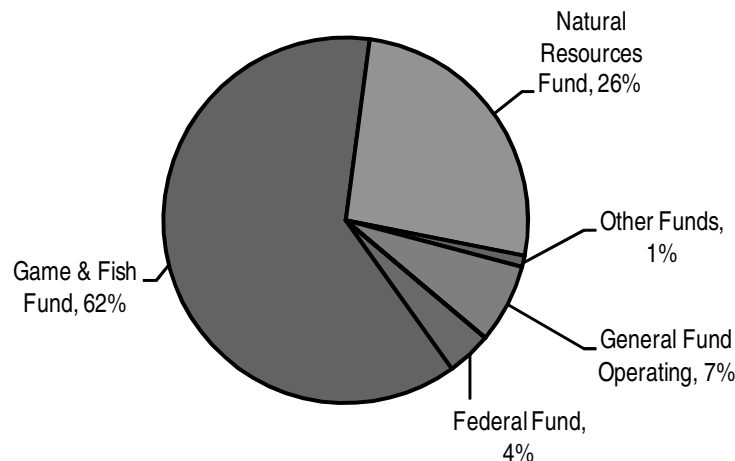
Narrative

training, and approximately 10,900 hours were spent on water quality, aquatic vegetation, alter cross-section of a lake/stream and invasive species enforcement.

- Experimental/Special Regulation Waters: Conservation Officers will maintain our core efforts on these waters. Approximately 98,250 hours were spent on fisheries enforcement in 2009.
- Waterfowl Task Force: Although still a priority, dropping waterfowl stamp license sales and a reduction in the number of available field officers will result in a reduction of Task Force operations. During 2009, more than 15,800 hours were spent on waterfowl enforcement.
- *Performance Measure: Recreational vehicle law enforcement*
 - Hours spent in law enforcement activities addressing boating, snowmobiles, ATVs, OHM and OHV will be maintained in FY 2012.
 - The division will continue all enforcement efforts including information, education, and training at current levels with a goal of maintaining compliance and reducing injuries and fatalities associated with the unlawful operation of recreational vehicles. Administration of a Trail Ambassador program will continue to provide for ATV trail monitoring by trained volunteers.
- *Performance Measure: Safety education*
 - Outreach efforts will be increased by partnering with the Hunting Recruitment and Retention Program to provide expanded hunter education opportunities as well as the launch of an online Youth Hunter Safety course option. In FY 2009, the Enforcement division trained more than 23,200 students in firearms safety and approximately 2,200 students in advance hunter education (including bear clinics and turkey clinics) with the goal of reducing the injuries/fatalities associated with firearms hunting incidents.
- *Performance Measure: Fuel consumption*
 - The division continues its efforts to reduce fuel consumption. From FY 2008 to FY 2010, the division reduced its gasoline consumption by more than 30%, increasing the use of diesel trucks and reducing overall fuel consumption.

Program Funding

**Enforcement NR Laws and Rules
FY 2010-11 Budgeted Expenditures
by Fund**



Contact

Contact: COL Jim Konrad, Director of Enforcement
Phone: (651) 259-5042
Fax: (651) 297-3727
E-mail: jim.konrad@state.mn.us

NATURAL RESOURCES DEPT

Program: ENFORCEMENT NR LAWS & RULES

Program Summary

Dollars in Thousands					
	Current		Governor Recomm.		Biennium
	FY2010	FY2011	FY2012	FY2013	2012-13
<u>Direct Appropriations by Fund</u>					
General					
Current Appropriation	2,659	2,179	2,179	2,179	4,358
Technical Adjustments					
Approved Transfer Between Appr			(94)	(94)	(188)
Biennial Appropriations			135	135	270
Operating Budget Reduction			(4)	(4)	(8)
Subtotal - Forecast Base	2,659	2,179	2,216	2,216	4,432
Total	2,659	2,179	2,216	2,216	4,432
Natural Resources					
Current Appropriation	8,551	8,531	8,531	8,531	17,062
Technical Adjustments					
Approved Transfer Between Appr			27	27	54
Subtotal - Forecast Base	8,551	8,531	8,558	8,558	17,116
Governor's Recommendations					
Maint. of NR Enf/Educ/Public Safety		0	290	1,033	1,323
Total	8,551	8,531	8,848	9,591	18,439
Game And Fish (operations)					
Current Appropriation	19,970	20,115	20,115	20,115	40,230
Technical Adjustments					
Approved Transfer Between Appr			84	84	168
One-time Appropriations			(145)	(145)	(290)
Subtotal - Forecast Base	19,970	20,115	20,054	20,054	40,108
Governor's Recommendations					
Hunting and Fishing Heritage Initiative		0	1,534	3,206	4,740
Maint. of NR Enf/Educ/Public Safety		0	390	1,390	1,780
Total	19,970	20,115	21,978	24,650	46,628
Remediation Fund					
Current Appropriation	100	100	100	100	200
Subtotal - Forecast Base	100	100	100	100	200
Total	100	100	100	100	200

NATURAL RESOURCES DEPT

Program: ENFORCEMENT NR LAWS & RULES

Program Summary

<i>Dollars in Thousands</i>					
	Current		Governor Recomm.		Biennium
	FY2010	FY2011	FY2012	FY2013	2012-13
<u>Expenditures by Fund</u>					
Direct Appropriations					
General	2,729	2,085	2,216	2,216	4,432
Natural Resources	8,137	8,807	8,848	9,591	18,439
Game And Fish (Operations)	19,726	20,486	21,978	24,650	46,628
Remediation Fund	100	100	100	100	200
Statutory Appropriations					
Natural Resources	105	63	295	197	492
Miscellaneous Special Revenue	174	7	7	7	14
Game And Fish (Operations)	200	286	400	400	800
Federal	1,355	1,630	1,043	1,043	2,086
Gift	14	16	15	15	30
Total	32,540	33,480	34,902	38,219	73,121
<u>Expenditures by Category</u>					
Total Compensation	21,904	20,320	21,924	24,407	46,331
Other Operating Expenses	7,599	9,894	9,779	10,613	20,392
Local Assistance	3,037	3,266	3,199	3,199	6,398
Total	32,540	33,480	34,902	38,219	73,121
<u>Expenditures by Activity</u>					
Enforcement Nr Laws & Rules	32,540	33,480	34,902	38,219	73,121
Total	32,540	33,480	34,902	38,219	73,121
Full-Time Equivalents (FTE)	244.7	244.7	259.7	283.1	

Program Description

The purpose of the Operations Support Program is to provide direction and coordination of Department of Natural Resources (DNR) programs and operations, provide local services to the public across the state through regional operations, manage pass-through grants, and direct the management of school and university trust fund lands and mineral rights.

DNR has a three-part mission, based on the interrelated values of economic development, recreational use, and natural resources protection. This program exists to ensure that the multi-part mission is carried out in an integrated and efficient manner.

Budget Activities

This program includes the following budget activities:

- Operations Support
- Trust Land Management

NATURAL RESOURCES DEPT

Program: OPERATIONS SUPPORT

Program Summary

Dollars in Thousands					
	Current		Governor Recomm.		Biennium
	FY2010	FY2011	FY2012	FY2013	2012-13
<u>Direct Appropriations by Fund</u>					
Environment & Natural Resource					
Current Appropriation	7,148	7,187	7,187	7,187	14,374
Technical Adjustments					
One-time Appropriations			(7,187)	(7,187)	(14,374)
Subtotal - Forecast Base	7,148	7,187	0	0	0
Total	7,148	7,187	0	0	0
General					
Current Appropriation	1,166	1,581	1,581	1,581	3,162
Technical Adjustments					
Approved Transfer Between Appr			(2)	(2)	(4)
Current Law Base Change			445	445	890
One-time Appropriations			(500)	(500)	(1,000)
Operating Budget Reduction			(2)	(2)	(4)
Subtotal - Forecast Base	1,166	1,581	1,522	1,522	3,044
Governor's Recommendations					
General Fund Reduction		0	(634)	(634)	(1,268)
Total	1,166	1,581	888	888	1,776
Natural Resources					
Current Appropriation	534	534	534	534	1,068
Technical Adjustments					
Approved Transfer Between Appr			(53)	(53)	(106)
Subtotal - Forecast Base	534	534	481	481	962
Governor's Recommendations					
General Fund Reduction		0	324	324	648
Total	534	534	805	805	1,610
Game And Fish (operations)					
Current Appropriation	1,089	1,089	1,089	1,089	2,178
Technical Adjustments					
Approved Transfer Between Appr			(148)	(148)	(296)
Subtotal - Forecast Base	1,089	1,089	941	941	1,882
Total	1,089	1,089	941	941	1,882
Outdoor Heritage					
Current Appropriation	21,508	33,555	33,555	33,555	67,110
Technical Adjustments					
One-time Appropriations			(33,555)	(33,555)	(67,110)
Subtotal - Forecast Base	21,508	33,555	0	0	0
Total	21,508	33,555	0	0	0
Parks And Trails					
Current Appropriation	250	0	0	0	0
Subtotal - Forecast Base	250	0	0	0	0
Total	250	0	0	0	0

Expenditures by Fund

NATURAL RESOURCES DEPT

Program: OPERATIONS SUPPORT

Program Summary

<i>Dollars in Thousands</i>					
	Current		Governor Recomm.		Biennium
	FY2010	FY2011	FY2012	FY2013	2012-13
Direct Appropriations					
Environment & Natural Resource	5,496	7,844	0	0	0
General	1,452	2,174	888	888	1,776
Natural Resources	453	520	805	805	1,610
Game And Fish (Operations)	804	1,139	941	941	1,882
Outdoor Heritage	21,250	33,631	0	0	0
Parks And Trails	174	76	0	0	0
Statutory Appropriations					
General	26	158	25	0	25
Natural Resources	0	0	310	310	620
Miscellaneous Special Revenue	609	1,530	643	482	1,125
Federal	2,667	4,029	3,637	1,850	5,487
Gift	1,166	1,016	1,118	1,118	2,236
Total	34,097	52,117	8,367	6,394	14,761
<u>Expenditures by Category</u>					
Total Compensation	2,719	3,022	3,087	2,677	5,764
Other Operating Expenses	3,450	6,273	4,144	2,922	7,066
Capital Outlay & Real Property	1,081	2,752	816	475	1,291
Local Assistance	26,848	40,070	320	320	640
Other Financial Transactions	(1)	0	0	0	0
Total	34,097	52,117	8,367	6,394	14,761

NATURAL RESOURCES DEPT

Program: OPERATIONS SUPPORT

Program Summary

<i>Dollars in Thousands</i>					
	Current		Governor Recomm.		Biennium
	FY2010	FY2011	FY2012	FY2013	2012-13
<u>Expenditures by Activity</u>					
Operations Support	34,097	52,117	8,367	6,394	14,761
Total	34,097	52,117	8,367	6,394	14,761
<i>Full-Time Equivalents (FTE)</i>	31.1	29.4	28.7	28.7	

NATURAL RESOURCES DEPT

Program: OPERATIONS SUPPORT

Activity: OPERATIONS SUPPORT

Narrative

Activity at a Glance

- Execute the direction and policy of the executive branch and legislature
- Direct budget and accounting policy for effective use for approximately \$450 million per year
- Manage Federal Emergency Management Agency (FEMA) public assistance grants for damage to DNR properties and facilities from natural disasters
- Provide technical assistance and outreach to local communities, stakeholders, and elected officials

Activity Description

This activity provides administrative leadership to the Department of Natural Resources (DNR) and delivers services to the public including: formulating and establishing department policies and priorities; integrating department operations in a cohesive direction; managing pass-through grants; and delivering services at the local level across the state through regional operations. DNR's Regional Operations include northwest, northeast, central, and southern regional offices, with headquarters in Bemidji, Grand Rapids, St. Paul, and New Ulm.

Legislative guidance is provided in Minnesota statutes pertaining to such topics as: accounting, contracting, and budget; data practices; planning and performance measurement; management of fleet, facilities, and assets;

management of information technology and information systems; publication of regulations and other information; state employment, labor relations, and state retirement; safety; human rights and accessibility. Article 11 of the Minnesota Constitution provides direction concerning finances, revenue from state lands, the Permanent School Fund, the Environment and Natural Resources Fund, and the Clean Water, Land, and Legacy funds.

Population Served

Operations Support provides services to DNR managers, supervisors, and employees, and to the general public, local communities, and other governmental organizations.

Services Provided

DNR has a three-part mission, based on the interrelated values of economic development, recreational use, and natural resources protection. This activity provides leadership to the department by integrating department operations and formulating and establishing department policies and procedures to enable DNR programs to deliver conservation services by harnessing the energy of partnerships, using the power of the market place, and connecting citizens with the environment.

This activity exists to ensure the multi-part mission is carried out in an integrated and efficient manner, and includes leadership and services provided by:

- **Commissioner's Office** provides leadership and direction for the department and manages regulatory and legislative affairs.
- **Regional Operations** provides leadership and assistance for interdisciplinary delivery of DNR services at the local level, including:
 - coordination of natural resource management programs to ensure that the agency provides a unified response and is effectively and appropriately managing and conserving the state's natural resources;
 - technical assistance and outreach to local communities, stakeholders, and elected officials; and
 - coordination of the department's emergency response assistance in the event of a non-fire emergency.

Historical Perspective

During the past several years, DNR has been strategically reorganizing its operations to better address critical natural resource trends and increase operational efficiencies. Recent changes in the department's Regional Operations reflect these efforts. For example, Information Officers are now programmed under the department's Office of Communications and Outreach in order to more effectively align departmental communications. Likewise, the community assistance program is now contained within the Division of Ecological and Water Resources to enable the department to better coordinate and manage this work and ensure these activities align the new division's strategic direction. Regional Operations continue to deliver services and provide integrated natural resource management at the local level.

NATURAL RESOURCES DEPT

Program: OPERATIONS SUPPORT

Activity: OPERATIONS SUPPORT

Narrative

Key Activity Goals & Measures

Recent trends are changing the nature of the state's natural resources and their contribution to Minnesota's quality of life. DNR is responding with innovative and collaborative approaches to address critical drivers of change. The Commissioner's Office provides leadership and direction on these critical trends and Regional Operations implements approaches to address these trends.

- Performance Measure: DNR's performance management system*

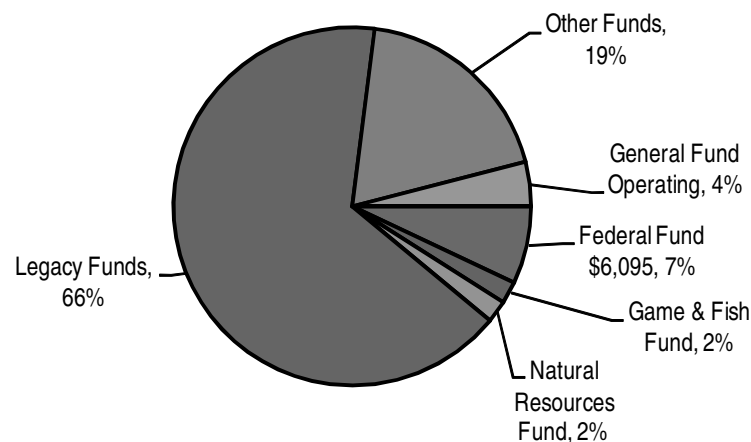
DNR manages an agency-wide performance management system that connects the department's mission and goals to budgets and uses performance indicators and targets to measure conservation results. Performance indicators serve to clearly define the agency's natural resource priorities, measure progress, and provide accountability toward results. DNR's *A Strategic Conservation Agenda 2009 – 2013* reports on approximately 90 indicators and associated targets that reflect the range and reach of DNR's mission. DNR's *Budgeting for Results* summarizes budgets, performance measures, and outcomes for the department's program-level strategic objectives. DNR's Outcomes Tracking System is an agency-wide system that provides up-to-date and integrated performance reporting of DNR programs and projects supported by dedicated funding sources.

- Performance Measure: Drive department to operational efficiency*

DNR manages a state-wide staff of approximately 2,700 full-time equivalents, fleet, and facilities – including 2,500 buildings at 180 locations and 5,000 pieces of fleet equipment worth more than \$1 billion. Setting the standard for a high level of safety performance ensures department employees get home safely every day. DNR has tailored safety training, improved communications, and implemented a department-wide safety strategy, resulting in a 50% decrease in recordable injuries over the last ten years and savings in workers compensation claims. DNR's fleet transports staff more than 17 million driving miles each year. By optimizing inventory and reducing fuel consumption, DNR has its annual debt payment and saved approximately \$10 million over the last five years. Lastly, DNR is improving the energy performance of its facilities and working across units of government to determine opportunities for co-location to reduce costs.

Activity Funding

**Operations Support
FY 2010-11 Budgeted Expenditures
by Fund**



95% of "Other Funds" and "Legacy Funds" are pass through grants

Contact

Name: Denise Anderson, Chief Financial Officer

Phone: (651) 259-5561

Fax: (651) 296-6047

Email: denise.anderson@state.mn.us

NATURAL RESOURCES DEPT
Program: OPERATIONS SUPPORT
Activity: OPERATIONS SUPPORT

Budget Activity Summary

<i>Dollars in Thousands</i>					
	Current		Governor's Recomm.		Biennium
	FY2010	FY2011	FY2012	FY2013	2012-13
<u>Direct Appropriations by Fund</u>					
Environment & Natural Resource					
Current Appropriation	7,148	7,187	7,187	7,187	14,374
Technical Adjustments					
One-time Appropriations			(7,187)	(7,187)	(14,374)
Subtotal - Forecast Base	7,148	7,187	0	0	0
Total	7,148	7,187	0	0	0
General					
Current Appropriation	1,166	1,581	1,581	1,581	3,162
Technical Adjustments					
Approved Transfer Between Appr			(2)	(2)	(4)
Current Law Base Change			445	445	890
One-time Appropriations			(500)	(500)	(1,000)
Operating Budget Reduction			(2)	(2)	(4)
Subtotal - Forecast Base	1,166	1,581	1,522	1,522	3,044
Governor's Recommendations					
General Fund Reduction		0	(634)	(634)	(1,268)
Total	1,166	1,581	888	888	1,776
Natural Resources					
Current Appropriation	534	534	534	534	1,068
Technical Adjustments					
Approved Transfer Between Appr			(53)	(53)	(106)
Subtotal - Forecast Base	534	534	481	481	962
Governor's Recommendations					
General Fund Reduction		0	324	324	648
Total	534	534	805	805	1,610
Game And Fish (operations)					
Current Appropriation	1,089	1,089	1,089	1,089	2,178
Technical Adjustments					
Approved Transfer Between Appr			(148)	(148)	(296)
Subtotal - Forecast Base	1,089	1,089	941	941	1,882
Total	1,089	1,089	941	941	1,882
Outdoor Heritage					
Current Appropriation	21,508	33,555	33,555	33,555	67,110
Technical Adjustments					
One-time Appropriations			(33,555)	(33,555)	(67,110)
Subtotal - Forecast Base	21,508	33,555	0	0	0
Total	21,508	33,555	0	0	0
Parks And Trails					
Current Appropriation	250	0	0	0	0

NATURAL RESOURCES DEPT
Program: OPERATIONS SUPPORT
Activity: OPERATIONS SUPPORT

Budget Activity Summary

	<i>Dollars in Thousands</i>		<i>Dollars in Thousands</i>		<i>Biennium 2012-13</i>
	Current FY2010	FY2011	Governor's Recomm. FY2012	FY2013	
Subtotal - Forecast Base	250	0	0	0	0
Total	250	0	0	0	0
<u>Expenditures by Fund</u>					
Direct Appropriations					
Environment & Natural Resource	5,496	7,844	0	0	0
General	1,452	2,174	888	888	1,776
Natural Resources	453	520	805	805	1,610
Game And Fish (Operations)	804	1,139	941	941	1,882
Outdoor Heritage	21,250	33,631	0	0	0
Parks And Trails	174	76	0	0	0
Statutory Appropriations					
General	26	158	25	0	25
Natural Resources	0	0	310	310	620
Miscellaneous Special Revenue	609	1,530	643	482	1,125
Federal	2,667	4,029	3,637	1,850	5,487
Gift	1,166	1,016	1,118	1,118	2,236
Total	34,097	52,117	8,367	6,394	14,761
<u>Expenditures by Category</u>					
Total Compensation	2,719	3,022	3,087	2,677	5,764
Other Operating Expenses	3,450	6,273	4,144	2,922	7,066
Capital Outlay & Real Property	1,081	2,752	816	475	1,291
Local Assistance	26,848	40,070	320	320	640
Other Financial Transactions	(1)	0	0	0	0
Total	34,097	52,117	8,367	6,394	14,761
Full-Time Equivalents (FTE)	31.1	29.4	28.7	28.7	

NATURAL RESOURCES DEPT

Program: OPERATIONS SUPPORT

Activity: TRUST LAND MANAGEMENT

Narrative

Activity at a Glance

- ◆ Approximately 2.5 million acres of school trust lands and an additional 1 million acres of mineral rights are estimated to generate nearly \$37.0 million in FY2010-11.
- ◆ Approximately 1.5 million acres of school and university trust lands are considered commercial forest lands capable of supporting the production of timber.
- ◆ Budgeted receipts for timber production are estimated to be \$17.2 million, and \$22.5 million for minerals production for FY2010-11.
- ◆ Approximately 26,000 acres of university fund lands and an additional 21,000 acres of mineral rights are estimated to generate nearly \$6.2 million in revenue in FY2010-11.
- ◆

Activity Description

The Department of Natural Resources (DNR) administers approximately 2.5 million acres of school and university trust fund lands and an additional 1 million acres of mineral rights for the benefit of public schools and the University of Minnesota. These lands were granted by the United States government at the time of Minnesota's application for statehood and are held in trust by the state for the purpose of generating a long-term source of funding for public education in the state. DNR administers these lands consistent with legislative direction (M.S. 84.027; 127A.31; 137.022) to maximize revenue to the Permanent School Fund (PSF) and Permanent University Fund (PUF) and ensure the long-term viability of these resources.

Population Served

The income generated by the management of school and university trust fund lands is added to the principal of the PSF and PUF, respectively, and the interest and dividends

earned from investment of the principal of these funds is used to benefit public schools and for student scholarships, minerals-related research, and endowment support for professorial chairs at the university.

Services Provided

This activity provides revenue from the land and mineral management of school and university trust fund lands for the PSF and PUF consistent with M.S. 127A.31. Some of the services that provide revenue include the sale of timber, rents and royalties on taconite iron ore, non-ferrous metallic mineral leases, leases to remove peat, wild rice leases, aggregate mining leases, state forest campground fees, lakeshore leases, easements across state trust land, the sale of land, and other types of use.

Historical Perspective

School Trust Lands and the Permanent School Fund

The PSF, as established in the Minnesota Constitution, Article XI, Section 8, consists of the proceeds derived from management of school trust lands, the sale of these lands, and mineral rights, which are invested by the State Board of Investment to secure the maximum return consistent with maintaining the perpetuity of the fund.

The land base for the PSF was started in 1849 when Minnesota became a territory and two sections of every township were set aside to support schools. More land was added after Minnesota became a state in 1858, resulting in a total of more than 8.1 million acres originally granted by the federal government. But in 1862, Minnesota, like other states seeking cash for schools, began selling its trust fund lands. Today, the DNR manages about 2.5 million acres of school trust lands, of which nearly 1.5 million acres provide harvestable timber, plus about 1 million acres of minerals rights on lands already sold. DNR works closely with the Permanent School Fund Advisory Committee (PSFAC), which is responsible for overseeing the department's management of school trust land.

University Trust Lands and the Permanent University Fund

The PUF, as established in the Minnesota Constitution, Article XI, Section 9, likewise consists of revenues generated from the management and sale of PUF lands and mineral rights. Investment of the PUF is under the management of the University of Minnesota's Board of Regents, with restrictions provided in the state constitution and law.

The PUF was founded when Congress granted 46,000 acres of land to support a state university in 1851 and an additional 46,000 acres in 1857. Most of those lands were sold to pay off debt from constructing the four state universities. Today, about 26,000 acres remain under DNR management, with about 21,000 acres of additional mineral rights. A significant portion of the PUF lands contain valuable deposits of iron ore and taconite, which have been mined over the years by LTV Steel Mining Company, National Steel Pellet Company, and United States Steel Corporation.

NATURAL RESOURCES DEPT

Program: OPERATIONS SUPPORT

Activity: TRUST LAND MANAGEMENT

Narrative

Key Activity Goals & Measures

Minnesota will provide for sustainable economic use of its abundant natural resources

DNR is committed to maximizing the long-term income earned from the sound management of trust fund land and mineral resources. To help ensure the goals of the school trust lands are met, DNR and the PSFAC are working with the federal government on a combined land sale and land exchange of school trust lands within the Boundary Waters Canoe Area Wilderness.

DNR will effectively and efficiently deliver services to meet our mission

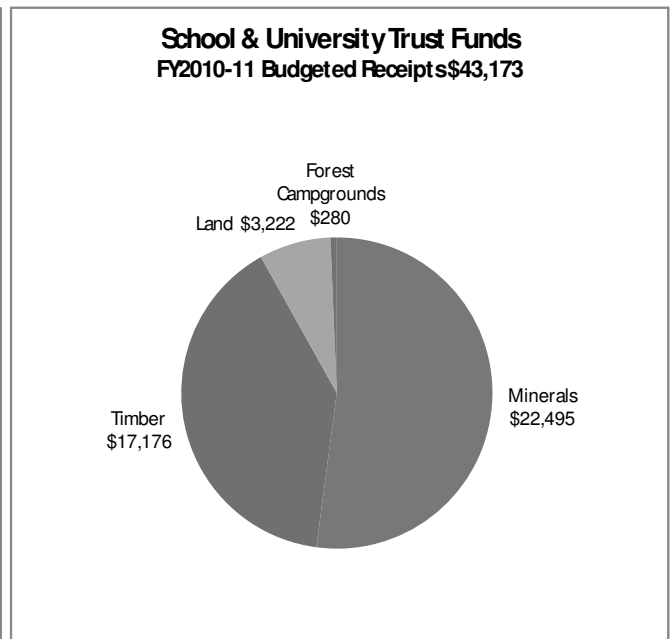
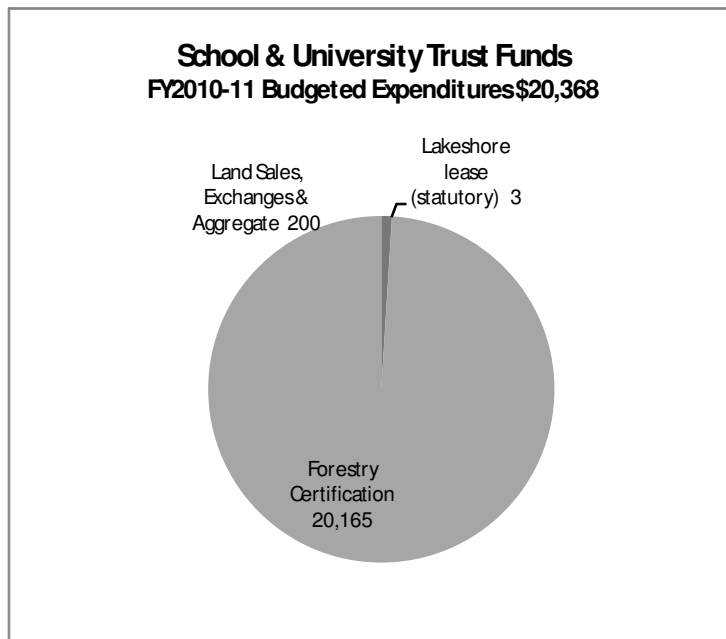
Over the past several years, DNR has begun looking at the management of school and university trust lands and clarifying additional options to meet fiduciary obligations in generating revenue from the lands. One accomplishment was the removal of all remaining school trust lands from state parks and state recreation areas where management prevented the generation of revenue. DNR is continuing to work with partners to exchange land parcels where management prevents the generation of revenue.

Performance Measure: Revenue provided through the management of school and university trust fund lands

DNR is responsible for administering school and university trust fund lands to maximize revenue while maintaining sound natural resource conservation and management principles. In FY 2009, approximately 400,000 cords of wood were harvested on school trust lands. As of June 2010, there were approximately 51,600 acres of school trust land under mineral leases. DNR also leases school trust land for agricultural, commercial, governmental, recreational, and other purposes. There are current contracts, including leases, easements, and licenses, on approximately 24,600 acres of school trust land.

Activity Funding

Forest management expenditures occur in the Forest Management Investment Account (FMIA). They are certified through the certification process. A transfer of funds is made from the school and university funds to the FMIA and general fund to cover forest management costs certified through the certification process.



The "Other" expenditures shown above are related to minerals management work on trust fund lands. Additional expenditures related to minerals management are incurred in the minerals management account - \$2.696 million per year in FY 2010-11.

Contact

Name: Office of the Commissioner

Phone: 651-259-5555

Fax: 651-296-4799

Website: <http://www.mndnr.gov/>

Narrative

This Federal Funds Summary lists anticipated receipts for incoming federal funds in the same sequence as the budget program in the biennial budget. The end of the list includes information about anticipated reimbursements of federal funds into non-federal accounts. Federal funds include continuing programs, funds based on funding formulas, competitive grants, and project grants. Federal funds are accepted when they support the department's mission, strategies, goals and objectives as found in DNR's Strategic Conservation Agenda 2009-2013.

Federal Fund accounts include:

- Incoming federal grant or federal cooperative agreement revenue deposited directly to a federal (300 fund) account.
- Federal grant or cooperative agreement revenue passed through another state agency to DNR. If the federal funds are passed through another state agency that other state agency has also include this amount in their budget

Other federal receipts deposited to non-federal fund accounts per state statute:

- Federal Reimbursements from the U.S. Fish and Wildlife Service under the Sport Fish Restoration, and the Wildlife Restoration programs to meet Minn. Stat. 97A.055 subd.2a. Federal Land and Conservations Fund reimbursements deposited to the 18E Fund to meet Minn. Stat. 116P.14 subd.2

Changing funding levels or trends that may impact future awards:

- The Root River Trail project funded with federal stimulus (ARRA) dollars received through the MINNESOTA Department of Transportation will be completed in state fiscal year 2011, and therefore does not appear on this list. This is the only project for which DNR received stimulus dollars.
- Participation in some federally funded programs will be reduced by diminishing staff resources. Examples are: North American Waterfowl Conservation Program (NAWCA) and the Cooperative Forestry National Conservation Services, Soil and Water.
- The Maps Modernization Management Support Program (listed in the previous budget) has merged with the Cooperating Technical Partners (CTP) program.
- The Great Lakes Restoration Initiative (GLRI) is a new source of funding for DNR.
- We have separately listed programs previously included in a more general title, such as "wildlife federal grants", to more clearly list grants by source of funding here. Those programs are not necessarily identified as a "new" program if they were included under another title during the last biennial budget.
- The Landowner Incentive Program (LIP) will end after state fiscal year 2013.
- The Federal Transportation Act is up for five year reauthorization. This impacts federal programs whose funding is derived from federal fuel taxes; An example is the Recreational Boating Safety Program These programs may experience delays in allocation of federal funds to the state until the bill is passed.
- Generally, continuing forestry programs will stay at current levels or increase only 1-2% in the next biennium.
- A decrease in Federal funding available in this program warranted a redesign in the State's Stewardship Program. We anticipate the State Stewardship Program to improve over the coming years.

Basis for Estimates:

- Outgoing grants funded from federal dollars are estimated throughout the spending period of the grant, rather than estimated in the first year of the grant award.
- Estimates are based on the best federal funding information available at the time this report is prepared. Most new federal awards that impact state fiscal years 2012-2013 have not yet been confirmed. Therefore we use historical trend information from recent years.

Table

Federal Award Name + Brief Purpose	New grant	Required state match/MOE? Yes/No		SFY 2010 Revenues	SFY 2011 Revenues	Estimated SFY 2012 Revenues	Estimated SFY 2013 Revenues
		Match	MOE				
Taconite Mercury Control-Great Lakes Restoration Initiative (GLRI): Evaluate multiple methods to control mercury emissions.		N	N	0	786	786	0
US Geological Service External Research Program	Y	N	N	0	30	52	0
Coastal Zone Management: Program requires a balance between economic development and resource protection within the coastal zone. Projects must preserve, protect, develop, and where possible, restore and enhance coastal resources.	C	Y	N	1253	1346	1145	1200
Cooperating Technical Partners: Increase local involvement in the production development and maintenance of Digital Flood Insurance Maps(DFIRMS)	C	N	N	266	880	943	682
Community Assistance Program-State Support Services Element: Provide technical assistance to National Flood Insurance. Program communities, to monitor and evaluate performance of floodplain management activities.	C	Y	N	112	30	200	200
National Dam Safety program: To strengthen and improve the state dam safety program.	C	N	N	74	135	150	150
EWR Fed Agreements for Invasive: Implementation of state plan for invasive prevention, invasive species research and monitoring, and mercury testing in fish.	Y	N	Determined by Coop agreement	134	792	1208	0
ECO Fed Agreements-Pesticide Enf.: Monitor on behalf of the Dept of Agriculture the application of pesticides to aquatic systems in Minnesota to insure that products are used appropriately and safely.	C	N	N	24	59	60	60
ECO Fed White Nose Syndrome: Monitor bat populations for the occurrence of white nosed syndrome and educate the public about this disease.	C	N	N	0	18	3	0
ECO Landowner Incentive Program: Habitat management on private lands to benefit rare species.	C	Y	N	329	250	24	0
EWR State Wildlife Grants (SWG): Implement, coordinate and monitor implementation of the state wildlife action plan to benefit species in greatest conservation need.	C	Y	N	1420	1400	1600	1500
EWR Comprehensive Conservation Plan: Coordinate and monitor state wildlife.	C			305	300	300	200
EWR US EPA agreement (wetlands program development grant): Pass through grant under a cooperative agreement with MPCA for wetland monitoring.	'06-'10	Y	N	71	0	0	0

		Required state match/MOE? Yes/No					
EWR Endangered Species Reimbursement: Research and monitoring to support endangered species recovery.	C	Y	N	50	50	50	50
ECO Long Term Resource Monitoring: Monitor long-term trends of water quality, aquatic vegetation, and fish on Pool 4 of the Mississippi River; analyze and summarize the data and provide that information to decision makers.	C	N	N	450	450	450	450
Cooperative Fire Protection –Volunteer Fire Assistance: Provide financial, technical and related assistance to State Foresters, for organizing, training and equipping rural fire departments.	C	Y	N	292	423	948	350
Cooperative Fire Protection-State Fire Assistance: Provide financial, technical and related assistance to State foresters, and other agencies and individuals.	C	Y	N	671	2058	670	670
Cooperative Fire Protection-National Fish & Wildlife Foundation: Restore 150 acres of flood plain forest through tree planting and direct seeding.	C	N	N	0	38	0	0
Cooperative Forestry Assistance-Urban & Community Forestry, Education: Connect MINNESOTA specific forestry information with nationally recognized Project Learning Tree materials, school forest activities & other educational initiatives.	C	Y	N	4	0	0	0
Cooperative Forestry Assistance-Natural Resources Conservation Service, Conservation Reserve Program: Address national, state, and local resource concerns and provide conservation technical assistance to landowners and operators.	C	N	N	7	45	60	60
Cooperative Forestry Assistance-Natural Resources Conservation Service, Soil and Water conservation: Address national, state, and local economic concerns, assure common goals are realized and further mutual interests by contributing substantial resources to achieve conservation objectives and program accountability.	C	Y	N	37	17	20	20
Forest Health Management-Oak Wilt: Suppression activities on oak wilt, including cost share assistance to communities, a website that provides residents information concerning terrestrial invasive species, educational efforts.	C	Y	N	249	126	0	0

		Required state match/MOE? Yes/No					
Cooperative Forestry Assistance – Conservation Reserve Program: Set aside highly erodible cropland acres & establish more suitable covers to promote other resource values, including improved air and water quality and wildlife habitat.	C	N	N	119	451	482	250
Cooperative Forestry Assistance-Urban & Community Forest: To improve the protection and management of community forests and expand the resource by building capacity of local programs and private vendors across the state. To characterize the abundance, size and health of neighborhood trees across the state.	C	Y	N	327	742	950	750
Forest Health Management-Forest Health: Protect non-federal forest and tree resources from damaging forest insects, disease causing agents and invasive plants. Develop and improve forest health protection technologies and monitor the health of forests. This includes garlic mustard, ash borer, buckthorn projects.	C	Y	N	182	646	921	290
Cooperative Fire Protection-Firewise: Provide information & education targeting prevention and mitigation in the wildland urban interface. Community based projects providing fiscal and program coordination. Implement the application of Firewise principles to residents and commercial operations along the Gunflint Trail.	C	Y	N	416	604	1057	300
Cooperative Forestry Assistance-Forest Stewardship: To promote and enable the long term active management of non-industrial private and other non-federal forest land to sustain the multiple values and uses that depend on these lands. Projects include geospatial analysis education and information materials, landscape planning.	C	Y	N	645	620	1150	550
Cooperative Forestry Assistance – Forest Stewardship, Forest Land Enhancement Program: Encourage long term sustainability of non-industrial private forest lands in the U.S by assisting landowners, through state foresters.	C	Y	N	16	16	0	0

		Required state match/MOE? Yes/No					
Cooperative Forestry Assistance-Forest Legacy Program: Contract specific acquisition activities and provide a portion of salaries for employees involved in the administration of the program. To acquire a perpetual working forest conservation easement on private forest land for access to state forest land, public recreation access. Promote sustainable forestry practices in the management of the property and protect environmental values.	C	Y	N	45	9997	6600	3550
Cooperative Forestry Assistance, Northern Research Station; Forest Inventory and Analysis: Collaborate with the Northern Research station to complete the forest Inventory and Analysis Project to report on the health of the state's forests.	C	N	N	352	444	650	350
Cooperative Forestry Assistance National Fish and Wildlife Foundation: Establish an education program for landowners that encourage them to complete prescribed burning operations on their Conservation Reserve program areas. This will benefit wildlife and reduce fuel loading.	C	Y	N	66	9	0	0
Cooperative Forestry Assistance-MINNESOTA Forestry Resource Council: Increase private forest management in a collaborative manner by addressing regionally significant forest management concerns and opportunities.	C	N	N	0	225	725	500
Clean Vessel Act: Provide pump out of marinas.	C	N	N	38	125	200	200
Recreational Trail Program: Trail enhancement.	C	Y	N	1689	1000	2500	2000
Sports Fishing and Boating Safety Act: Harbor and marine enhancement.	C	N	N	4	200	400	200
Inter-jurisdictional Fisheries Act: fish disease research	C	Y	N	0	677	215	70
Multistate Conservation Grant Program-USFWS Interior Fish & Wildlife Service	Y	Y	N	0	0	225	175
USDA APHIS – Fish: Fish disease research,	C		N	0	60	160	160
Wildlife Federal Agreements Research	C	N	N	188	190	0	0
USDA APHIS-Wildlife – Wildlife Plant and animal disease research, pest and animal care	C	Y	N	0	70	70	70
Voluntary Public Access-Habitat: provide the public with new opportunities for hunting on private lands by developing a new walk in program.	Y	Y	N	0	582	2103	0
Wolf Depredation	Y	N	N	0	100	0	0
Fisheries Federal Agreements	C	Y	N	212	100	700	440

NATURAL RESOURCES DEPT

Federal Funds Summary

		Required state match/MOE? Yes/No					
Port Security: Protection of critical port infrastructure from terrorism-equipment such as air surveillance capacity and airboats to do so.	C	Y	N	311	520	0	0
Underage Alcohol prevention: Annual monitoring by DNR enforcement officers as part community enforcement effort.	C	N	N	0	2	4	4
Bulletproof Vests: Purchase of vests for enforcement officer protection during conservation enforcement duties.	C	N	N	0	3	14	14
Army Compatible Use Buffer Zone; Protect lands surrounding Camp Ripley from development and other encroachment that would impair the Camp's function. This is achieved through DNR fee title and conservation easement acquisition from willing land owners.	Y	Y	N	701	543	250	250
FEMA Public Assistance –pass through from Public Safety: Funds emergency response, debris clearance, and repair and restoration of facilities damages as the result of a federally declared disaster.	C	Y	N	398	1026	1500	0
LIDAR Projects US Geological Service: Minnesota Elevation Mapping Project.	C	N	N	0	265	100	0
LIDAR Project NATIONAL Resource Conservation Service: Minnesota Elevation Mapping Project.	Y	N	N	0	0	171	0
Public Safety Inoperable Communications: Purchase 800 MHz Radios pass through from Public Safety	Y	N	N	0	20	0	0
Recreational Boating Safety: Fund boating safety programs including enforcement, education and outreach, aids to navigation, registration and &titling, public access and administration of the boating safety program.	C	Y		3408	4300	4100	4100
MINNESOTA Master Naturalist Program: Promote awareness, understanding & stewardship of MINNESOTA natural environment by developing a corps of well-informed citizens dedicated to conservation education & service within their communities.	C	N	N	40	20	16	0
Subtotal Federal Fund*:				14,905	32,790	33,932	19,815
NON FEDERAL FUND							
Sport Fish Restoration (230 fund)		Y	Y	15,001	13,000	14,686	14,686
Wildlife Restoration (230 fund)		Y	N	11,212	10,000	10,900	10,900
Land & Water Conservation(18E)		Y	N	238	654	209	209
Sub Total Non- Federal funds:				26,451	23,654	25795	2,5795
Grand Total Federal Funds:				41,356	56,444	59,727	45,610

* The SFY 2010 federal fund subtotal reflects receipts at closing ,therefore they may be understated because most have requests to deposit receipts after close of FY 2010 approved until February 2011.Also those programs that do not continue to 2012-2013, but may have been active in 2010 are not listed here.

Program Name Federal or State or Both (citation)	Purpose	Recipient Type (s) Eligibility Criteria	Budgeted FY 2010	Budgeted FY 2011
Environment and Natural Resources Trust Fund Grants	Funds appropriated to DNR, as recommended by the Legislative-Citizen Commission on Minnesota Resources, to help local governments and private entities further the protection, conservation, preservation, and enhancement of the state's air, water, land, fish, wildlife, and other natural resources.	Local Governments and private entities, academic institutions	4,805	7,187
Outdoor Heritage Fund Grants	Funds appropriated to DNR, as recommended by the Lessard-Sams Outdoor Heritage Council, to help local governments and private entities further the protection, conservation, preservation, and enhancement of the state's air, water, land, fish, wildlife, and other natural resources.	Local Governments and private entities, academic institutions	25,073	33,155
Parks and Trails Fund Grants	For the acquisition, development, restoration and maintenance of parks and trails of regional or statewide significance.	Counties, Cities, Local Governmental Units	3,970	4,900
Flood Hazard Mitigation Grants	Funds to help address local units of government identify their flood damage reduction and other local water resources management issues and needs.	Cities, Local Governmental Units	371	264
Upper Mississippi River Grants	To implement the comprehensive plan for the upper Mississippi River.	Other Government Units, Indian Band	58	58
Boat and Water Safety Grant Program MS 86B.706	To assist in funding boat and water safety programs carried out through the county sheriff's office. The goal is to reduce deaths, injuries and property damage on state waters.	Counties	1,082	1,082
Snowmobile Safety Enforcement Grant Program	To assist with enforcement of state laws and rules for snowmobile use and provide snowmobile safety training.	Counties	315	315
Off-Highway Vehicle (OHV) Safety & Conservation Grant Program MS 84.9011	To assist with enforcement of state laws and rules and provide safety training for all-terrain vehicles, off-highway motorcycles and off-road vehicles.	Counties	485	485
Trail Ambassador Program Grants MS 84.9011	Funding to organizations that sponsor individuals to assist in safety and environmental education, and monitoring trails on state forest and other public lands.	Non-government Organizations	225	225
Snowmobile Trails Grant-in-Aid Program MS 84.83	The purpose of this program is the creation and maintenance of locally initiated trails that were financially assisted by the state.	Counties, Cities and Towns	8,424	8,424
Off-Highway Vehicle (OHV) Trails: Grant-in-Aid Program MS 84.724, MS 84.803, MS 84.927	To encourage maintenance, development and acquisition of public, locally controlled trails for all-terrain vehicles, off-highway motorcycles and off-road vehicles.	Counties, Cities and Towns	1,360	1,360

Program Name Federal or State or Both (citation)	Purpose	Recipient Type (s) Eligibility Criteria	Budgeted FY 2010	Budgeted FY 2011
Cross Country Ski Grant-in-Aid Program MS 085.44	To encourage the maintenance and development of cross- country ski trails by local clubs sponsored through local government units. To enforce natural resources laws and rules related to these trails.	Counties	264	266
Horse Trails Grants MS 085.46	For maintenance and rehabilitation of horse trails in State Parks, Recreation Areas and State Forests.	Non-Governmental Organizations	100	100
Lottery- in Lieu of: Local Trail Grants	Maintenance of local trails	Counties, Cities and Towns	705	705
Lottery- in- Lieu Zoo Grants	Pass –through appropriations to support activities related to specific zoos, specified by law.	Cities (Duluth and St. Paul)	320	320
Off Highway Vehicle Damage Account MS 084.780	To repair damage to private or public lands caused by off-highway vehicle operation in unauthorized or unpermitted areas.	Cities and towns		93
Trails Local Assistance	To encourage the maintenance and development of non-motorized trail opportunities within state forests.	Counties, Other State agencies	87	87
Land and Water Conservation (LAWCON) Local Grants MS 116P.14.003	To meet the state and locally identified public outdoor recreation needs to strengthen the health and vitality of people. Increase the number of protected state and local outdoor recreation resources and ensure their availability for public use in perpetuity. Encourage sound planning and long term partnerships to expand the quantity and ensure the quantity and quality of needed state and local recreation resources.	Local governments and recognized tribal governments based on priorities established in the State Comprehensive Outdoor Recreation Plans, updated every 5 years.		209
Forest Resources Council	Funds critical forest resource management programs under the 1995 Sustainable Forest Resources Act, including management guideline training and revision, Forest Resources Council and forest landscape level programming.	Non-government Organization	6	6
Forestry Protection	Fire Protection: rural Community Fire Assistance supports rural fire departments and their ability to protect communities from wildfires.	Cities and Towns, Other Government Units, non- government units.	56	82
Forestry Interagency Information	To the University of Minnesota for the Interagency Information Cooperative to develop a common forest inventory format-describing key attributes of Minnesota's public forestland base, growth models for managed forest stands, a forest wildlife habitat model format, and an information database on the state's family forest ownership.	Higher Education	197	197

Program Name Federal or State or Both (citation)	Purpose	Recipient Type (s) Eligibility Criteria	Budgeted FY 2010	Budgeted FY 2011
Forest Management	Provide assistance to support additional technical and cost-share assistance to non- industrial private forest (NIPF) landowners.	Counties, Higher Education, Non Government Organizations, aid to individuals	100	100
Private Forest Management PFM (200 fund)	Forestry Sustainable Woodlands assists landowner cost sharing and provides informational books and pamphlets.	Non-Government Organizations	31	4
County Forest Roads Grants MS 089.70	Forestry County Roads Grants are derived from un-refunded revenue from the gasoline fuel tax which is derived from the operation of motor vehicles on state forest roads and county forest access roads. This revenue must be annually transferred to counties for the management and maintenance of county forest roads.	Counties	424	450
Fish (MINNAQUA)	Education program grants to teach angling recreation and stewardship, as well as the ecology and conservation of aquatic habitats.	Non-governmental organizations	24	18
Fish (MINNAQUA)	Let's Go Fishing Program grants	Non-governmental organizations	150	150
Prairie Wetlands: General Fund	Grants for prairie wetlands restoration and protection.	Non-governmental organizations, Local Governments, Cities and Towns,	270	31
Roadsides for Wildlife Grant Program	To encourage local road authorities and landowners to use Integrated Roadside Resource Management Techniques so that ecological values (water, soil, wildlife, native plants) are considered so that there is reduction in the disturbance of nesting wildlife. Re-vegetation of roadsides with native grass and forb seed, demonstration plots on biological weed control, and native seed planting and harvesting equipment.	Public road authorities, conservation groups, and private landowners	3	18
Aquatic Plant Restoration	Shoreland restoration, improve natural wild rice production.	Non-Governmental Organizations.	34	39
Waterfowl Habitat Improvement (233)	Development of Wetlands and lakes and designated waterfowl management lakes	Other Governmental Units	67	15
Pheasant Habitat Improvement (235)	To provide cost sharing to landowners for management practices that improve pheasant habitat. Grants to develop, restore, and maintain suitable habitat for ring-necked pheasants, which includes the establishment of food plots (primarily corn or sorghum), nesting cover, woody cover and wetland restoration.	Public and private landowners in 64 counties in southern, western and central Minnesota	291	20
Wildlife Acquisition Surcharge (237)	Development and Maintenance of wildlife Lands	Non-governmental organizations.	15	15

Program Name Federal or State or Both (citation)	Purpose	Recipient Type (s) Eligibility Criteria	Budgeted FY 2010	Budgeted FY 2011
Turkey Enhancement (238)	Provide wild turkey habitat on public and private lands	Non-governmental organizations	17	20
Heritage Enhancement (239)	To encourage local outdoors clubs to complete wildlife habitat projects on State Wildlife Management Areas or other lands under control of the Section of Wildlife.	State- or nation-wide wildlife habitat conservation organizations that have two or more local or regional chapters, or local, nonprofit outdoor recreation oriented clubs that are unaffiliated with state or national organizations and that list wildlife habitat conservation as a primary focus of their organization's by-laws.	1,199	1,282
Reinvest In MN (RIM)	To encourage private citizens and organizations to help fund the acquisition and development of critical fish and wildlife habitat by having their donations of land or cash matched from a special state fund. Grants to acquire and enhance critical habitat, which includes but is not limited to restoring wetlands, improving forest habitat, planting critical winter cover, protecting undisturbed plant communities, preserving habitat for rare plant and animal species, protecting native prairie and grasslands, and preserving spawning and reproduction areas for fish.	Private Individuals and Groups	79	
Remediation Fund Grants	To acquire, protect and restore natural resources, compensating the State of Minnesota for damage to those resources. Eligible projects may involve fee title acquisition of natural areas and/or ecological restoration leading to the establishment of maintenance of native plant communities. Projects must be in proximity to qualifying closed landfill sites. More detailed ranking criteria related to the quantity of the resource protected, benefit to resources, etc.	Counties, Cities Townships	500	100
DNR Total			51,107	61,782

NATURAL RESOURCES DEPT

Agency Revenue Summary

Dollars in Thousands

	Actual FY2010	Budgeted FY2011	Governor's Recomm. FY2012 FY2013		Biennium 2012-13
<u>Non Dedicated Revenue:</u>					
Departmental Earnings:					
General	6,862	6,175	980	975	1,955
Natural Resources	37,893	41,773	32,166	33,856	66,022
Game And Fish (operations)	80,697	79,077	78,782	86,184	164,966
Grants:					
Natural Resources	238	90	200	249	449
Other Revenues:					
General	1,824	747	347	347	694
Natural Resources	1,394	1,271	1,322	1,445	2,767
Game And Fish (operations)	573	273	477	758	1,235
Other Sources:					
General	20	25	6	6	12
Taxes:					
General	2,386	2,263	2,263	2,263	4,526
Total Non-Dedicated Receipts	131,887	131,694	116,543	126,083	242,626
<u>Dedicated Receipts:</u>					
Departmental Earnings (Inter-Agency):					
Natural Resources	995	2,020	2,020	2,020	4,040
Miscellaneous Special Revenue	128	111	111	111	222
Departmental Earnings:					
General	10	0	0	0	0
Natural Resources	2,459	2,569	23,572	23,812	47,384
Miscellaneous Special Revenue	20,822	22,131	22,943	24,486	47,429
Game And Fish (operations)	4,426	4,348	10,169	10,169	20,338
Miscellaneous Agency	2,551	9,017	9,325	9,325	18,650
Gift	-4	2	2	2	4
Permanent School	18,944	25,426	31,869	32,379	64,248
Grants:					
Natural Resources	0	209	200	335	535
Miscellaneous Special Revenue	0	104	0	0	0
Federal	15,480	33,440	33,932	19,815	53,747
Federal Stimulus	700	0	0	0	0
Other Revenues:					
General	114	90	25	0	25
Natural Resources	100	29	54	67	121
Miscellaneous Special Revenue	4,049	2,595	1,856	1,767	3,623
Game And Fish (operations)	8	8	150	159	309
Remediation Fund	635	300	300	300	600
Reinvest In Minnesota	827	1,472	1,480	1,491	2,971
Miscellaneous Agency	8	37	81	128	209
Gift	1,162	1,212	1,227	1,247	2,474
Permanent School	275	258	287	324	611
Other Sources:					
Natural Resources	2	0	0	0	0
Miscellaneous Special Revenue	1,379	1,394	1,275	1,275	2,550
Miscellaneous Agency	-11	0	0	0	0
Total Dedicated Receipts	75,059	106,772	140,878	129,212	270,090
Agency Total Revenue	206,946	238,466	257,421	255,295	512,716

	PAGE
Agency Profile.....	2
Agency Fiscal Page (Gov Rec)	6
Change Summary	7
Agency Change Items	
⇒ Convert To Dedicated Funding.....	8
⇒ Fee Changes	9
Agency Revenue Summary Fiscal Page	10
⇒ Designates that this item is a change item	

Agency Purpose

Minnesota Statutes sections 148.171-148.285 provide the Board of Nursing with authority to regulate nursing practice for the purpose of public protection.

The Board's mission is to protect the public's health and safety by providing reasonable assurance that the persons who practice nursing in Minnesota are competent, ethical practitioners with the necessary knowledge and skills appropriate to their title and role.

The Board's mission is accomplished through four service areas: credentialing, education, discipline/complaint resolution and nursing practice standards in addition to responding to increased inquiries for aggregate and individual licensure and disciplinary data for purposes of emergency preparedness planning, a pending nurse shortage and increased demand for nursing services.

At a Glance

Credentialing Services

- 84,500 Registered Nurses (15% increase)
- 24,500 Licensed Practical Nurses
- 4,800 Advanced Practice Registered Nurses
- 12,000 Public Health Nurses
- 225 Border State Registry Nurses
- 35 Nursing Registered Firms
- 265 DEA Verifications

Education Services

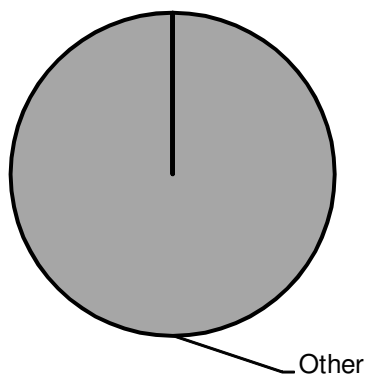
- 68 nursing education programs (7% increase)

Discipline Services

- Investigate 3,000 jurisdictional complaints (25% increase)
- Resolve 2,500 disciplinary actions
- Remove from practice 275 nurses who are at risk to public safety
- Monitor 400 Nurses under discipline order
- Assure monitoring of 450 nurses in Health Professionals Services Program

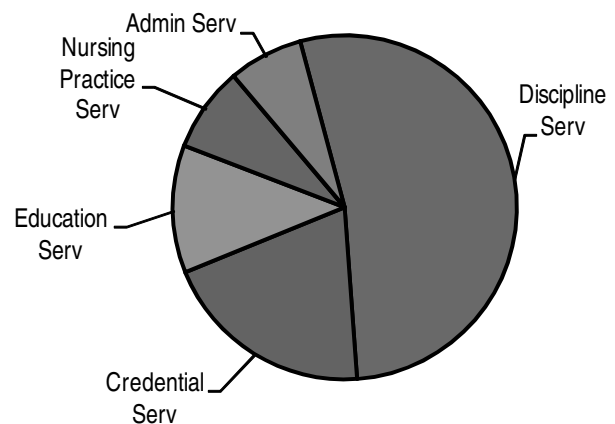
Staff: 33 Full-time equivalent employees

**Est. FY 2010-11 Expenditures
by Fund**



Source: Consolidated Fund Statement.

**Est. FY 2010-11 Expenditures
by Service**



Source: Board expenses allocated to the services provided by the board.

Strategies

The Board achieves its goal of public protection by:

- Assuring an ethical and competent nursing workforce through comprehensive credentials review and provision of a legally defensible nurse licensure examination.
- Establishing and conducting a complaint investigation process that is expedient, just and commensurate with the risk to public safety.
- Upholding standards for nursing education approval through consultation and survey.
- Interfacing with state, national and federal agencies, information systems and national nurse and regulatory organizations to analyze, utilize and disseminate data for evidence informed regulatory decisions.
- Collaborating in statewide initiatives on nursing practice, education, and patient safety.

Operations***Credentialing Services***

The Board of Nursing licenses registered nurses, licensed practical nurses, advanced practice registered nurses, and public health nurses to assure the public that the individuals who practice nursing in Minnesota have the requisite education, competence, and ethical character to practice nursing safely and effectively.

Education Services

The Board promotes excellence of nursing education standards and approved nursing education programs by monitoring program graduation pass/fail rates on national nurse licensure examination; facilitating innovative approaches to address nursing workforce and nursing faculty shortages; providing consultation to nursing education programs regarding national nurse licensure examination pass rates; developing and conducting research to promote a safe, competent and sufficient nursing workforce; and advising prospective nursing students regarding educational tracks and scholarships.

Discipline/Complaint Resolution

The Board investigates complaints and takes action against nurses who violate the nurse practice act, removing nurses from practice who are a risk to patient safety and monitoring nurses whose practice requires remediation and oversight to assure public safety.

Nursing Practice Standards

The Board promotes standards of safe nursing practice by interpreting the laws and rules related to nursing practice for nurses, employers, and educators. The Board participates in nursing practice forums with nursing organizations and other state agencies to establish nursing performance guidelines so that employers and consumers can make informed decisions regarding the performance of nursing services.

Key Activity Goals & Measures

Advance excellence in nursing regulation.

- Issue licenses within 24 hours of an applicant meeting all requirements.
- Real time nurse licensure data is available on website resulting in employers and the public having assurance of a nurse's authority to practice.
- 90% of users employ licensure services online.

Enhance the Board's proactive leadership in public protection.

- Decrease number of open discipline cases by 10% annually.
- Decrease complaint cycle time by 20%.
- Disseminate disciplinary action within 24 hours.
- Secure legislative authority to conduct applicant criminal background checks.
- Secure amendments to Chapter 214 regarding criminal sexual misconduct through partnership with other health related licensing boards.
- Detect fraud and imposters through collaboration with organizations which facilitate licensure of non-US educated nurses and other enforcement agencies.

Foster congruence of education, practice and regulation for all levels of nursing practice.

- Disseminate nurse licensure examination success rates information about approved pre-licensure nursing programs.
- Publish interpretive briefings regarding practice and education.

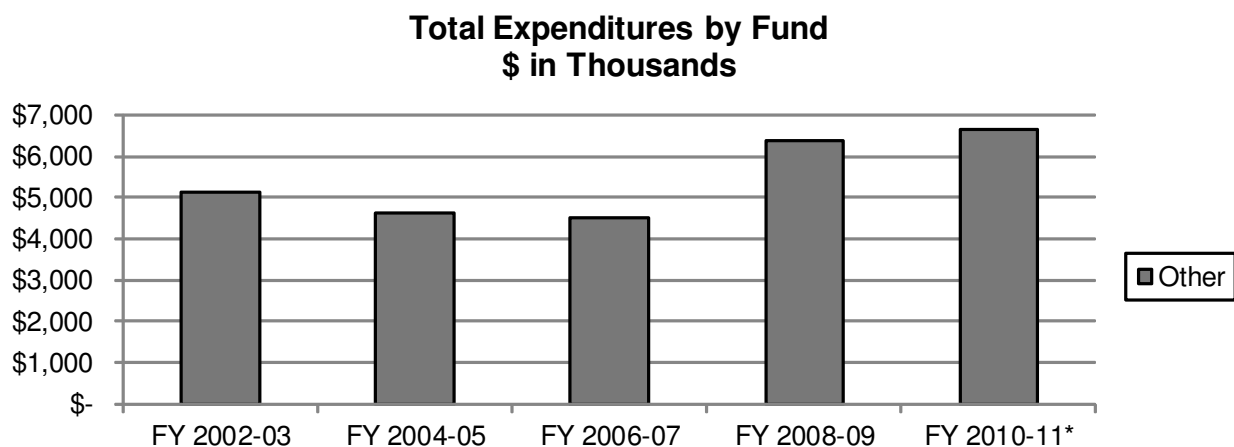
Budget Trends Section

The board is responsible for collecting sufficient revenue to cover both direct and indirect expenditures. The board is estimated to collect \$10.769 million in FY 2010-11, which is deposited as non-dedicated revenue into the state government special revenue fund.

From this fund, the board receives a direct appropriation to pay for agency activities such as salaries, rent, costs for disciplinary/contested cases and operating expenditures. It also pays statewide indirect costs through an open appropriation. In FY 2010-11, total expenditures for these purposes are estimated at \$6.639 million. The chart below shows funding trends over the last five biennia for the direct and open appropriation.

- Increased demand for nurses has increased number of imposters; thus, greater scrutiny needed to process applications.
- Technology advancements and access to national data banks resulting in more information to process and increased obligation to report data.
- National trend to require criminal background check for licensure resulting in increased work load and expense.
- Pending nurse shortage resulting in increased demand for nursing education programs.
- National standardization of nurse licensure requirements necessitating review and revision of statutory authority.
- Broad impact of healthcare reform resulting in need to evaluate and define scopes of practice.
- Increased interstate and multistate practice resulting in alternative regulatory models and interstate nurse licensure compact.
- Substance use disorders by nurses reflects general societal trend to abuse of prescription drugs.

Budget Trends



**FY 2010-11 is estimated, not actual*

Source data for the previous chart is the Minnesota Accounting and Procurement System (MAPS) as of 07/31/10.

Board fees are also responsible for covering a prorated share of support functions provided outside of the Board itself. These include legal support (Attorney General), statewide e-licensing system development and operations (Office of Enterprise Technology), centralized administrative support (Health Boards Administrative Services Unit), funding for services to health professionals (Health Professionals Services Program), malpractice insurance

(Volunteer Health Care Provider Program), monitoring program (Dept of Health-HIV/HBV/HCV), and controlled substance program (Prescription Electronic Reporting). In FY 2010-11, some of the health boards' reserves in the state government special revenue fund were also transferred to the general fund. The table below displays direct and open appropriation expenditures, external support costs (prorated share), and the general fund transfers (prorated share) estimated in FY 2010-11.

	FY 2010-11 (in thousands)
Board's Direct and Open Appropriations	\$ 6,639
Board's External Support Costs and Transfers (prorated Share)	
• Attorney General support	1,081
• E-licensing support	560
• Central administrative service unit	234
• Health professional service program	845
• General fund transfer	3,931
• Dept of Health-HIV/HBV/HCV	347
• Volunteer Health Care Provider Program	19
• Prescription Electronic Reporting	48
Total	13,704
Fees Collected by Board	\$10,769
Prorated Surplus/(Deficit)	(2,935)

In most years, Board fee revenues exceed direct expenditures and external support costs, and as directed by law, the surplus is used to maintain a reserve in the state government special revenue fund. It should be noted here that the FY 2010-11 transfers to the General Fund, along with unanticipated increases in the support costs discussed above, have resulted in the Board's fee revenue not covering its prorated costs and transfers.

External Factors Impacting Agency Operations

The number of licensees regulated by the Board continues to rise, as do the number of complaints and the complexity of the cases.

Contact

Minnesota Board of Nursing
 2829 University Ave Southeast, Suite 200
 Minneapolis Minnesota 55414-3253
www.nursingboard.state.mn.us
 Email: nursingboard@state.mn.us
 Phone: (612) 617-2270; Fax: (612) 617-2190
 Shirley A. Brekken, Executive Director

NURSING BOARD

Agency Overview

<i>Dollars in Thousands</i>					
	Current		Governor Recomm.		Biennium
	FY2010	FY2011	FY2012	FY2013	2012-13
<u>Direct Appropriations by Fund</u>					
State Government Spec Revenue					
Current Appropriation	3,287	3,289	3,289	3,289	6,578
Recommended	3,287	3,289	0	0	0
Change		0	(3,289)	(3,289)	(6,578)
% Biennial Change from 2010-11					-100%
<u>Expenditures by Fund</u>					
Direct Appropriations					
State Government Spec Revenue	3,098	3,493	0	0	0
Open Appropriations					
State Government Spec Revenue	29	33	0	0	0
Statutory Appropriations					
State Government Spec Revenue	0	0	5,041	5,041	10,082
Total	3,127	3,526	5,041	5,041	10,082
<u>Expenditures by Category</u>					
Total Compensation	2,514	2,646	2,653	2,713	5,366
Other Operating Expenses	613	880	2,388	2,328	4,716
Total	3,127	3,526	5,041	5,041	10,082
<u>Expenditures by Program</u>					
Nursing, Board Of	3,127	3,526	5,041	5,041	10,082
Total	3,127	3,526	5,041	5,041	10,082
Full-Time Equivalents (FTE)	33.5	33.5	33.5	33.5	

NURSING BOARD

Change Summary

<i>Dollars in Thousands</i>				
	FY2011	Governor's Recomm.		Biennium
		FY2012	FY2013	2012-13
<i>Fund: STATE GOVERNMENT SPEC REVENUE</i>				
FY 2011 Appropriations	3,289	3,289	3,289	6,578
Subtotal - Forecast Base	3,289	3,289	3,289	6,578
Change Items				
Convert to Dedicated Funding	0	(3,289)	(3,289)	(6,578)
Total Governor's Recommendations	3,289	0	0	0
<i>Fund: STATE GOVERNMENT SPEC REVENUE</i>				
Planned Open Spending	33	35	35	70
Change Items				
Convert To Dedicated Funding	0	(35)	(35)	(70)
Total Governor's Recommendations	33	0	0	0
<i>Fund: STATE GOVERNMENT SPEC REVENUE</i>				
Planned Statutory Spending	0	0	0	0
Change Items				
Convert to Dedicated Funding	0	5,038	5,038	10,076
New Registration Fee Bordering States	0	3	3	6
Total Governor's Recommendations	0	5,041	5,041	10,082
<i>Revenue Change Items</i>				
<i>Fund: STATE GOVERNMENT SPEC REVENUE</i>				
Change Items				
New Registration Fee Bordering States	0	3	3	6
Repeal Late Fees	0	(25)	(25)	(50)
Repeal Temporary Permit	0	(10)	(10)	(20)

NURSING BOARD

Change Item: Convert to Dedicated Funding

Fiscal Impact (\$000s)	FY 2012	FY 2013	FY 2014	FY 2015
Health Related Boards Fund (171)				
Direct Appropriated Account				
Expenditures	\$(3,289)	\$(3,289)	\$(3,289)	\$(3,289)
Non-Dedicated Revenue	(5,038)	(5,038)	(5,038)	(5,038)
Open Appropriated Account				
Expenditures	(35)	(35)	(35)	(35)
Dedicated Account				
Expenditures	5,038	5,038	5,038	5,038
Dedicated Revenue	5,038	5,038	5,038	5,038
Transfer In	685	0	0	0
Net Fiscal Impact	\$2,399	\$1,714	\$1,714	\$1,714

Recommendation

The Governor recommends changing the way appropriations are made to the health related licensing boards that operate in the state government special revenue fund. Under this proposal, the boards' funding would be converted from direct appropriations to dedicated appropriations, giving each board spending authority equal to its fee revenue and any accumulated balance. The net effect of this change is the difference between the board's current base appropriations and projected revenues.

Rationale

This proposal places ownership in the boards' 183 appointed members to be efficient and cost effective in setting their spending levels, while providing continued legislative oversight in the setting of the boards' fees. It encourages the boards to find efficiencies and ensures the fees paid by each occupation are dedicated to the boards' mission to protect the public and ensure that Minnesota citizens receive quality care by qualified licensed health professionals. The establishment of the dedicated appropriation will improve the boards' management of resources and transparency for licensees.

The health related licensing boards are fee-supported organizations that receive no general fund dollars. The boards currently collect and deposit fees as non-dedicated special revenue into the health related boards account in the state government special revenue fund (171). The legislature then provides a direct appropriation from these revenues to each board for its operating expenses. Unlike agencies that receive direct appropriations from the general fund, the boards must ensure that licensing fees are collected to recover each board's direct and indirect expenditures to maintain the solvency of the state government special revenue fund. For this reason, the health boards already operate much like agencies with dedicated appropriations—except that they must seek appropriation authority to gain access to their existing fee revenue.

This proposal changes the boards' non-dedicated revenue to dedicated revenue within the same fund and provides each board with a dedicated appropriation from the board's revenue. Additionally, the current accumulated fund balance within the health related boards account will be transferred to individual boards based on each board's contribution to the balance. M.S. 16A.1283 requires that all fee increases be approved by the legislature, so even with a dedicated funding arrangement, the boards must still seek legislative action to increase spending beyond current law fee revenues.

Key Goals and Measures

Minnesota Milestone: Government in Minnesota will be cost-efficient, and services will be designed to meet the needs of the people who use them. Minnesotans expect their state and local governments to spend money carefully and effectively.

Measures:

- Transparency of fees and expenditures
- The level of service provided to licensees and Minnesota citizens.

Statutory Change: Minnesota Statutes Chapter 148

NURSING BOARD

Change Item: Fee Changes

Fiscal Impact (\$000s)	FY 2012	FY 2013	FY 2014	FY 2015
General Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Other Fund				
Expenditures	0	0	0	0
Revenues	\$(32)	\$(32)	\$(32)	\$(32)
Net Fiscal Impact	\$(32)	\$(32)	\$(32)	\$(32)

Recommendation

The Governor's recommends establishing a new fee for registering licensed nurses from bordering states under M.S. 148.211 Subd 2a and repealing temporary permits under M.S. 148.212 Subd. 1(a) and (d) and late fees under M.S. 148.231 Subd. 1. These changes to the board's fee structure would generate \$32,000 less each fiscal year. Additionally, the Governor recommends codifying the Nursing Board's fee structure.

Rationale

The proposal makes three changes to the Nursing Board's current fee structure.

The first change is to establish a fee for registering nurses from bordering states who are recognized by the board as authorized to practice professional or practical nursing without obtaining Minnesota licensure under M.S. 148.11 Subd. 2a. The suggested fee for this service is \$50 per registration. The board expects to generate an additional \$5,000 every other fiscal year to cover costs for registration services and associated technology.

The second fee change is a repeal of temporary permits under M.S. 148.212 Subd 1(a) and (d) which provides for temporary permits for graduate nurses permit upon meeting certain requirements which are obsolete. Prior to computer adaptive testing, licensure examinations were conducted twice yearly which made temporary permits necessary for those individuals who graduated and needed to begin work prior to taking the exam. Licensure examinations are now administered daily thus eliminating the need for permits for graduate nurses. The board would continue to issue permits to applicants for interstate endorsement and to participate in a clinical portion of a refresher course. This change would generate \$10,000 less each year.

The third fee change is to eliminate late fees. This would require a revision to M.S. 148.231 Subdivision 1. to delete the requirement of a "late" fee applied to registration renewal applications that are submitted within 30 days of the licensee's registration expiration date. The removal of the late fee would generate \$25,000 less each fiscal year.

This proposal also seeks to codify the fee structure for the board, grant the authority to accept grants, gifts, registration fees for conferences, and grant the authority to require criminal background checks as a requirement for licensure.

Key Goals and Measures

The mission for the Board of Nursing to protect the public's health and safety by providing reasonable assurance that the people who practice nursing are competent, ethical practitioners with the necessary knowledge and skills appropriate to their title and role. The board provides services through four areas: credentialing, education, discipline/complaint resolution and nursing practice standards. Allowing the board to accept grants and registration fees will enhance the boards' mission of public safety. Establishing a new fee for nurses in boarding states and repealing the grad permits and late application fees will aid the board in its efforts to run more efficiently and cost effectively. Codifying the board's fees within the Nurse Practice Act will provide transparency to those that use the board's services.

Statutory Change: Minnesota Statutes Chapter 148

NURSING BOARD

Agency Revenue Summary

Dollars in Thousands

	Actual FY2010	Budgeted FY2011	Governor's Recomm. FY2012 FY2013		Biennium 2012-13
<u>Non Dedicated Revenue:</u>					
Departmental Earnings:					
State Government Spec Revenue	5,663	5,105	0	0	0
Other Revenues:					
State Government Spec Revenue	(540)	1	0	0	0
Total Non-Dedicated Receipts	5,123	5,106	0	0	0
<u>Dedicated Receipts:</u>					
Departmental Earnings:					
State Government Spec Revenue	0	0	5,041	5,041	10,082
Total Dedicated Receipts	0	0	5,041	5,041	10,082
Agency Total Revenue	5,123	5,106	5,041	5,041	10,082

	PAGE
Agency Profile.....	2
Agency Fiscal Page (Gov Rec)	6
Change Summary	7
Agency Change Items	
⇒ Convert To Dedicated Funding.....	8
Agency Revenue Summary Fiscal Page	9
⇒ Designates that this item is a change item	

Agency Purpose

The board is charged with the responsibility to act as the official licensure agency for nursing home administrators. It was originally created by federal mandate and currently exists to protect the public's interest through the regulation of nursing home administrators in the state of Minnesota. Regulation is accomplished through licensure examination and professional development as well as by the investigation of complaints.

The mission of the board is to promote the public's interest in quality care and effective services for residents of nursing facilities by ensuring that licensed administrators are qualified to perform their administrative duties.

The Board of Examiners for Nursing Home Administrators has an additional budgetary responsibility serving as the fiscal agent for the *Administrative Services Unit*. The mission of the Administrative Services Unit (ASU) is:

- To provide centralized administrative services to 15 health-related licensing boards, and three general funded boards; the Emergency Medical Services Regulatory Board (EMS RB), Board of Barber, and Board of Cosmetology. The areas of oversight includes budgeting, fiscal analysis, human resources, payment transaction processing, purchasing and printing services, operations analysis, contracts, information technology and research and policy analysis.
- To provide high quality services by having individually trained staff focused on global administrative tasks focusing on cooperative ventures.
- To assist in the establishment of a consortium of boards to cooperate on matters of common interest.
- To register individuals and organizations for the volunteer health care provider program.

At a Glance

Credentialing

Licensed Nursing Home Administrators (LNHA)	
Total Licensed	851
Average Age of New LNHA	39.96
Current Average Age of LNHA	49.76

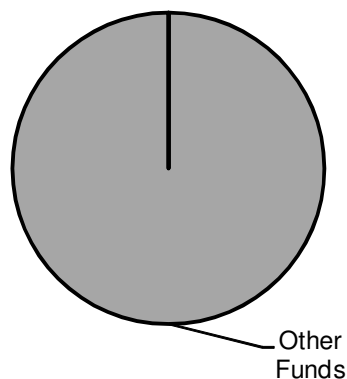
Investigations: Complaint Review

Total Complaints reviewed	78
Total Complaints resolved	64
Percentage of Complaints resolved in <3 months	92%

Education

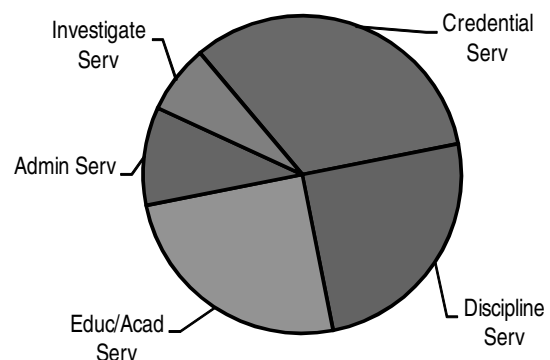
New licensees	44
Acting Permits issued	10
Minnesota Accredited Centers of Long-Term-Care Programs	7
State Jurisprudence Exam	62
Continuing Education Review and Approval	242

Est. FY 2010-11 Expenditures by Fund



Source: Consolidated Fund Statement.

Est. FY 2010-11 Expenditures by Activity



Source: Board expenses allocated to the services provided by the board.

Strategies

The citizens comprising the Minnesota Board of Examiners for Nursing Home Administrators (BENHA) take serious the obligation of using fees to ensure that leaders of elder care campuses are sufficiently trained and held accountable for their actions without imposing unintended barriers or restrictions. The fees generated are used exclusively to carry out this mission of public protection by credentialing the licensed nursing home administrators. The licensure of Nursing Home Administrators is a federal requirement by the Centers of Medicare/Medicaid Services impacting Medicare and Medicaid funding for facilities. The board of directors review financial statements at each board meeting and determine strategic initiatives based on existing and future funding. Eight two percent (82%) of revenue is derived from licensee fees. The board takes serious cost to benefit analysis for virtually all existing standards and new initiatives. The board desires to be known for excellent customer service and remains sensitive to establishing fees while providing a quality service. *No general fund dollars are included in the Board of Examiners for Nursing Home Administrators budget or expenditures.*

Operations

The Minnesota Board of Examiners for Nursing home Administrators was established in 1970 and operates through Minnesota Statutes 144A.19 – 144A.28 and Minnesota Rules 6400.

- The board is comprised of nine individuals appointed by the Governor, of which four are licensed administrators. The MDH and DHS have appointed representatives who serve ex-officio. The board provides information relating to the practice of administration in skilled long-term care facilities by informing the public of appropriate services and expected professional standards of nursing home administrators.
- The board's Education Committee reviews the domain of knowledge and skills required for contemporary administration and sets educational and examination standards reviewing 50 applicants and administering 60 state examinations per year.
- The Standards of Practice Committee annually reviews 100-125 public and agency complaints regarding administrators. Public education is provided to consumers of long term health care.
- There are seven Minnesota approved Long-Term Care Administration academic programs. Students seeking career information are provided assistance from the board.
- The board assists 385 licensed skilled nursing facilities in achieving federal compliance of employing a licensed nursing home administrator.

Key Activity Goals & Measures

The board engaged in an excellent strategic planning process in 2008 and will conclude the four focused areas of identified goals in this biennium. The four over-arching global goals relate to:

1. Assisted Living Administrators credentialing
2. Initial academic training and practicum/field experience
3. Improving experienced administrators' continued competency
4. Board effectiveness of daily operations

Measures:

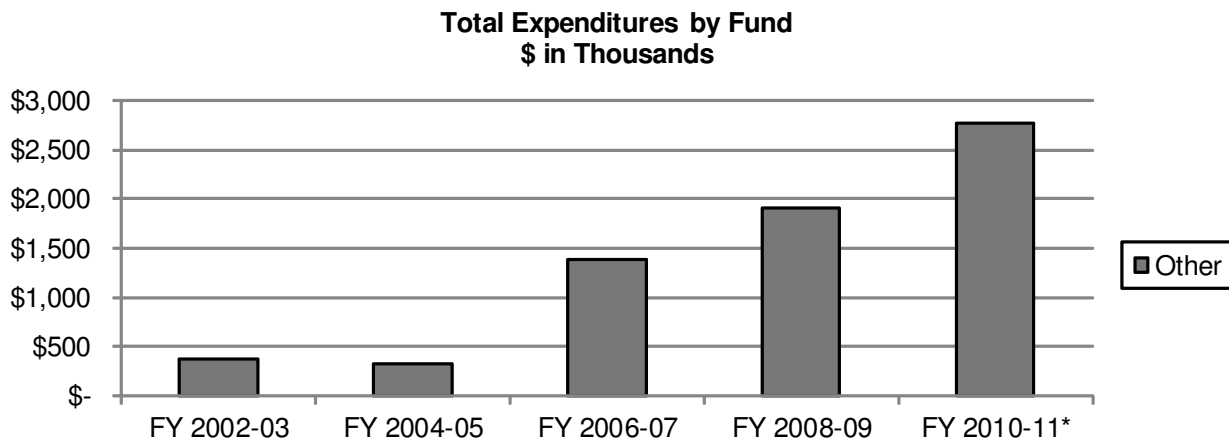
- Currently the board renewed 92.3% of its licensees in 2010, 87.4% in FY 09, 83.7% in FY08, using online electronic service; the previous stretch goal was achieved and will remain at 90% given the impending surcharge and credit card charge placed on the licensee. The electronic online renewal system developed by the small boards was given a 'highly satisfied' ranking by the license holders in 2008 with board members reviewing the system each year since for continuous quality improvement.
- The processing of a license will occur within 2 working days of the receipt of all licensing requirements.
- New Licensees evaluation of the application process will remain in the 4.0 to 5.0 range (5.0 scale) during the biennium. Improvement will take place with an electronic version and a continued satisfaction ranking of 4.0-5.0 rating.
- New Online Services – the board desires to continue collaboration with other health-licensing boards for improved online services, with the additional online services of licensure applications, continuing education sponsors, and continuing education approval process added within this biennium. The goal is 33% of all applicants will apply online. This service is ready to roll out in 2010.

Budget Trends

The board is responsible for collecting sufficient revenue to cover both direct and indirect expenditures. The board is estimated to collect \$395,000 in FY 2010-11, which is deposited as non-dedicated revenue into the state government special revenue fund.

From this fund, the board receives a direct appropriation to pay for agency activities such as salaries, rent, costs for disciplinary/contested cases and operating expenditures. It also pays statewide indirect costs through an open appropriation. In FY 2010-11, total expenditures for these purposes are estimated at \$2.777 million. The chart below shows funding trends over the last five biennia for the direct and open appropriation.

The Administrative Services Unit generates no revenue. Funds are appropriated to BENHA from the state government special revenue fund. The 15 health-related licensing boards, EMSRB, and Barbers and Cosmetologists share the cost of this activity. ASU is funded by receipts from all boards through a formula designed to approximate the share of ASU services used by each board. The boards collect revenue through fees charged to licensees, applicants, and other users and deposit them into the state government special revenue fund to cover the expenses of ASU. EMSRB, Barber and Cosmetology boards pay for their services through an interagency agreement.



**FY 2010-11 is estimated, not actual*

Source data for the previous chart is the Minnesota Accounting and Procurement System (MAPS) as of 07/31/10.

FY 2006-2007 ASU (Administrative Service Unit) funding moved to the Nursing Home Administrators Board

FY 2006-2011 ASU (Administrative Services Unit) budget includes Operations, Volunteer Health Care Provider Program, Legal Cost Account, and one time special appropriations.

Board fees are also responsible for covering a prorated share of support functions provided outside of the Board itself. These include legal support (Attorney General), statewide e-licensing system development and operations (Office of Enterprise Technology), centralized administrative support (Health Boards Administrative Services Unit) and funding for services to health professionals (Health Professionals Services Program). In FY 2010-11, some of the health boards' reserves in the state government special revenue fund were also transferred to the general fund. The table below displays direct and open appropriation expenditures, external support costs (prorated share), and the general fund transfers (prorated share) estimated in FY 2010-11.

	FY 2010-11 (in thousands)
Board's Direct and Open Appropriations(does not include ASU)	\$ 421
Board's External Support Costs and Transfers (prorated Share)	
• Attorney General support	14
• E-licensing support	18
• Central administrative service unit	0
• Health professional service program	3
• General fund transfer	99
Total	<hr/> 555
Fees Collected by Board	<hr/> \$395
Prorated Surplus/(Deficit)	(160)

In most years, Board fee revenues exceed direct expenditures and external support costs, and as directed by law, the surplus is used to maintain a reserve in the state government special revenue fund. It should be noted here that the FY 2010-11 transfers to the General Fund, along with unanticipated increases in the support costs discussed above, have resulted in the Board's fee revenue not covering its prorated costs and transfers.

The number of licensees regulated by the Board continues to rise, as do the number of complaints and the complexity of the cases.

Contact

Minnesota Board of Examiners for Nursing Home Administrators
2829 University Avenue Southeast, Suite 440
Minneapolis, Minnesota 55414

The web site at: <http://www.benha.state.mn.us/> gives visitors easy access to useful information about nursing home administrators. Types of information available through the web site include; regulatory news and updates, rules and Minnesota statutes, public notices and forms.

Randy Snyder, Executive Director
E-mail: benha@state.mn.us
Phone: (651) 201-2730
Fax: (612) 617-2125
TTY: (800) 627-3529

<i>Dollars in Thousands</i>					
	Current		Governor Recomm.		Biennium
	FY2010	FY2011	FY2012	FY2013	2012-13
<u>Direct Appropriations by Fund</u>					
State Government Spec Revenue					
Current Appropriation	1,262	1,084	1,084	1,084	2,168
Recommended	1,262	1,084	0	0	0
Change		0	(1,084)	(1,084)	(2,168)
% Biennial Change from 2010-11					-100%
<u>Expenditures by Fund</u>					
Direct Appropriations					
State Government Spec Revenue	726	1,619	0	0	0
Open Appropriations					
State Government Spec Revenue	14	24	0	0	0
Statutory Appropriations					
State Government Spec Revenue	1	1	197	197	394
Miscellaneous Special Revenue	270	200	201	203	404
Total	1,011	1,844	398	400	798
<u>Expenditures by Category</u>					
Total Compensation	720	736	333	348	681
Other Operating Expenses	291	1,108	65	52	117
Total	1,011	1,844	398	400	798
<u>Expenditures by Program</u>					
Nursing Home Admin, Board Of	1,011	1,844	398	400	798
Total	1,011	1,844	398	400	798
Full-Time Equivalents (FTE)	10.8	9.3	9.3	9.3	

NURSING HOME ADMIN BOARD

Change Summary

<i>Dollars in Thousands</i>				
	FY2011	Governor's Recomm.		Biennium
		FY2012	FY2013	2012-13
Fund: STATE GOVERNMENT SPEC REVENUE				
FY 2011 Appropriations	1,084	1,084	1,084	2,168
Subtotal - Forecast Base	1,084	1,084	1,084	2,168
Change Items				
Convert to Dedicated Funding	0	(1,084)	(1,084)	(2,168)
Total Governor's Recommendations	1,084	0	0	0
Fund: STATE GOVERNMENT SPEC REVENUE				
Planned Open Spending	24	25	25	50
Change Items				
Convert To Dedicated Funding	0	(25)	(25)	(50)
Total Governor's Recommendations	24	0	0	0
Fund: STATE GOVERNMENT SPEC REVENUE				
Planned Statutory Spending	1	1	1	2
Change Items				
Convert to Dedicated Funding	0	196	196	392
Total Governor's Recommendations	1	197	197	394
Fund: MISCELLANEOUS SPECIAL REVENUE				
Planned Statutory Spending	200	201	203	404
Total Governor's Recommendations	200	201	203	404

NURSING HOME ADMIN BOARD

Change Item: Convert to Dedicated Funding

Fiscal Impact (\$000s)	FY 2012	FY 2013	FY 2014	FY 2015
Health Related Boards Fund (171)				
Direct Appropriated Account				
Expenditures	\$(196)	\$(196)	\$(196)	\$(196)
Non-Dedicated Revenue	(1,084)	(1,084)	(1,084)	(1,084)
Open Appropriated Account				
Expenditures	(25)	(25)	(25)	(25)
Dedicated Account				
Expenditures	196	196	196	196
Dedicated Revenue	196	196	196	196
Transfer In	34	0	0	0
Net Fiscal Impact	\$(879)	\$(913)	\$(913)	\$(913)

Recommendation

The Governor recommends changing the way appropriations are made to the health related licensing boards that operate in the state government special revenue fund. Under this proposal, the boards' funding would be converted from direct appropriations to dedicated appropriations, giving each board spending authority equal to its fee revenue and any accumulated balance. The net effect of this change is the difference between the board's current base appropriations and projected revenues.

The direct appropriation for the Nursing Home Administrator's Board includes an appropriation for the Administrative Service Unit for the boards. Under this proposal, Administrative Service Unit will be funded through partnership agreements with each board.

Rationale

This proposal places ownership in the boards' 183 appointed members to be efficient and cost effective in setting their spending levels, while providing continued legislative oversight in the setting of the boards' fees. It encourages the boards to find efficiencies and ensures the fees paid by each occupation are dedicated to the boards' mission to protect the public and ensure that Minnesota citizens receive quality care by qualified licensed health professionals. The establishment of the dedicated appropriation will improve the boards' management of resources and transparency for licensees.

The health related licensing boards are fee-supported organizations that receive no General Fund dollars. The boards currently collect and deposit fees as non-dedicated special revenue into the health related boards account in the state government special revenue fund (171). The legislature then provides a direct appropriation from these revenues to each board for its operating expenses. Unlike agencies that receive direct appropriations from the general fund, the boards must ensure that licensing fees are collected to recover each board's direct and indirect expenditures to maintain the solvency of the state government special revenue fund. For this reason, the health boards already operate much like agencies with dedicated appropriations—except that they must seek appropriation authority to gain access to their existing fee revenue.

This proposal changes the boards' non-dedicated revenue to dedicated revenue within the same fund and provides each board with a dedicated appropriation from the board's revenue. Additionally, the current accumulated fund balance within the health related boards account will be transferred to individual boards based on each board's contribution to the balance. M.S. 16A.1283 requires that all fee increases be approved by the legislature, so even with a dedicated funding arrangement, the boards must still seek legislative action to increase spending beyond current law fee revenues.

Key Goals and Measures

Minnesota Milestone: Government in Minnesota will be cost-efficient, and services will be designed to meet the needs of the people who use them. Minnesotans expect their state and local governments to spend money carefully and effectively.

Measures:

- Transparency of fees and expenditures
- The level of service provided to licensees and Minnesota citizens.

Statutory Change: Minnesota Statutes Chapter 148

NURSING HOME ADMIN BOARD

Agency Revenue Summary

Dollars in Thousands

	Actual FY2010	Budgeted FY2011	Governor's Recomm. FY2012 FY2013		Biennium 2012-13
<u>Non Dedicated Revenue:</u>					
Departmental Earnings:					
State Government Spec Revenue	197	194	0	0	0
Other Revenues:					
State Government Spec Revenue	(17)	0	0	0	0
Total Non-Dedicated Receipts	180	194	0	0	0
<u>Dedicated Receipts:</u>					
Departmental Earnings:					
State Government Spec Revenue	1	1	197	197	394
Other Revenues:					
Miscellaneous Special Revenue	0	104	169	169	338
Total Dedicated Receipts	1	105	366	366	732
Agency Total Revenue	181	299	366	366	732

	PAGE
Agency Profile	2
Agency Fiscal Page (Gov Rec)	7
Change Summary	8
Agency Change Items	
⇒ Operating Budget Reductions.....	9
Programs	
Technology Management	10
Program Summary	11
Budget Activities	
OET Computing Services	12
Budget Activity Summary	15
OET Telecomm Services.....	16
Budget Activity Summary	19
Planning & Management	20
Program Summary	23
Technology Development	24
Program Summary	28
Security Management	29
Program Summary	32
Customer & Service Management	33
Program Summary	36
Agency Revenue Summary Fiscal Page	37
⇒ Designates that this item is a change item	

Agency Purpose

The mission of the Office of Enterprise Technology (OET) is to provide the leadership and services that improve government through the effective use of information technology. OET has broad statutory authority (16E.01) to establish state information technology (IT) direction and policy, to provide services, and to manage and direct state IT resources.

At a Glance

Technology Management

Provides day-to-day operations for the technical services OET delivers:

- Private state IP network (MNET) and new, single enterprise email system
- Data center for critical state business applications
- State-wide local and long distance network

Planning & Management

Manages the strategic IT planning and governance for the state:

- Improved strategic planning processes
- Internal reorganization to improve services
- A two-year tactical plan to implement seven key enterprise initiatives

Technology Development

Develops new technologies and applications that provide improved citizen-facing government services:

- State website and electronic licensing web portal
- Aggregated purchasing program for IT hardware, enterprise software licenses, and professional services

Security Management

Coordinates all state government information technology security standards and policies, and provides enterprise security services:

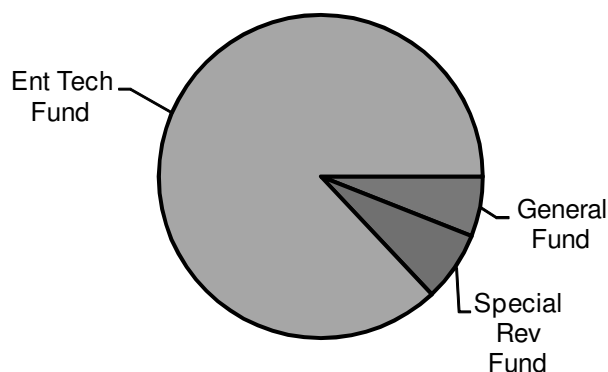
- Intrusion detection and vulnerability scanning of state computers
- Published state security policies and standards

Customer and Service Management

Manages the customer relationship and the service management life cycle of all OET services:

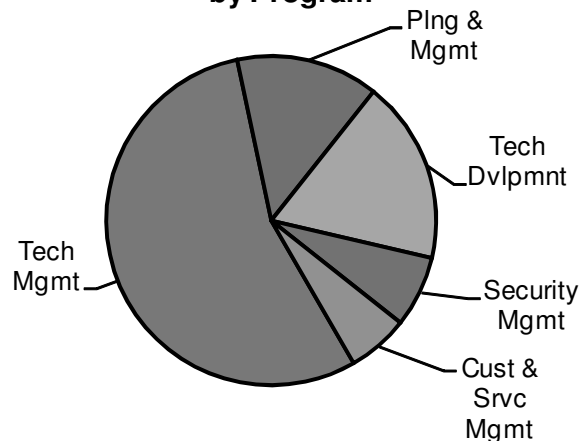
- New Client Relationship Management function
- 24X7 single point of contact (SPOC) Service Desk
- Improved online catalog (MN.IT)
- Functions to manage OET service lifecycles and leverage industry best practices for IT process management

Est. FY 2010-11 Expenditures
by Fund



Source: Consolidated Fund Statement.

Est. FY 2010-11 Expenditures
by Program



Source: OET's Financial Information

Strategies

OET's Strategic Plan outlines strategies to further the mission of the organization:

- Transform OET to be a provider of choice, with the resources, skills, processes, and tools to provide high-quality enterprise leadership and cost-effective technical services.
- Rebuild our customer-facing processes and channels of communication. Reevaluate and redefine our current service catalog to be competitive, marketable, and responsive to customer need, eliminating services that are not cost-effective and/or of high quality.
- Improve financial systems to provide clarity for our customers and better decision-making for OET, and allow us to manage to a bottom line.
- Advance a limited number of new high-priority services for which there is sufficient customer and financial support to be sustainable.
- Manage effective internal and external IT governance in order to serve the best interests of the State. Governance activities include strategic service consolidation, the continued setting of architecture and IT standards, and the promotion of a strong enterprise security program.

In keeping with OET's mission to improve governance and focus on high-priority and high-yield service development and centralization activities, OET developed its Minnesota iGov plan. iGov is a two-year tactical plan to implement seven key enterprise initiatives, including the management of those initiatives and their governance:

- iGov Initiative I: Standards and Enterprise Asset Procurement
- iGov Initiative II: Architecture
- iGov Initiative III: Project and Portfolio Management
- iGov Initiative IV: Information Security Tools
- iGov Initiative V: Unified Communication and Collaboration (UCC)
- iGov Initiative VI: e-Licensing
- iGov Initiative VII: Data Center Facilities and Operations

The strategies and outcomes are further defined through priority activities, as reported in the agency's program areas. The Minnesota iGov plan and regular updates are provided on the OET website.

Operations

OET delivers services to state agencies and the citizens of Minnesota through five different program areas:

- Technology Management - Provides day-to-day operations for the delivery of OET technical services
- Planning & Management - Manages the strategic IT planning and governance for the State and the operational and financial management of the Office of Technology
- Technology Development - Develops new technologies and applications in a manner that ensures their effective operation and improves Minnesota's ability to provide citizen-facing government services
- Security Management - Coordinates all state government information technology security standards and policies, and provides security services that cannot be performed cost effectively by individual units of government
- Customer & Service Management - Manages the customer relationship and the service management life cycle of all shared and utility services provided by OET.

Current OET customers include state agencies and constitutional offices, courts, public school systems and higher education institutions, local political subdivisions of the state, and the citizens of Minnesota served by these government entities. OET works with other agencies by charging technology service rates, developing interagency agreements for collaborative partnerships or shared utility / common functions, sharing loaned agency staff, and leveraging resources for enterprise IT savings.

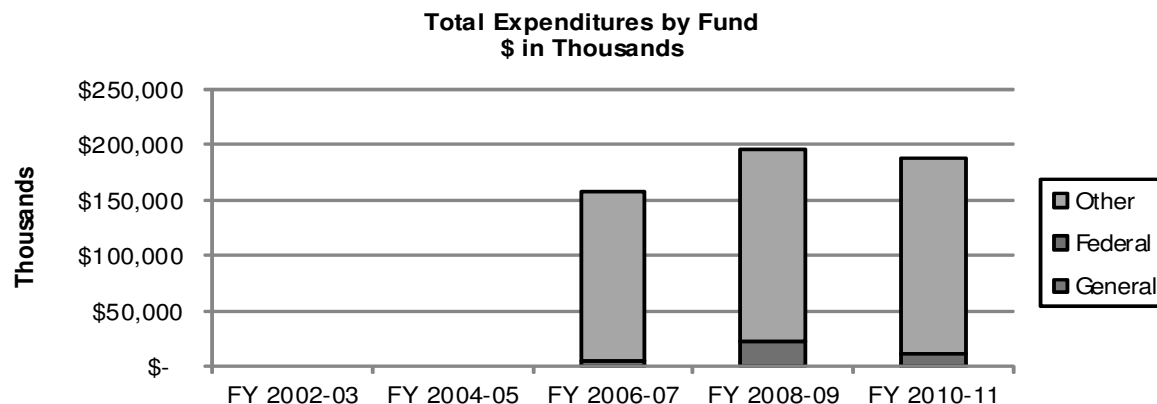
In 2008, OET embarked on a significant "Change Plan" designed to reorganize the agency into function areas more suited to manage industry-standard services and processes and more flexible and capable of scaling up appropriately to deliver shared and utility services to a larger customer base. The changes included the creation of a Customer and Service Management Program, the creation of a Service Desk as the point of contact to

handle and manage all requests and incidents, the implementation of industry best practices for information technology service delivery processes, improved internal organizational governance and decision-making, and the creation of new service life-cycle management and cost-modeling processes.

In the transformation of the OET organization, the department has placed a stronger emphasis on cost and consumption used for allocation of expenses and value-adding services to better align services with ongoing customer needs, with the goal of becoming more citizen-centric. OET is also in the process of developing service metrics and service level agreements for all services. OET has redefined or resized processes and organizations, is looking at appropriate sourcing strategies, and has retired services that are not competitive or for which no real market has emerged. A number of factors were considered in this retirement process, including customer impact, availability of alternative solutions, and the historical financial performance of the services.

Budget Trends

The graph below shows OET's funding levels going back to 2006 when the agency was created.



* FY 2010-11 is estimated, not actual

Source data for the previous chart is the Minnesota Accounting and Procurement System (MAPS) as of 08/05/2010 and projected expenses based on FY2011 budget.

Establishing viable financial model for financing shared and utility services, emerging services, infrastructure services, key enterprise strategic initiatives or system modernizations within the federated model of service delivery has been challenging and remains unresolved. As customers in shared or utility services based on traditional technology migrate to distributed platforms or other new technologies, there is a smaller pool of customers to share the fixed costs of the traditional service. Accordingly, cost recovery rates for the traditional service may need to gradually increase as part of a service migration/retirement strategy. Cash flow (inflow and outflow) and cash balance continue to be an area of focus since OET must maintain sufficient levels to manage its minimum daily operational cash flow requirements. Also, retained earnings are higher than a reasonable level of working capital reserve, which may result in contingent federal repayment.

Contact

Julie Freeman, Financial Management Director
 Phone: (651) 201-1191
 Email: julie.freeman@state.mn.us
<http://www.oet.state.mn.us>

Larry Freund, Chief Financial Officer
 Phone: (651) 556-8028
 Email: larry.freund@state.mn.us
<http://www.oet.state.mn.us>

ENTERPRISE TECHNOLOGY OFFICE

 Enterprise Technology Revolving Fund
 Fund 970

 Internal Service Fund
 Financial Statement

2012-13 BIENNIAL BUDGET
 (DOLLARS IN THOUSANDS)

	ACTUAL FY 2010	* Operations Data* PROJECTED FY 2011	PROJECTED FY 2012	PROJECTED FY 2013
OPERATING REVENUES:				
NET SALES	84,341.8	89,038.7	92,801.0	94,383.0
LESS: COST OF SALES				
GROSS PROFIT ON SALES	84,341.8	89,038.7	92,801.0	94,383.0
OTHER REVENUE	581.9	854.0	854.0	854.0
NET REVENUES	84,923.7	89,892.7	93,655.0	95,237.0
LESS: OPERATING EXPENSES:				
SALARIES	30,231.6	31,513.0	31,415.0	32,024.0
SUPPLIES & EXPENSES	48,466.4	51,156.9	57,320.0	59,605.0
INDIRECT COSTS	136.2	500.0	500.0	750.0
AMORTIZATION & DEPRECIATION	4,797.8	3,972.5	3,260.0	2,698.0
TOTAL OPERATING EXPENSES	83,632.0	87,142.4	92,495.0	95,077.0
OPERATING INCOME (LOSS)	1,291.7	2,750.3	1,160.0	160.0
NON-OPERATING REVENUES (EXPENSES)	(103.6)	(2,484.5)	(1,160.0)	(160.0)
UNUSUAL ITEM	0.0	0.0	0.0	0.0
NET INCOME (LOSS) BEFORE CONTRIBUTIONS	1,188.1	265.8	0.0	0.0
CAPITAL CONTRIBUTION	0.0	0.0	0.0	0.0
CHANGE IN NET ASSETS	1,188.1	265.8	0.0	0.0
BEGINNING RETAINED EARNINGS	17,851.4	17,926.8	18,192.6	18,192.6
ADJUSTMENT TO NET ASSETS	(1,112.7)	0.0	0.0	0.0
CHANGE IN ACCOUNTING PRINCIPLE		0.0	0.0	0.0
ENDING RETAINED EARNINGS	17,926.8	18,192.6	18,192.6	18,192.6
RATE INCREASE/(DECREASE):				
OET WEIGHTED OVERALL	-5.25%	-3.79%	0.00%	0.00%
FTE	343.4	307.8	308.3	307.5

ENTERPRISE TECHNOLOGY OFFICE

 Enterprise Technology Revolving Fund
 Fund 970

 Internal Service Fund
 Financial Statement

2012-13 BIENNIAL BUDGET
 (DOLLARS IN THOUSANDS)

	ACTUAL FY 2010	* Operations Data* PROJECTED FY 2011	PROJECTED FY 2012	PROJECTED FY 2013
Expenditure Reconciliation to BBS				
Operating Expenses			92,495.0	95,077.0
Less amortization & depreciation (non cash)			(3,260.0)	(2,698.0)
Plus interest expenses from Non-operating revenue/expenses			1,235.0	235.0
Plus capital asset purchases, prepaids and master lease payments			3,260.0	2,698.0
Total cash payments			93,730.0	95,312.0
BBS Amounts - Financing by Fund (970)				
Technology Management			54,359	56,070
Planning and Management			12,851	12,535
Technology Development			15,897	16,362
Security Management			3,352	2,898
Customer and Service Management			7,271	7,447
Total BBS payments			93,730	95,312

<i>Dollars in Thousands</i>					
	Current		Governor Recomm.		Biennium
	FY2010	FY2011	FY2012	FY2013	2012-13
<u>Direct Appropriations by Fund</u>					
General					
Current Appropriation	5,517	5,459	5,459	5,459	10,918
Recommended	5,517	5,459	5,181	5,181	10,362
Change		0	(278)	(278)	(556)
% Biennial Change from 2010-11					-5.6%
<u>Expenditures by Fund</u>					
Direct Appropriations					
General	4,834	6,118	5,181	5,181	10,362
Statutory Appropriations					
Miscellaneous Special Revenue	5,956	8,354	5,663	5,814	11,477
Federal	0	290	510	0	510
Enterprise Technologies	80,465	89,665	93,730	95,312	189,042
Total	91,255	104,427	105,084	106,307	211,391
<u>Expenditures by Category</u>					
Total Compensation	34,136	35,848	35,503	36,188	71,691
Other Operating Expenses	57,078	66,079	68,581	70,119	138,700
Other Financial Transactions	41	2,500	1,000	0	1,000
Total	91,255	104,427	105,084	106,307	211,391
<u>Expenditures by Program</u>					
Technology Management	62,976	48,192	54,359	56,070	110,429
Planning & Management	15,106	17,930	14,683	14,367	29,050
Technology Development	6,372	23,497	20,979	21,595	42,574
Security Management	5,995	7,358	7,792	6,828	14,620
Customer & Service Management	806	7,450	7,271	7,447	14,718
Total	91,255	104,427	105,084	106,307	211,391
Full-Time Equivalents (FTE)	331.9	345.9	342.7	342.0	

<i>Dollars in Thousands</i>				
	FY2011	Governor's Recomm.		Biennium
		FY2012	FY2013	2012-13
Fund: GENERAL				
FY 2011 Appropriations	5,459	5,459	5,459	10,918
Technical Adjustments				
Operating Budget Reduction		(5)	(5)	(10)
Subtotal - Forecast Base	5,459	5,454	5,454	10,908
Change Items				
Operating Budget Reductions	0	(273)	(273)	(546)
Total Governor's Recommendations	5,459	5,181	5,181	10,362
Fund: MISCELLANEOUS SPECIAL REVENUE				
Planned Statutory Spending	8,354	5,663	5,814	11,477
Total Governor's Recommendations	8,354	5,663	5,814	11,477
Fund: FEDERAL				
Planned Statutory Spending	290	510	0	510
Total Governor's Recommendations	290	510	0	510
Fund: ENTERPRISE TECHNOLOGIES				
Planned Statutory Spending	89,665	93,730	95,312	189,042
Total Governor's Recommendations	89,665	93,730	95,312	189,042

ENTERPRISE TECHNOLOGY OFFICE

Change Item: Operating Budget Reductions

Fiscal Impact (\$000s)	FY 2012	FY 2013	FY 2014	FY 2015
General Fund				
Expenditures	\$(273)	\$(273)	\$(273)	\$(273)
Revenues	0	0	0	0
Net Fiscal Impact	\$(273)	\$(273)	\$(273)	\$(273)

Recommendation

The Governor recommends a reduction of \$273,000 in FY 2012 and \$273,000 in FY 2013 to the Office of Enterprise Technology general fund budget. The Governor intends that the Office of Enterprise Technology 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.

This proposal represents a 5% reduction to the Office of Enterprise Technology general fund forecast base budget.

Rationale

The Office of Enterprise Technology's general fund forecast base budget is \$5.454 million for FY 2012 and \$5.454 million for FY 2013 and includes amounts budgeted for Planning and Management and Security Management. The Office of Enterprise Technology is proposing to reduce operating expenditures and positions during the FY 2012-13 biennium. Specifically, the Office of Enterprise Technology will reduce operating budgets by the following amounts for the biennium:

- Planning and Management - \$78,000
- Security Management - \$468,000

In Planning and Management, the scaling back of professional/technical contracts and other operating expenses will have an impact upon implementation of IT plans, process improvements, and technology initiatives.

In Security Management, the reduction in a security consulting position, equipment and software, training and other operating expenses will impact efforts to further raise the level of enterprise security including, but not limited to, operations planning and disaster recovery.

Statutory Change: Not Applicable

Program Description

The mission of Technology Management (TM) is to provide information technology and telecommunications systems and services to state agencies and other public sector entities. The mission is to ensure that state technology investments are aligned with an overall enterprise management approach and to streamline service delivery through business process change and enabling technology. TM serves Minnesota's public sector by delivering cost-effective, value-added information technology and telecommunication services through a service-oriented architectural approach to utility and shared infrastructure and best practice deployment. TM actively promotes an enterprise approach that builds on the state's potential capability for shared IT management and the leveraging of opportunities for partnerships and vendor relationships for efficient, cost effective service delivery. Underlying strategies for TM are aggregation of demand and integration of distributed and centralized systems to minimize redundancy and provide scalability of shared and utility resources, efficiencies and economies of scale.

Budget Activities Included:

- Computing Services
- Telecommunication Services

Further detail on each of these Budget Activities is included in subsequent pages of this budget document.

ENTERPRISE TECHNOLOGY OFFICE

Program: TECHNOLOGY MANAGEMENT

Program Summary

<i>Dollars in Thousands</i>					
	Current		Governor Recomm.		Biennium
	FY2010	FY2011	FY2012	FY2013	2012-13
<u>Expenditures by Fund</u>					
Statutory Appropriations					
Miscellaneous Special Revenue	1,973	162	0	0	0
Enterprise Technologies	61,003	48,030	54,359	56,070	110,429
Total	62,976	48,192	54,359	56,070	110,429
<u>Expenditures by Category</u>					
Total Compensation	22,737	14,778	14,704	15,031	29,735
Other Operating Expenses	40,239	33,414	39,655	41,039	80,694
Total	62,976	48,192	54,359	56,070	110,429
<u>Expenditures by Activity</u>					
Oet Computing Services	32,975	25,846	29,581	30,646	60,227
Oet Telecomm Services	30,001	22,346	24,778	25,424	50,202
Total	62,976	48,192	54,359	56,070	110,429
Full-Time Equivalents (FTE)	214.9	133.1	133.6	133.6	

Activity at a Glance

In carrying out its mission, Office of Enterprise Technology's Computing Services:

- Provides central and distributed data processing and storage for many of the State's mission-critical business applications.
- Provides 24 X 7 X 365 operational support with 99.9% computing availability in a secure data center that protects assets and data, utilizing continuous equipment power and environmental controls.

Recent key enterprise activity includes:

- Migration of 31 executive branch agencies to a single email and calendaring system with 30,000 current mailboxes, delivering 90 million emails per year and filtering 4.6 billion spam messages (up to 90% of all traffic).
- Development of an implementation and service management plan for maximizing data center facilities through the enterprise co-location strategy that will condense 38 data centers into four.

Activity Description

Office of Enterprise Technology's (OET's) Computing Services provide central and distributed data processing and storage for many of the State's key business applications. Services include hosting services, data management services, work place services, and business process management services. This activity is described in M.S. 16E.19, subd. 1: "integrate and operate the state's centralized computer facilities to serve the needs of state government."

Population Served

Current customers represent state agencies, the legislature, courts, institutions of higher education, cities, and counties. In FY 2010, OET's largest Computing Services customers and their applications were:

- *Department of Human Services (DHS)*: PRISM (Child Support System), MAXIS (eligibility determination system for TANF / MFIP), food stamps, Medicaid Management Information System (MMIS), MN-ITS (billing system for Minnesota Health Care Programs), and Shared Master Index (SMI);
- *Minnesota Management & Budget (MMB)*: Statewide procurement/accounting system and data warehouse;
- *Department of Employment and Economic*

Development (DEED): Unemployment insurance data;

- *Department of Public Safety (DPS)*: Criminal Justice Information System (CJIS), which is used by state, local government, municipal police departments and sheriffs, correctional institutions, and others with ties to the Federal Bureau of Investigation and other national law enforcement systems;
- *Department of Revenue (DOR)*: Income tax returns and refund checks, state sales tax, and property tax records and processing; and
- *Department of Commerce (DOC)*: License renewal and lookup, and electronic document filing and lookup.

Services Provided

Hosting Services provide managed application hosting and equipment collocation in a fully redundant, secure, power- and climate-controlled environment with round-the-clock monitoring, serving customers from all areas of state, local government, and education. Hosting Services provide the server platform, operating system, middleware, database software, monitoring, security, and other shared and utility technical support needed to host an agency's business application and their recovery strategies.

Data Management Services provide mainframe disk and tape storage, storage area network (SAN) attached disk and tape storage, and data backup and restore services in a completely secured environment for Mainframe and Open systems.

Work Place Services provide a centralized, enterprise e-mail and calendaring environment, robust anti-virus and spam filtering application, secure, encrypted e-mail transmittal, email archiving, unified communication and collaboration, audio messaging and instant messaging. It also includes Desktop Services which provides assistance with hardware procurement and configuration, as well as day-to-day support of desktops, and executive liaison CIO-level administrative support to the Department of Administration through an interagency relationship.

ENTERPRISE TECHNOLOGY OFFICE

Program: TECHNOLOGY MANAGEMENT

Activity: OET COMPUTING SERVICES

Narrative

Business Process Management Services provide online collaboration for easy communication among users. This service includes Enterprise Project Management (EPM)/SharePoint web collaboration tool/service.

Key Activity Goals & Measures

OET's Computing Services is in the process of developing service operating metrics and service level agreements. Some of the key operating metrics which OET is focusing on for comparison to industry benchmarks are as follows:

- Co-location – cost per server, cost per rack, cost per rack unit;
- Server support – cost per server, cost per virtual instance;
- Database – cost per database, cost per instance;
- Application hosting – cost per CPU, cost per CPU second;
- Data management (Storage/Backup) – cost per gigabyte, cost per storage type;
- E-mail – volume, average delivery time, % spam, availability; and
- Desktop – cost per desktop.

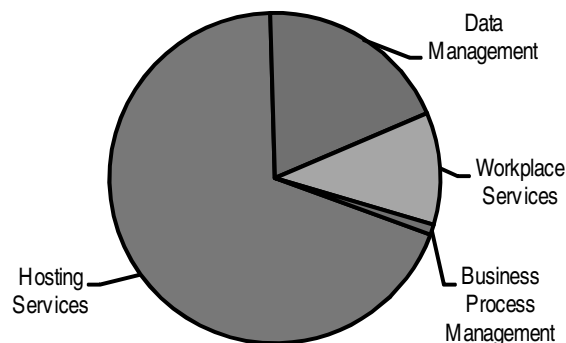
The following data indicates Computing Service volume and computing activity:

- 905 Servers managed per year;
- 20,000 Incidents managed per year;
- 4.9 million Batch jobs processed per year;
- 4.6 billion Spam Emails filtered in a year;
- 90 million Emails delivered in a year;
- 1.7 billion Online transactions processed per year;
- 350 terabytes of Backed up data; and
- 170 terabytes of Managed storage.

Activity Funding

Computing Services is 100% funded by the enterprise technology fund through chargeback / cost recovery rates. Below is a pie chart showing FY 2011 estimated revenue for the major products/services within Computing Services.

**FY 2011 Estimated Revenue Budget
TM - Computing Services**



ENTERPRISE TECHNOLOGY OFFICE

Program: TECHNOLOGY MANAGEMENT

Activity: OET COMPUTING SERVICES

Narrative

In FY 2011, OET's Computing Services has budgeted for approximately 94.5 FTEs, including FTEs for overtime expenses, which are 100% funded through the enterprise technology fund. If funding and FTE migrate from other agencies as a result of utility services, co-location, or other consolidations, the FTE count may increase, typically with corresponding decreases in other agencies.

General Fund Loans: Computing Services does not have a loan from the general fund nor does it anticipate a need for a general fund loan during the FY 2012 – FY 2013 biennium.

Proposed Investments in Technology or Equipment of \$100,000 or more: OET's Computing Services purchases capital equipment to support customer applications. The depreciated portion of the total cost is incorporated into cost recovery rates and varies depending upon life cycle of equipment being purchased. Computing Services' equipment such as mainframe and disk equipment is depreciated over three years, with tape and other equipment depreciated over four years. Generally, master lease funding is utilized for the capitalized asset purchases. In order to continue to move in the direction of data center co-location, purchase of power distribution units (PDU's) are planned for FY2011. In FY 2011, there are no planned equipment investments of \$100,000 or more. Planned equipment purchases for the FY 2012-13 biennium may change based on any utility, co-location or consolidation efforts undertaken.

Operating Losses/Increases in Retained Earnings: OET's Computing Services manages retained earnings according to federal requirements, which state that the retained earnings balance cannot exceed two months of operating expenses. The federal government does not recognize depreciation or amortization as an operating expense in this calculation. In FY 2011, Computing Services' depreciation / amortization expense is projected to be \$2.2 million. OET's Computing Services budget goal is to break even by the end of each fiscal year, however, if customer usage is higher or lower than forecasted, increases or decreases in retained earnings occur. Historically, Computing Services' product usage has exceeded budget forecasts, causing increases in retained earnings. The earnings above federal guidelines have been rebated to OET's Computing Services customers, rates have changed, or there have been federal repayments.

History of Computing Services' Rate Changes:

Fiscal Year	2004	2005	2006	2007	2008	2009	2010	2011
Change	(16%)	(7%)	(1%)	0%	0%	0.32%	(.862%)	(.03%)

Impact of Rate Changes:

Targeted high usage Computing Services rates for mainframe and storage have decreased over the past several years primarily due to increases in customer usage, efficiencies in equipment, and decreases in costs. Although the rates have decreased, most customers have not realized overall reduced costs due to their increased usage of the services. Customers whose usage has decreased have received the most benefit from the lower rates. Although there have been these targeted reductions, the overall rate has either remained constant or has had minimal change in the last several years based on the mix of services in this budget activity.

Contact

Julie Freeman, Financial Management Director
Phone: (651) 201-1191
Email: julie.freeman@state.mn.us
Web site: <http://www.oet.state.mn.us>

PG Narayanan, Assistant Commissioner
Phone: (651) 201-1054
Email: pg@state.mn.us
Web site: <http://www.oet.state.mn.us>

ENTERPRISE TECHNOLOGY OFFICE
Program: TECHNOLOGY MANAGEMENT
Activity: OET COMPUTING SERVICES

Budget Activity Summary

<i>Dollars in Thousands</i>					
	Current		Governor's Recomm.		Biennium
	FY2010	FY2011	FY2012	FY2013	2012-13
<u>Expenditures by Fund</u>					
Statutory Appropriations					
Miscellaneous Special Revenue	1,765	0	0	0	0
Enterprise Technologies	31,210	25,846	29,581	30,646	60,227
Total	32,975	25,846	29,581	30,646	60,227
<u>Expenditures by Category</u>					
Total Compensation	14,551	10,155	10,143	10,357	20,500
Other Operating Expenses	18,424	15,691	19,438	20,289	39,727
Total	32,975	25,846	29,581	30,646	60,227
Full-Time Equivalents (FTE)	135.5	91.9	92.4	92.4	

Activity at a Glance

In carrying out its mission, Office of Enterprise Technology's Telecommunication Services:

- Partners with over 100 private sector telecommunication service and equipment providers to deliver secure and reliable converged IP network services via MNET in more than 1,000 locations in 375 Minnesota communities.
- Delivers mission-critical, secure and reliable wide area network connections for Minnesota's public safety, criminal justice, learning, and governmental operations.
- Contracts with over 50 telephone companies to provide 30,000 telephone lines and millions of minutes of long distance service to hundreds of locations statewide.
- Achieves large-scale cost efficiencies through network aggregation of state's enterprise-wide customers and productivity transformations through IP Telephony and Call Center Minnesota.
- Provides high network availability (99.9%) through 24 X 7 X 365 operational support in a secure operations center.

Activity Description

The mission of Telecommunication Services is to enable faster, better, and more efficient services to Minnesota's public sector through shared communications infrastructure and services. This activity is governed by M.S. 16E.17: "The chief information officer shall supervise and control all state telecommunication facilities and services."

Population Served

Minnesota's Network for Enterprise Telecommunications (MNET) public sector partners include all state agencies and boards, the legislature, courts and constitutional offices, all MnSCU and U of M campuses, all 87 counties, and many municipalities, tribal governments, public television, schools, and libraries. In FY 2010, the largest users of Telecommunication Services were: Minnesota State Colleges and Universities (MnSCU), the University of Minnesota (U of M), the departments of: Public Safety, Human Services, Transportation, Employment and Economic Development, Natural Resources, Revenue, Health, and Corrections, counties, cities, and hundreds of Minnesota school districts and public libraries.

Services Provided

Wide Area Network Services, MNET, is a public-private partnership delivering secure, reliable, and seamless intra- and inter-organizational networking of data, video and voice services for education, local government and state

agencies. Office of Enterprise Technology (OET) provides 24 X 7 X 365 operations to allow effective state information infrastructure network management, responsiveness, and fault protection through a single point of contact for service orders, problem management and repair.

IP Services use MNET to deliver IP (Internet Protocol) telephony and IP videoconference services. IP Telephony capabilities are replacing contracted telecommunication services—local, long distance, and call center services. Included in this suite of services are:

- hosted IP Telephony: regular telephone service provided via an IP infrastructure and transported over MNET and customers' local area networks (LANs);
- contact Center Minnesota (CCM): multimedia environment to manage many types of customer service interactions, including telephone calls, emails, faxes, web site chats, and correspondence—queues, skills-based routing, screen pops from a database, call recording, interactive voice response, and support for remote and telecommuting agents;
- voice mail;
- e-fax: delivery of faxes to e-mail accounts, reducing cost and paper consumption; and
- IP Video Conferencing: Over 1300 videoconference rooms are in use at nearly 300 MNET locations. One-way streaming media services are also available to stream out live or archived content over MNET and made available to the citizens via the Internet.

Contracted Telecom Services are local voice and long distance telephone services, business lines, and voice trunk facilities for premise-based telephone systems, direct dial long distance, calling cards, toll-free (8XX), and pay-per-call numbers services that are contracted and provided by common telecommunication carriers. Foreign language interpretation services and audio conferencing services are also offered. While a segment of local service customers are replacing Centrex (analog phone) with an IP service solution, the components of

ENTERPRISE TECHNOLOGY OFFICE

Program: TECHNOLOGY MANAGEMENT

Activity: OET TELECOMM SERVICES

Narrative

Contracted Telecom remain important services to OET's out-state customers. OET has concluded an extensive request for proposal process / award for bundled telecommunications services which will change the telecommunication carriers for these services. OET is working on the migration plan, which will occur over the FY 2012 – FY 2013 biennium.

Key Activity Goals & Measures

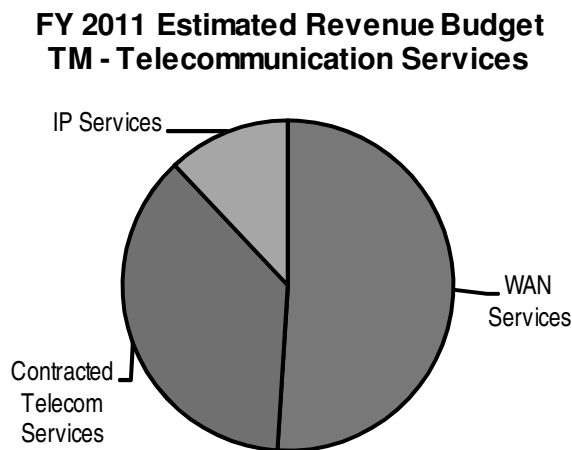
Telecommunications Services support OET's mission for transformation of public services through effective and efficient delivery of services to government and education and their customers. OET's Telecommunication Services is in the process of developing service operating metrics and service level agreements. Some of the operating metrics being looked at are:

- Network availability;
- Costs per bandwidth (MBPS);
- Long distance – cost per minute;
- Centrex – cost per station;
- IPT – cost per station; and
- Conferencing – cost per minute.

High availability of Telecommunications Services is assured through 24 X 7 X 365 operational support in a secure operations center that protects assets, data, and operational staff, with continuous equipment power and environmental controls. In FY 2010, OETs' network availability was 99.9%.

Activity Funding

Telecommunication Services is 100% funded by the enterprise technology revolving fund through chargeback / cost recovery rates. Below is a pie chart showing FY 2011 estimated revenue for the major products/services within Telecommunication Services.



In FY 2011, Telecommunication Services has budgeted for approximately 41 FTEs, including an FTE for overtime expenses, which are 100% funded through the enterprise technology fund. If funding and FTE migrate from other agencies as a result of utility services, co-location, or other consolidations, the FTE count may increase, typically with corresponding decreases in other agencies.

General Fund Loans: Telecommunication Services does not have a loan from the general fund nor does it anticipate a need for a general fund loan during the FY 2012-13 biennium.

ENTERPRISE TECHNOLOGY OFFICE

Program: TECHNOLOGY MANAGEMENT

Activity: OET TELECOMM SERVICES

Narrative

Proposed Investments in Technology or Equipment of \$100,000 or more: OET purchases some wide area network equipment to support customer applications and then depreciates the equipment over four years with the depreciation expense incorporated into the cost recovery rates. OET anticipates continued growth in the WAN Services and is planning capital purchases in this area to respond to business needs and the deployment of converged IP voice traffic on MNET, which requires an increase in the bandwidth capacity and network hubs. In FY 2011, all of the network equipment to be purchased has a unit cost of less than \$100,000 and will include routers, switches, bridges, telephony conferencing, and IP-to-IP gateway equipment. OET did a major IPT infrastructure upgrade in FY 2010 to ensure the high-availability and resiliency of the service and meet state's business need for unified communication. It is anticipated that there will be similar purchases for WAN Services and IP Services under \$100,000 during the FY 2012-13 biennium. Telecommunication Services does not plan any capital purchases for Contracted Telecommunication Services over \$100,000 during the FY 2012-13 biennium.

Operating Losses/Increases in Retained Earnings: OET's Telecommunication Services manages retained earnings according to federal requirements, which state that the retained earnings balance cannot exceed two months of operating expenses. The federal government does not recognize depreciation or amortization as an operating expense in this calculation. In FY 2011, Telecommunication Services' depreciation/amortization expense is projected to be approximately \$1.7 million. Historically, Telecommunication Services overall has not contributed positively to OET's overall retained earnings balance due to changes in customer usage and new emerging shared services, however, this is beginning to change as services have grown.

History of Telecommunication Services' Rate Changes:

Fiscal Year	2004	2005	2006	2007	2008	2009	2010	2011
Change	(4%)	(3%)	6%	3%	(6.63%)	(0.93%)	(2.48%)	(3.77%)

Impact of Rate Changes: Cost recovery rates for some contracted telecommunication services are increasing due to a decreasing participant base as customers migrate to other products or solutions. These increases should be offset by decreases in the WAN services cost recovery rates for those customers using both Contracted Telecommunication Services and WAN Services, assuming the same volume and mix of goods/services between fiscal years. The overall Telecommunications rate decreases are primarily due to telecommunication vendor cost based rates using average vendor cost pricing. These rate decreases are achieved through a mix of vendor management, changes in geographic locations, procurement options, pricing, volumes, and new providers. Customers have been able to consume more capacity and value-added services to meet their business requirements and upgrade to more feature-rich services to improve productivity.

Contact

Julie Freeman, Financial Management Director
Phone: (651) 201-1191
Email: julie.freeman@state.mn.us
Website: www.oet.state.mn.us

PG Narayanan, Assistant Commissioner
Phone: (651) 201-1054
Email: pg.narayanan@state.mn.us
Website: www.oet.state.mn.us

ENTERPRISE TECHNOLOGY OFFICE
Program: TECHNOLOGY MANAGEMENT
Activity: OET TELECOMM SERVICES

Budget Activity Summary

<i>Dollars in Thousands</i>					
	Current		Governor's Recomm.		Biennium
	FY2010	FY2011	FY2012	FY2013	2012-13
<u>Expenditures by Fund</u>					
Statutory Appropriations					
Miscellaneous Special Revenue	208	162	0	0	0
Enterprise Technologies	29,793	22,184	24,778	25,424	50,202
Total	30,001	22,346	24,778	25,424	50,202
<u>Expenditures by Category</u>					
Total Compensation	8,186	4,623	4,561	4,674	9,235
Other Operating Expenses	21,815	17,723	20,217	20,750	40,967
Total	30,001	22,346	24,778	25,424	50,202
Full-Time Equivalents (FTE)	79.4	41.2	41.2	41.2	

Program at a Glance

OET's Planning and Management:

- Manages the IT governance process by which state strategy, investment, policy, and priority decisions are made, including four standing advisory bodies and numerous boards of subject matter experts;
- Supports and advises the Governor in areas of technology and information leadership and planning;
- Provides legislative liaison function for the agency and for all IT-related legislative activity on behalf of the enterprise;
- Leads enterprise IT planning efforts including the State IT Master Plan and the Minnesota iGov two-year tactical plan;
- Manages the planning and execution of priority centralization projects including data center co-location and enterprise e-licensing;
- Provides support for the cabinet-level CIO function; and
- Provides day-to-day agency leadership and financial management.

Program Description

The mission of Planning and Management and the office of the State Chief Information Officer (State CIO) is to provide strategic IT leadership to agencies and other levels of government in the area of statewide information policies, technology investments, and strategies; to provide analytical, planning, and support to the governor and state legislature on matters of technology; and to provide general management and direction to the programs and activities that make up the Office of Enterprise Technology (OET).

Population Served

Primary customers are the governor, state legislators, state agencies, state and national IT public and private sector leadership, other Minnesota government, and educational entities and, by extension, the citizens of Minnesota that interact with state government.

Services Provided

This program manages the statutory leadership requirements of the Office of Enterprise Technology. This includes statewide and agency strategic information and communications technology planning; development and oversight of enterprise information technology and security policies; management of the State CIO's IT oversight responsibilities for strategic direction and resource

management; communication of enterprise goals, priorities and activity to key stakeholders; development of informational programs that promote effective technology; and the representation of the State of Minnesota in state and national information technology leadership activity, planning, and knowledge-sharing. Internal OET leadership and direction includes oversight of the day-to-day agency operations and financial management of agency resources.

Historical Perspective

Prior to the creation of OET by the legislature in 2005, information and technology management was highly decentralized, and policymaking was distributed across several entities. This resulted in inefficiencies, duplication of activities, redundant technology systems and services, lack of true central oversight, and lack of planning across agencies and program areas. Planning was an accumulation of agency directions instead of a true strategic vision for state government. These inefficiencies resulted in increased complexity and risk, and lost opportunities to both improve the technological capabilities of the State and to take advantage of economies of scale. Executive Order 05-04 and legislative changes to M.S. 16E.01 established a cabinet-level State CIO and clarified the authority and responsibilities of that position and the Office of Enterprise Technology.

Since that time, the Office of Enterprise Technology has created a governance process that provides agency input into its state planning and policy activity and into IT enterprise service strategies. Through that governance process, OET managed the formulation of a ten-year master plan and has developed several significant shared and utility services and consolidation initiatives in keeping with priorities of that plan, publishing in 2009 a two-year tactical plan, Minnesota iGov, that outlines the State's priority enterprise initiatives. Work continues on those initiatives, with significant progress and milestones.

In 2008, OET embarked on a significant "Change Plan" designed to reorganize the agency into function areas more suited to manage industry-standard services and processes and more flexible and capable of scaling up appropriately to deliver shared and utility services to a larger customer base. The changes included the creation of a Customer and Service Management Program, the creation of a Service Desk as the point of contact to handle and manage all requests and incidents, the implementation of industry best practices for information

technology service delivery processes, improved internal organizational governance and decision-making, and the creation of new service life-cycle management and cost-modeling processes.

Key Program Goals and Measures

The key goal of this program is to ensure effective management of state technology investments and stewardship of state resources.

The key measures for this area include:

- up-to-date Enterprise Master Plan for Information Management (updated every two years);
- enterprise portfolio reports to legislature delivered on time;
- successful management of key enterprise projects as outlined in strategic plans;
- efficient and effective on-going governance that ensures broad participation by agency and other stakeholders; and
- efficient and effective management of agency business, including the managing of the agency budget and operations

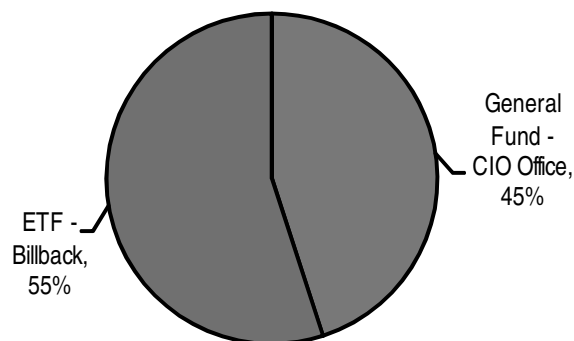
Planning and Management's recent accomplishments include:

- development of the one-year OET Change Plan and management of the ensuing reorganization, resulting in dramatic efficiencies in the organization and improved customer relations;
- improved strategic planning processes and internal decision-making processes;
- implementation of industry-standard best practices, processes, tools, and training for service management and delivery, including Information Technology Service Management (ITSM), Information Technology Infrastructure Library (ITIL), and Control Objectives for Information and related Technology (CoBIT);
- development of Minnesota iGov, a two-year tactical plan to implement seven key enterprise initiatives including management of the initiatives and their governance;
- management of the development of a co-location strategy for the State's 38 data centers;
- successful launch of a major enterprise e-licensing system;
- management of a thorough data assessment of all executive branch IT, resulting in a report required by the legislature to assess the costs and savings of various outsourcing alternatives;
- development of a new cost model for evaluating service costs and setting service rates; and
- formalized IT governance process and decision-making authorities and increased communications, resulting in greater agency participation.

Program Funding

OET's support, oversight, and governance functions for the executive branch are funded by the general fund. OET's internal operations are funded by the enterprise technology fund through charge back / cost recovery rates.

**FY 2011 Estimated Revenue Budget
Planning and Management**



ENTERPRISE TECHNOLOGY OFFICE

Program: PLANNING & MANAGEMENT

Narrative

In FY 2011, Planning and Management has budgeted for approximately 53.16 FTEs. If funding and FTE migrate from other agencies as a result of utility services, co-location, or other consolidations, the FTE count may increase, typically with corresponding decreases in other agencies.

Contact

Julie Freeman, Financial Management Director

Phone: (651) 201-1191

Email: julie.freeman@state.mn.us

Website <http://www.oet.state.mn.us>

Larry Freund, Chief Financial Officer

Phone: (651) 556-8028

Email: larry.freund@state.mn.us

Website <http://www.oet.state.mn.us>

ENTERPRISE TECHNOLOGY OFFICE

Program: PLANNING & MANAGEMENT

Program Summary

<i>Dollars in Thousands</i>					
	Current		Governor Recomm.		Biennium
	FY2010	FY2011	FY2012	FY2013	2012-13
<u>Direct Appropriations by Fund</u>					
General					
Current Appropriation	1,350	1,292	1,292	1,292	2,584
Technical Adjustments					
Operating Budget Reduction			(2)	(2)	(4)
Subtotal - Forecast Base	1,350	1,292	1,290	1,290	2,580
Governor's Recommendations					
Operating Budget Reductions		0	(39)	(39)	(78)
Total	1,350	1,292	1,251	1,251	2,502
<u>Expenditures by Fund</u>					
Direct Appropriations					
General	1,176	1,445	1,251	1,251	2,502
Statutory Appropriations					
Miscellaneous Special Revenue	389	906	581	581	1,162
Enterprise Technologies	13,541	15,579	12,851	12,535	25,386
Total	15,106	17,930	14,683	14,367	29,050
<u>Expenditures by Category</u>					
Total Compensation	4,053	4,174	4,178	4,281	8,459
Other Operating Expenses	11,012	11,256	9,505	10,086	19,591
Other Financial Transactions	41	2,500	1,000	0	1,000
Total	15,106	17,930	14,683	14,367	29,050
<u>Expenditures by Activity</u>					
Planning & Management	15,106	17,930	14,683	14,367	29,050
Total	15,106	17,930	14,683	14,367	29,050
Full-Time Equivalents (FTE)	51.3	52.5	52.5	52.5	

Program at a Glance

Technology Development combines a variety of functions related to the development of new technologies and applications in a manner that ensures their effective operation and their value to Minnesota's ability to provide citizen-facing government services. Recent key results include:

- State web portal with 13 million page views per month, indexing 1.1 million state government documents;
- Centralized hosting of 100+ agency websites;
- A new electronic licensing web portal for personal, recreational and business licenses;
- A new enterprise e-licensing system that will that will eventually make over 900 business and professional license types accessible to citizens 24/7;
- Reduction in cost through aggregated purchasing of IT-related hardware, software and professional services, resulting in \$35 million in investment capital available for organizational business needs;
- Reduction in time to engage professional IT specialists from two weeks to 48 hours through new ASAP-IT program;
- Enterprise licensing agreements for major software products to standardize technical architecture and reduce costs; and
- New Enterprise Project Management tool to improve reporting for IT projects statewide.

Program Description

The mission of Technology Development is to establish an integrated and secure framework that enables citizen and business access to "borderless" government services. The program capitalizes on information, communication, and e-commerce technologies to optimize the delivery of government products and services on-demand, independent of time, place, and agency organization. e-Government is a strategy that fundamentally transforms the ways in which government interacts and collaborates with citizens, businesses, employees, and government entities.

This program implements the Office of Enterprise Technology's (OET's) statutory requirements to:

- "coordinate statewide efforts by units of state and local government to plan for and develop a system for providing access to government services";
- make recommendations to facilitate coordination and assistance of demonstration projects;
- explore ways and means to improve citizen and business access to public services, including implementation of technological improvements" (M.S. 16E.05);
- "establish 'North Star' as the ... state's governmental framework for coordinating and collaborating in providing online government information and services" (M.S.16E.07, subd.2);
- "develop and establish a state information architecture to ensure that state agency development and purchase of information and communications systems, equipment, and services is designed to ensure that individual agency information systems complement and do not needlessly duplicate or conflict with the systems of other agencies" (M.S.16E.04); and
- "establish ... methods for developing information and communications systems appropriate to the specific needs of individual state agencies." (M.S. 16E.03, subd.6).

Population Served

Services are provided to state departments, agencies, commissions, councils, boards, task forces, and committees; constitutional offices; court entities; Minnesota State Colleges and Universities; counties, statutory and home rule charter cities and towns; school districts; special districts; and any other board, commission, district, or authority created under law, local ordinance, or charter provision.

Services Provided

Application Management Services maintains the OET application portfolio, linking business priorities with IT service capabilities. This includes four functions: Application Development, Application Operations, Middleware Services, and Database Administration. A major activity, Enterprise Licensing, provides the e-Licensing infrastructure and framework that will create a streamlined, one-stop-shop for business and professional licensure.

Web Content Hosting Services include the State web portal, web content hosting, web design, and website indexing and search services. This work includes maintaining the infrastructure and information architecture for the state's citizen-centric portal that enables universal access to government services and information quickly and easily.

ISRM (Information Standards and Resource Management) Services establish information technology (IT) standards for hardware, cell phones, professional/technical services, and software to leverage the vast purchasing power of Minnesota government entities through a collaborative purchasing process used by 100+ state agencies, 87 counties, 850 cities, 430 school districts, 36 MnSCU campuses, and 4 University of Minnesota campuses. ISRM also establishes enterprise software license agreements to reduce costs by leveraging major software manufacturers' licensing fees through aggregation of state and local government demand. This includes a Microsoft Enterprise Agreement for all 30,000 executive branch users that mitigates the state risk by protecting executive branch agencies from lawsuits due to software non-compliance with Microsoft licensing agreements and lowers the total cost of ownership.

Enterprise Architecture provides guidance, processes, tools, standards and governance for the design, development, procurement, maintenance, and decommissioning of information and telecommunications technology systems and services across the enterprise in order to align IT investments with business strategies.

Project Management Office (PMO) and Program Oversight provides project management for information technology projects internal to OET and for the enterprise. The PMO also performs statutory oversight responsibilities including reviewing and reporting on executive branch IT projects.

Key Program Goals & Measures

The activities in this program are designed to achieve the following key program goals:

- optimize the delivery of e-government products and services on-demand, independent of time, place, and agency organization;
- transform the ways in which government interacts and collaborates with citizens, businesses, employees, and government entities;
- increase the security and effective electronic delivery of government services; and
- create more "one-stop-shop" opportunities for easier government service.

Key measures include:

- a common eGovernment framework for transacting business and communicating online in more efficient and cost-effective public service delivery;
- online applications that adhere to standards, resulting in reusable solutions, and increased coordination and collaboration among government agencies;
- reengineered business processes, resulting in streamlined "back office" functions in multiple agencies; and
- citizen and business identities and privacy protected and data accessible to authorized persons.

Technology Development's key accomplishments for FY 2010 include:

- built licensing system infrastructure for an Enterprise e-Licensing solution and piloted the application with two licensing boards; re-launched the website "License Minnesota" as the central portal for the new solution and other state licensing systems and began the first phase of implementation business re-engineering;
- negotiated a Microsoft enterprise licensing agreement and an Oracle enterprise licensing agreement for the executive branch agencies that will result in full statewide license compliance and significant savings to individual agencies;
- launched a professional/technical standards program (ASAP-IT) for the state that cut the time for engaging technical specialties from two weeks to 48 hours;
- chartered a State Enterprise Architecture governance board and created an Enterprise Architecture framework and methodologies definition in order to optimize the delivery of government services; and

ENTERPRISE TECHNOLOGY OFFICE

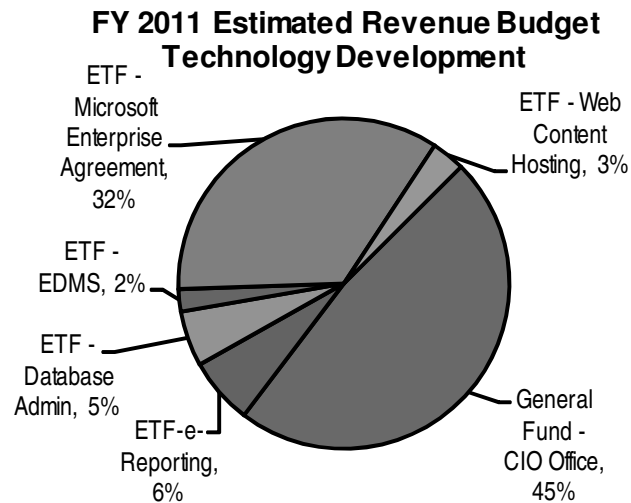
Program: TECHNOLOGY DEVELOPMENT

Narrative

- chartered a Project and Portfolio Management Review Board; published a Project and Portfolio Management Policy framework; upgraded the Enterprise Project and Portfolio tool (EPM) for statewide reporting and tracking.

Program Funding

Currently, Technology Development's Web Content Hosting Services is funded through the enterprise technology fund by cost recovery / chargeback rates. Historically, expenses have exceeded revenue. Funding of the enterprise licensing system is being provided by license surcharge fees collected from agencies issuing professional and commercial licenses and transferred into the 200 fund.



In FY 2011, Technology Development is budgeted for approximately 66.85 FTEs. If funding and FTE migrate from other agencies as a result of utility services, co-location, or other consolidations, the FTE count may increase, typically with corresponding decreases in other agencies.

General Fund Loans: Technology Development does not have a loan from the general fund nor does it anticipate a need for a general fund loan during the FY 2012 – FY 2013 biennium.

Proposed Investments in Technology or Equipment of \$100,000 or more: There are no proposed investments in technology or equipment of \$100,000 or more.

Operating Losses/Increases in Retained Earnings: OET's Technology Development funded through the enterprise technology fund manages retained earnings according to federal requirements, which state that the retained earnings balance cannot exceed two months of operating expenses. The federal government does not recognize depreciation or amortization as an operating expense in this calculation. In FY 2011, Technology Development Web Content Hosting Services' amortization expense is projected to be \$261 thousand. OET's Technology Development chargeback/budget goal is to break even by the end of each fiscal year. However, if customer usage is higher or lower than forecasted, increases or decreases in retained earnings occur. Historically, Technology Development expenses in the enterprise technology fund have exceeded revenue, causing decreases in retained earnings.

History of Technology Development Services' Rates Changes:

Fiscal Year Change	2004	2005	2006	2007	2008	2009	2010	2011
	0%	0%	0%	0%	2.30%	2.93%	0%	0%

Impact of Rate Changes:

The rates remain constant, however, expenses continue to exceed revenue in the Web Content Hosting area.

Contact

Julie Freeman, Financial Management Director

Phone: (651) 201-1191

Email: julie.freeman@state.mn.us

Website: <http://www.oet.state.mn.us>

Ed Valencia, Chief Technology Officer

Phone: (651) 556-8029

Email: ed.valencia@state.mn.us

Website: <http://www.oet.state.mn.us>

ENTERPRISE TECHNOLOGY OFFICE

Program: TECHNOLOGY DEVELOPMENT

Program Summary

<i>Dollars in Thousands</i>					
	Current		Governor Recomm.		Biennium
	FY2010	FY2011	FY2012	FY2013	2012-13
<u>Expenditures by Fund</u>					
Statutory Appropriations					
Miscellaneous Special Revenue	3,594	7,286	5,082	5,233	10,315
Enterprise Technologies	2,778	16,211	15,897	16,362	32,259
Total	6,372	23,497	20,979	21,595	42,574
<u>Expenditures by Category</u>					
Total Compensation	3,007	7,726	7,489	7,541	15,030
Other Operating Expenses	3,365	15,771	13,490	14,054	27,544
Total	6,372	23,497	20,979	21,595	42,574
<u>Expenditures by Activity</u>					
Td System Delivery	6,372	23,497	20,979	21,595	42,574
Total	6,372	23,497	20,979	21,595	42,574
Full-Time Equivalents (FTE)	27.4	66.8	64.2	63.5	

Program at a Glance

OET's Security Management Program:

- Coordinates all state government information technology security services;
- Provides security services that cannot be performed cost effectively by individual units of government; and
- Sets statewide security policy and promotes best practices that improve the overall security posture of state data and systems.

Program Description

OET's Security Management combines preventative and reactive strategies to keep the State's information assets safe and fulfill its mission to "ensure overall security of the state's information and technology systems and services." (M.S. 16E.01)

Policy and planning: Setting clear enterprise-wide standards and policies and direction that protect our assets and lessen the likelihood of attacks.

Architecture: Ensuring security tools and best practices are built into new systems that we build and buy.

Security tools: Developing a shared toolset that isolates vulnerabilities, monitors systems, detects and neutralizes attacks, and conducts forensics.

Education: Training users about cyber dangers and the best practices that keep us out of trouble.

Practice: Practicing recovery plans so that government business is uninterrupted in case of attack or disaster.

Population Served

The Security Management Program serves 70+ executive branch entities, with over 33,000 state employees and contracts, which access billions of data elements on over 36,000 personal computers and or servers, located in over 1,000 locations. The program partners with other government entities when possible and cost-effective.

Services Provided

The program's sixteen core security services range from foundational governance activities to detailed technical services such as continuous vulnerability management. Most services provided to state government are those that require a great deal of specialized knowledge or tools that cannot be purchased cost effectively by individual entities. This program also coordinates the security efforts for the entire executive branch of government, including setting baseline policies, procedures, standards, and guidelines. These services include:

- | | |
|---------------------------------|-----------------------------------|
| • Security Portfolio Management | • Security Information Management |
| • Risk Management | • Vulnerability Management |
| • Standards & Policy | • Incident Response & Forensics |
| • Security Architecture | • Threat Management |
| • Security Awareness & Training | • Asset Management |
| • Access Management | • Physical Security |
| • Intrusion Monitoring | • Business Continuity |
| • Malicious Program Detection | • Data Privacy |

Historical Perspective

Minnesota has historically taken a decentralized approach to information security. For years, state agencies separately addressed information security risks, resulting in an environment in which important security duties are either performed inconsistently or not at all. Investments in information security also varied significantly across agencies, with the state spending an estimated 2% of its total information technology budget on information security. The industry standard ranges from 5.4% to 6.2%. The Office of the Legislative Auditor's information security audit work affirms the inadequate current state of information security controls and the inherent deficiencies in a decentralized environment.

The current rate of technology advances and mobile tools increase citizens' demand for continuous access to online government services. The rapidly expanding use of the Internet has increased connectivity between

government entities, third parties, and users of state services, creating a more “open government.” In addition, cyber crime has skyrocketed over the past few years, shifting from crimes of notoriety to far more serious crimes for financial gain. All of these factors increase the state’s risk posture, making it more difficult to protect information.

The Security Management Program was created in 2006 to provide a centralized approach and tactically address new threats. The program has embarked on a multi-year plan to improve security and more effectively leverage resources, working diligently to create an effective statewide information security framework, directing its limited resources toward the crucial building blocks – strategic planning and enterprise policy development – that make possible a more comprehensive, long-term program. The program has also purchased and piloted some, but not all, of the key technical tools necessary to protect the state’s digital infrastructure and the data upon which government depends.

Through strong governance and a spirit of collaboration among the state agencies, Security Management has laid the necessary foundation for security measures that will maintain a reasonable level of risk to our systems and information in a world where cyber threats continue to grow at an alarming pace.

Key Program Goals and Measures

In carrying out its mission, the most important success factor will be how well we share our limited resources – including people, processes, and tools. High-level strategic outcomes have been defined for the State of Minnesota to appropriately manage cyber security risks. Absent the necessary resources, the timeframe to achieve the outcomes may be extended.

- **Improved Situational Awareness** – Help the state obtain a better understanding of its risk posture, and give the state the ability to measure its risk posture with rigorous performance metrics.
- **Proactive Risk Management** – Outcomes make employees and government leaders more aware of security threats. Also, they will garner the executive support needed for Security Management to thrive long-term. Finally, they include various types of preventive controls.
- **Robust Crisis and Security Incident Management** – Help the state manage security events more efficiently and effectively, thereby minimizing damage.

Security management is developing metrics to continually measure compliance and risk for each agency and for the executive branch as a whole.

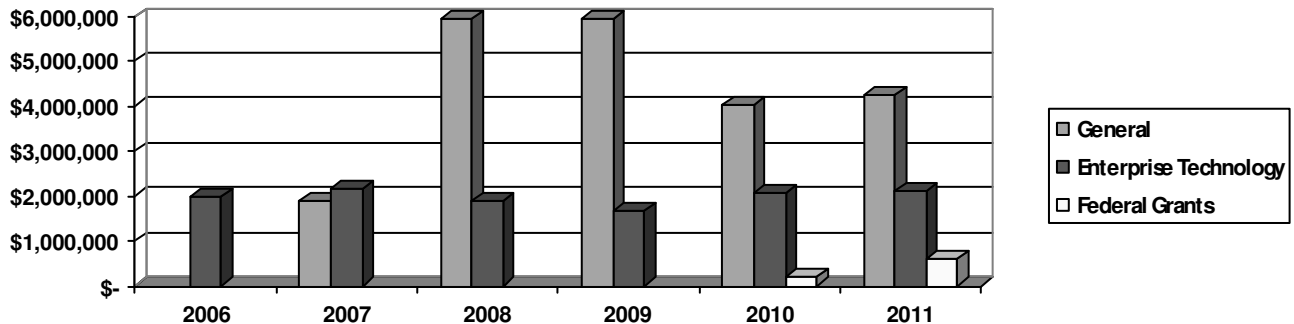
Accomplishments during FY2010 include:

- installed intrusion detection and prevention tools and security event monitoring tools in state data center;
- published security policies and standards;
- established an Identity & Access Management steering committee to help design and implement one solution for all of government to utilize;
- provided business continuity and disaster recovery services to numerous state and local units of government;
- performed ongoing scans of state computers to find and mitigate vulnerabilities before they can be exploited;
- managed numerous security incidents each month and performed forensic investigations, when necessary;
- participated in major government computer system projects to embed appropriate controls in the systems;
- provided security consulting services to many state agencies; and
- hosted a wide array of information security training classes, adding many new Certified Information Systems Security Professionals (CISSPs) to state government.

Program Funding

Security Management is primarily funded by a direct appropriation from the general fund. Other security services that are embedded into centralized IT product lines, such as providing access control for the centralized mainframe services, are funded by the enterprise technology fund through chargeback/cost recovery rates. For FY 2010 and FY 2011, the program applied for, and was awarded federal grants to be used for improving business continuity and situational awareness controls. The following graph portrays the funding sources.

*Security Management Program
Funding Sources
Fiscal Years 2006 - 2011*



In FY 2011, the program has budgeted for approximately 32.5 FTEs. If funding and FTE migrate from other agencies occurs as a result of utility services, co-location, or other consolidations, the FTE count may increase, typically with corresponding decreases in other agencies.

General Fund Loans: Information Security Services does not have a loan from the general fund nor does it anticipate a need for a general fund loan during the FY 2012 – FY 2013 biennium.

Proposed Investments in Technology or Equipment of \$100,000 or more: In FY 2011, Information Security program will purchase technology and equipment that may exceed \$100,000. OET is in the process of collaboratively assessing the enterprise information security service needs.

Operating Losses/Increases in Retained Earnings: The information security program manages retained earnings for the enterprise technology fund according to federal requirements, which state that the retained earnings balance cannot exceed two months of operating expenses. The federal government does not recognize depreciation or amortization as an operating expense in this calculation. In FY 2011, related depreciation expense is projected to be approximately \$12 thousand dollars. The program has not contributed positively to OET's overall retained earnings balance due to the startup of the new emerging shared services.

History of Security Management Rate Changes:

Fiscal Year	2004	2005	2006	2007	2008	2009	FY2010	FY2011
Change	1%	20%	0%	95%	0.67%	0.18%	0%	0%

Impact of Rate Changes:

Within the last few fiscal years, OET rates have remained constant; however, expenses have exceeded revenue. OET is actively engaging agency partners in seeking a cost-effective, standard enterprise solution for identity management services, including managing directory services, user provisioning, user self-service, password and account management and simplified sign-on services for all employees and citizens.

Contact

Julie Freeman, Financial Management Director
Phone: (651) 201-1191
Email: julie.freeman@state.mn.us
Website: <http://www.oet.state.mn.us>

Chris Buse, Chief Security Officer
Phone: (651) 201-1200
Email: chris.buse@state.mn.us
Website: <http://www.oet.state.mn.us>

ENTERPRISE TECHNOLOGY OFFICE
Program: SECURITY MANAGEMENT

Program Summary

<i>Dollars in Thousands</i>					
	Current		Governor Recomm.		Biennium
	FY2010	FY2011	FY2012	FY2013	2012-13
<u>Direct Appropriations by Fund</u>					
General					
Current Appropriation	4,167	4,167	4,167	4,167	8,334
Technical Adjustments					
Operating Budget Reduction			(3)	(3)	(6)
Subtotal - Forecast Base	4,167	4,167	4,164	4,164	8,328
Governor's Recommendations					
Operating Budget Reductions		0	(234)	(234)	(468)
Total	4,167	4,167	3,930	3,930	7,860
<u>Expenditures by Fund</u>					
Direct Appropriations					
General	3,658	4,673	3,930	3,930	7,860
Statutory Appropriations					
Federal	0	290	510	0	510
Enterprise Technologies	2,337	2,395	3,352	2,898	6,250
Total	5,995	7,358	7,792	6,828	14,620
<u>Expenditures by Category</u>					
Total Compensation	3,808	3,762	3,690	3,768	7,458
Other Operating Expenses	2,187	3,596	4,102	3,060	7,162
Total	5,995	7,358	7,792	6,828	14,620
<u>Expenditures by Activity</u>					
Security Management	5,995	7,358	7,792	6,828	14,620
Total	5,995	7,358	7,792	6,828	14,620
Full-Time Equivalents (FTE)	33.3	33.3	32.3	32.3	

Program at a Glance

In carrying out its mission, OET's Customer and Service Management program has:

- Developed a Client Relationship Management function and customer relationship practices that increase OET's understanding of customer business needs, improve usage forecasting, and institute service level agreements and reporting on a routine basis;
- Established a 24X7 single point of contact (SPOC) Service Desk for the full incident and request fulfillment process for all OET services;
- Developed a "back office" tool for processing and responding to Service Desk requests, and an improved online interface and catalog (MN.IT) for OET customers;
- Established a Service Portfolio Management function and processes to manage OET services over their product lifecycle;
- Developed an IT Service Management process that leverages ITIL and technology industry best practices;
- Initiated metrics and regular reporting for key process areas, beginning with incident, problem, and change management; and
- Deployed new Enterprise Email, Email Archiving, and SharePoint services, and improved the service levels and viability of many existing services.

expectations, and takes responsibility for the customer's overall satisfaction with OET services. At its highest level, Client Relations is the technology partner for the customer, driving business value by understanding customers' business and leveraging and expanding the use of technology solutions to meet changing customer business needs. Client Relations' primary sub-functions include promoting innovative technology solutions, order management, service level management, customer portfolio management, and customer communications.

OET Service Desk provides a single point of contact (SPOC) for customers/users that need assistance with any OET-provided service, 24 x 7. This can be in the form of an incident or service request. The Service Desk uses industry-leading tools that provide proactive alerts to reduce the probability of downtime. The OET Service Desk function provides the day-to-day contact point between customers, users, IT services, and third-party support organizations, and owns the incident management and request fulfillment processes.

Service Portfolio Management is responsible for managing all OET services as products over their entire lifecycle, from conception to retirement, through design, transition, operation and continual service improvement. To do so, Service Portfolio links Client Relations' understanding of customer needs and requirements with OET's Technology Development and Technology Management programs and with third party vendor partners to design and deliver the desired and marketable technology solutions. This function includes service strategy, service management, market analysis, and new service development.

Process, Controls and Improvements provides ITSM and ITIL processes, controls, and improvements for the organization.

Program Description

The mission of Customer and Service Management is to deliver technology business value by effectively managing the customer relationship and the service management life cycle of all shared and utility services provided by OET. The goal of the program is to improve the performance of those services through IT Service Management (ITSM) and Information Technology Infrastructure Library (ITIL) best practices encompassing processes such as incident, problem, change, request, and knowledge management, and to provide high-value IT services that are competitive with the market.

These best practices and processes are key to Minnesota iGov services and business reforms.

Population Served

Customer and Service Management Services are provided to state agencies, commissions, councils, boards, task forces, and committees; Judicial and Legislative Branches; constitutional offices; Minnesota State Colleges and Universities; counties, cities, townships; school districts; special districts; tribal governments, federal government and any other board, commission, district, or authority created under law, local ordinance, or charter provision.

Services Provided

The Customer and Service Management Program includes the following functions:

Client Relations is OET's business relationship manager to the customer. It ensures that there is service value delivered that anticipates and meets customer

Historical Perspective

The Customer and Service Management Program was developed as a result of the OET Change Plan, based on external customer surveys and an examination of OET's internal processes and practices. Lack of consistency in the management of both individual customers and individual OET services had, over time, resulted in significant customer dissatisfaction and led to compromises in service delivery and support. Service development occurred without sufficient business cases, cost modeling and/or customer input; numerous services were under-recovering; service support was directly provided by technical staff, leaving customers unsure of who to call or how to get help; and services were provided on a "best effort" basis, without service level agreements or metrics.

The Customer and Service Management Program was created in 2008 to focus on effective IT service management and to serve as the primary communications channel with OET customers.

Key Program Goals & Measures

Key measures for Customer and Service Management:

- regular meetings with customer technical and business leadership to review service status, upcoming plans, and service level performance;
- customer satisfaction as measured in regular surveying instruments and interviews;
- satisfactory service level performance measured through effective customer-facing metrics and service level agreements;
- services appropriately sourced (in-sourced, out-sourced, or partnerships) to ensure the highest level of service and competitive pricing;
- services operating at break-even level and/or strategies to move non-performing services through service improvements or alternative service sourcing;
- successful continual service improvement program;
- business cases and appropriate governance for all new service development;
- logging of all incidents and requests through Service Desk; and
- decrease of incidents through effective problem and event management.

Customer and Service Management's key accomplishments for FY2010 include:

- developed a service development meta process to be used for new service development, service retirement and substantial adds / changes to an existing service;
- developed customer-facing service catalog (MN.IT);
- established the OET Service Desk as the single point of contact (SPOC) for all incidents and requests, and developed a new, integrated customer-facing incident and request management system that will improve incident reporting and tracking;
- implemented a *back office* incident management system which provides robust metrics to continually improve the products and services OET offers;
- launched the Service Strategy Team, an enterprise governance group, to advise on viable strategies related to those product lines / sub-groupings that are under-recovering, and to provide feedback and input in the new service development and sourcing processes;
- developed a process for reviewing service performance and determining the appropriate "sourcing" of individual OET services;
- set up and implemented internal service teams for each service to bring together the appropriate financial, technology, security, architecture and service portfolio expertise to make recommendations regarding respective services definitions, performance, rates and service life cycles;
- built the relationship and established regular meeting schedules with 19 of the top 24 customers' CIO/IT leaders. Fifteen months ago there was only one such relationship with regular meetings;
- piloted the account manager "day-on-site" concept to make account managers more readily available to customers on a regular basis, and to provide more opportunity to learn their business;
- facilitated a new forecasting method that better predicts service volumes for the purpose of availability planning and rate-setting;
- initiated metrics and regular reporting for key process areas, beginning with incident, problem, and change management; and

- led successful service development and introduced several key enterprise technology services focused on improving state technology and business productivity and performance, in keeping with the Minnesota iGov tactical plan for enterprise initiatives. These include:
 - deployed Enterprise Email, Email Archiving, and SharePoint services;
 - developed a utility data center co-location service that will enable the data center strategy to maximize the states' data center utilization by reducing overall data center footprint and supporting infrastructure, reducing risk and increasing resiliency;
 - provided service enhancements and improvements in audio conferencing, net/web conferring, and video conferencing;
 - planned future improvements for utility services, data center services, IP telephony, voicemail, long-distance, and Centrex services; and
 - built strategic partner relationships to drive deployment and adoption of new unified communication and collaboration services.

Program Funding

Customer and Service Management is funded through the enterprise technology fund by cost recovery / chargeback rates.

In FY 2011, Customer and Service Management has budgeted for approximately 59.2 FTEs. If funding and FTEs migrate from other agencies as a result of utility services, co-location, or other consolidations, the FTE count may increase, typically with corresponding decreases in other agencies.

Contact

Julie Freeman, Financial Management Director

Phone: (651) 201-1191

Email: julie.freeman@state.mn.us

Website: <http://www.oet.state.mn.us>

Tarek Tomes, Assistant Commissioner

Phone: (651) 556-8003

Email: Tarek.Tomes@state.mn.us

Website: <http://www.oet.state.mn.us>

ENTERPRISE TECHNOLOGY OFFICE

Program: CUSTOMER & SERVICE MANAGEMENT

Program Summary

<i>Dollars in Thousands</i>					
	Current		Governor Recomm.		Biennium
	FY2010	FY2011	FY2012	FY2013	2012-13
<u>Expenditures by Fund</u>					
Statutory Appropriations					
Enterprise Technologies	806	7,450	7,271	7,447	14,718
Total	806	7,450	7,271	7,447	14,718
<u>Expenditures by Category</u>					
Total Compensation	531	5,408	5,442	5,567	11,009
Other Operating Expenses	275	2,042	1,829	1,880	3,709
Total	806	7,450	7,271	7,447	14,718
<u>Expenditures by Activity</u>					
Customer & Service Management	806	7,450	7,271	7,447	14,718
Total	806	7,450	7,271	7,447	14,718
Full-Time Equivalents (FTE)	5.0	60.2	60.1	60.1	

ENTERPRISE TECHNOLOGY OFFICE

Agency Revenue Summary

Dollars in Thousands

	Actual FY2010	Budgeted FY2011	Governor's Recomm. FY2012 FY2013		Biennium 2012-13
<u>Non Dedicated Revenue:</u>					
Total Non-Dedicated Receipts	0	0	0	0	0
<u>Dedicated Receipts:</u>					
Departmental Earnings (Inter-Agency):					
Miscellaneous Special Revenue	715	1,287	591	591	1,182
Enterprise Technologies	85,565	89,415	93,655	95,237	188,892
Grants:					
Federal	0	290	510	0	510
Other Revenues:					
Miscellaneous Special Revenue	3,992	5,072	5,072	5,223	10,295
Enterprise Technologies	43	250	75	75	150
Total Dedicated Receipts	90,315	96,314	99,903	101,126	201,029
Agency Total Revenue	90,315	96,314	99,903	101,126	201,029

	PAGE
Agency Profile	2
Agency Fiscal Page (Gov Rec)	5
Change Summary	6
Program Change Items	
Agency/Loan Administration	
⇒ Agency Administrative Reduction	7
Fiscal Policy & Research	
⇒ Eliminate United Family Practice Grant	8
Libraries and Technology	
⇒ Minitex Library Reduction	9
Student Financial Aid-Outreach	
⇒ Child Care Grant Reduction.....	10
⇒ Get Ready Outreach Reduction.....	11
⇒ Parent Information Reduction.....	12
⇒ American Indian Scholarship Reduction.....	13
⇒ Safety Off Survivor Grant Transferred to State Grant.....	14
⇒ Work Study Reduction.....	15
⇒ Eliminate Achieve Scholarship	16
⇒ Eliminate Savings Plan Matching Grants.....	17
Programs	
Student Financial Aid-Outreach	18
Program Summary	25
State Student Loans	26
Program Summary	28
Fiscal Policy & Research	29
Program Summary	31
Libraries And Technology.....	32
Program Summary	35
Agency/Loan Administration.....	36
Program Summary	38
Federal Funds Summary	39
Agency Revenue Summary Fiscal Page	41
⇒ Designates that this item is a change item	

Agency Mission

The strength of Minnesota's economy hinges now more than ever on the knowledge, creativity and innovation of the state's citizens. The Minnesota Office of Higher Education exists to help Minnesotans achieve financial access to postsecondary education; to protect and inform higher education consumers; to produce independent statewide data and analysis on postsecondary education; and to provide helpful and objective information to students and parents on preparing and paying for college. The agency's mission is to "advance the promise of higher education to all Minnesotans".

At a Glance

Minnesota State Grant Program

- Need-based grant for students
- Serves 84,000 students annually
- \$124 million awarded for 2010-11 school year

Student Loan Program

- Provides \$125 million in loans to 25,000 annually

Other Financial Aid Programs – Annual Spending

- State Work Study serves 10,000 with \$12.2 million
- Indian Scholarship serves 600 with \$2 million
- Minnesota GI Bill serves 600 with \$1 million
- Postsecondary Child Care serves 3,000 with \$6.2 million.

Minnesota (529) College Savings Plan

- 53,000 accounts
- \$736 million in assets as of March 31, 2010
- 2,100 account beneficiaries received matching grants

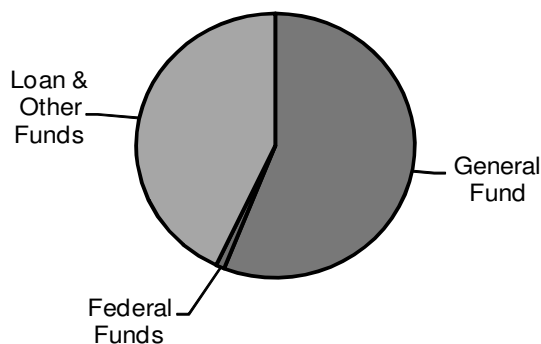
Private Institutions Regulation

- More than 160 private institutions regulated
- 66,500 students attending non-profit institutions
- 110,000 students attending for-profit institutions

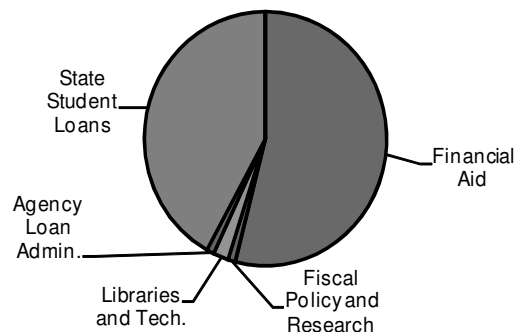
Other

- 25,000 students benefit from tuition reciprocity
- 6,000 students in low-income elementary, middle and high schools participate in Get Ready program

Est. FY 2010-11 Expenditures
by Fund



Est. FY 2010-11 Expenditures
by Program



Source: Minnesota Biennial Budget System.

Strategies

The agency carries out its mission in close partnerships with public and private colleges, universities and career schools across the state, providing financial aid, and assuring quality opportunities and information for students and families. Most of the statutory authority for the Minnesota Office of Higher Education resides in Chapter 136A. Federal law also provides funding and authority for specific programs.

Created as a state cabinet agency in 2003, the Office of Higher Education was previously an independent service office. Today, the agency is the only statewide agency looking out solely for the interests of postsecondary students and their families, not promoting any particular opportunity or program. The agency promotes the importance of pursuing some education beyond high school for everyone. Core functions are:

Facilitating affordable higher education: Making higher education accessible to more Minnesotans by providing and promoting financial aid. Each year, the agency awards approximately \$308 million in grants, loans and scholarships.

Providing student/consumer protections: Regulates private institutions and conducts financial aid audits on more than 160 private institutions.

Performing data collection and policy analysis: Provides lawmakers, educators and other policy leaders with clear and objective information about higher education enrollment, finance, accountability and trends.

Making college choices accessible: Through the state's college savings plan, tuition reciprocity and support of programs to promote college readiness and success in K-12, the agency provides tools and information to make choices about education beyond high school.

State financial aid programs are aligned and integrated where possible with federal programs to create a seamless application and awards process for students. The agency works to maintain low administrative costs and overhead by partnering with colleges and universities to operate programs and by contracting to manage the Minnesota College Savings Plan.

Operations

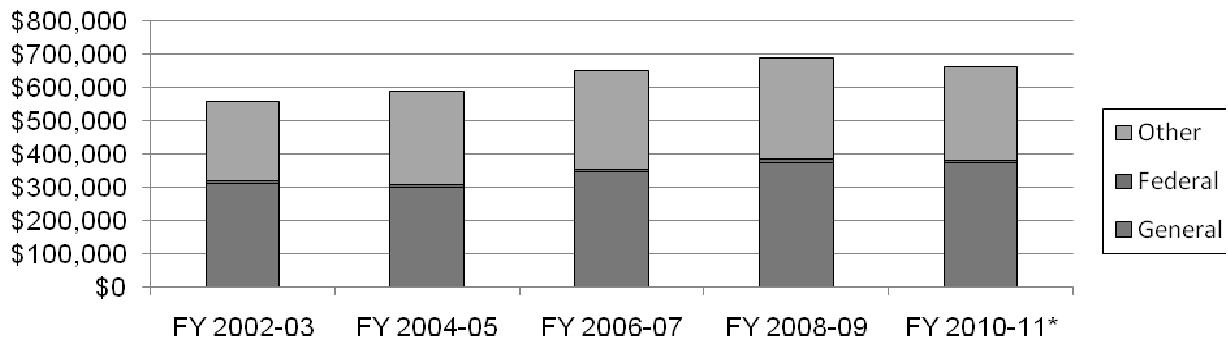
The Office of Higher Education is a cabinet-level agency providing an array of financial aid, student loans and other programs to help make college affordable for many traditional students and adult students. Programs and services include:

- The Minnesota State Grant program
- SELF Loan program
- Minnesota Postsecondary Child Care Grant program
- State Work Study
- Minnesota Indian Scholarship program
- Achieve Scholarship program
- Safety Officer's Survivor Grant program
- Tuition reciprocity program
- Minnesota College Savings Plan (529)
- Regulation of private postsecondary institutions and programs (consumer protection)
- Information for students and parents on preparing and paying for postsecondary education
- College access information and support for groups traditionally underrepresented in higher education

The agency is advised by the Higher Education Advisory Council, which is comprised of the chancellor of the Minnesota State Colleges and Universities System, the president of the University of Minnesota, the commissioner of the Minnesota Department of Education, the president of the Minnesota Career College Association and the chief executive of the Minnesota Private College Council. In addition, the Office of Higher Education is advised by a committee of students representing organizations named in statute. Though not in law, the Office of Higher Education also convenes a regular meeting of financial aid professionals representing colleges from across the state to discuss operational issues.

Budget Trends

Total Expenditures by Fund



*FY2010-11 is estimated, not actual.

Source data for the previous chart is the Minnesota Accounting and Procurement System (MAPS) as of 7/20/2010

Many external factors affect the Office of Higher Education's programs and work. Most notably, the demand on the agency's largest state-funded program, the Minnesota state grant program, can change from year to year based on tuition costs set by colleges, enrollment and student choices about where to attend. It was projected that the economic downturn would cause an enrollment surge in FY 2010; however, the magnitude of actual enrollment growth exceeded the projection, which was based on statistical modeling.

Other factors affecting the higher education sector include changing student demographics, behavioral and enrollment decisions by students, the economy and job market. A public emphasis on college readiness and completion and an interest in creating the capability to track student data from pre-kindergarten through postsecondary enrollment has been a new area of involvement for the Office of Higher Education.

Because the state's financial aid programs are designed to work in an integrated fashion with federal programs, changes in programs, funding and policy at the federal level have an impact on state programs.

Contact

Office of the Director
 Minnesota Office of Higher Education
 651-259-3901
 1450 Energy Park Drive, Suite 350
 Saint Paul, Minnesota 55108
 Primary Web site: <http://www.ohe.state.mn.us>
 Web site for students and parents: <http://www.getreadyforcollege.org>

<i>Dollars in Thousands</i>					
	Current		Governor Recomm.		Biennium
	FY2010	FY2011	FY2012	FY2013	2012-13
<u>Direct Appropriations by Fund</u>					
General					
Current Appropriation	222,853	149,380	184,712	184,712	369,424
Recommended	222,853	149,380	175,284	175,382	350,666
Change		0	(9,428)	(9,330)	(18,758)
% Biennial Change from 2010-11					-5.8%
<u>Expenditures by Fund</u>					
Direct Appropriations					
General	215,493	159,129	176,778	176,946	353,724
Statutory Appropriations					
Miscellaneous Special Revenue	1,063	670	643	643	1,286
Federal	5,708	6,550	6,675	6,675	13,350
Office Of Higher Education	133,505	133,833	143,838	143,844	287,682
Total	355,769	300,182	327,934	328,108	656,042
<u>Expenditures by Category</u>					
Total Compensation	4,803	5,189	5,212	5,291	10,503
Other Operating Expenses	16,885	21,052	20,682	20,607	41,289
Payments To Individuals	206,879	150,019	168,887	169,057	337,944
Local Assistance	8,879	8,897	8,128	8,128	16,256
Other Financial Transactions	118,323	115,025	125,025	125,025	250,050
Total	355,769	300,182	327,934	328,108	656,042
<u>Expenditures by Program</u>					
Student Financial Aid-Outreach	211,114	155,626	174,229	174,398	348,627
State Student Loans	126,626	125,005	135,005	135,005	270,010
Fiscal Policy & Research	2,157	1,886	1,419	1,419	2,838
Libraries And Technology	6,030	5,827	5,730	5,730	11,460
Agency/Loan Administration	9,842	11,838	11,551	11,556	23,107
Total	355,769	300,182	327,934	328,108	656,042
Full-Time Equivalents (FTE)	66.8	66.8	66.8	66.8	

OFFICE OF HIGHER EDUCATION

Change Summary

<i>Dollars in Thousands</i>				
	FY2011	Governor's Recomm.		Biennium
		FY2012	FY2013	2012-13
Fund: GENERAL				
FY 2011 Appropriations	149,380	184,712	184,712	369,424
Technical Adjustments				
Current Law Base Change		(323)	(223)	(546)
Operating Budget Reduction		(2)	(2)	(4)
Subtotal - Forecast Base	149,380	184,387	184,487	368,874
Change Items				
Agency Administrative Reduction	0	(131)	(132)	(263)
Work Study Reduction	0	(5,055)	(4,705)	(9,760)
Eliminate Achieve Scholarship	0	(2,350)	(2,350)	(4,700)
Eliminate United Family Practice Grant	0	(467)	(467)	(934)
Eliminate Savings Plan Matching Grants	0	(350)	(700)	(1,050)
Child Care Grant Reduction	0	(334)	(334)	(668)
American Indian Scholarship Reduction	0	(100)	(100)	(200)
Safety Off Survivor Grant to State Grant	0	(100)	(100)	(200)
State Grant Receives Safety Off Grant	0	100	100	200
Get Ready Outreach Reduction	0	(9)	(9)	(18)
Parent Information Reduction	0	(6)	(7)	(13)
Minitex Library Reduction	0	(301)	(301)	(602)
Total Governor's Recommendations	149,380	175,284	175,382	350,666
Fund: MISCELLANEOUS SPECIAL REVENUE				
Planned Statutory Spending	670	643	643	1,286
Total Governor's Recommendations	670	643	643	1,286
Fund: FEDERAL				
Planned Statutory Spending	6,550	6,675	6,675	13,350
Total Governor's Recommendations	6,550	6,675	6,675	13,350
Fund: OFFICE OF HIGHER EDUCATION				
Planned Statutory Spending	133,833	143,838	143,844	287,682
Total Governor's Recommendations	133,833	143,838	143,844	287,682

OFFICE OF HIGHER EDUCATION

Program: AGENCY/LOAN ADMINISTRATION

Change Item: Agency Administrative Reduction

Fiscal Impact (\$000s)	FY 2012	FY 2013	FY 2014	FY 2015
General Fund				
Expenditures	\$(131)	\$(132)	\$(131)	\$(132)
Revenues	0	0	0	0
Other Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact	\$(131)	\$(132)	\$(131)	\$(132)

Recommendation

The Governor recommends a reduction of \$131,000 in FY 2012 and \$132,000 in FY 2013 to the Office of Higher Education's general fund operating budget. In addition, the Governor intends to provide as much flexibility as possible to the agency for the implementation of these reductions.

This proposal represents a 5% reduction to Office of Higher Education base general fund forecast budget.

Rationale

This reduction is recommended as part of a plan to address the projected state budget shortfall and preserve grants to students awarded through the state's primary need-based grant program available to students – the State Grant program. The Office of Higher Education total base forecast general fund operating budget is \$2.625 million for FY 2012 and \$2.625 million for 2013 and includes amounts budgeted for student financial aid operations, fiscal policy & research and agency administration. Specifically, Office of Higher Education will reduce operating budgets by the following amounts:

- Fiscal Policy & Research \$68,000
- Agency Administration \$30,000
- Student Financial Aid Operations \$33,000

Through planning, attrition, realignment and reassignment of duties, the Office of Higher Education will reduce operating expenditures for the 2012-13 biennium. The Office of Higher Education also negotiated a more favorable lease agreement for its office space, which will further enable the agency to implement operational cuts with minimal disruption to services.

Statutory change: Not applicable.

OFFICE OF HIGHER EDUCATION**Program: FISCAL POLICY & RESEARCH****Change Item: Eliminate United Family Practice Grant**

Fiscal Impact (\$000s)	FY 2012	FY 2013	FY 2014	FY 2015
General Fund				
Expenditures	\$(467)	\$(467)	\$(467)	\$(467)
Revenues	0	0	0	0
Other Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact	\$(467)	\$(467)	\$(467)	\$(467)

Recommendation

The Governor recommends the elimination of the grant for the United Family Medicine Residency program. The grant amount in the FY 2012-13 base is \$467,000 in each year.

Rationale

This reduction is recommended as part of a plan to address the projected state budget shortfall and preserve the state's primary need-based grant program available to students – the State Grant program.

The program provides training for family medicine resident physicians at United Family Medicine in St. Paul. In FY 2010-11 the funding provides support for operating expenses related to the training for 18 family practice residents and two fourth year mastery physicians at the clinic. The goal of the program is to serve patient populations in both urban and rural communities. The appropriation was first initiated for the program in 2005. It provides an average subsidy of \$23,000 for each physician. The reduction of this funding will require the clinic to seek another source of support for residents' capitation.

The grant is provided to the clinic through a grant agreement and this change will have no impact on the operations of the Office of Higher Education.

Statutory Change: Not applicable.

OFFICE OF HIGHER EDUCATION**Program: LIBRARIES AND TECHNOLOGY****Change Item: Minitex Library Reduction**

Fiscal Impact (\$000s)	FY 2012	FY 2013	FY 2014	FY 2015
General Fund				
Expenditures	\$(301)	\$(301)	\$(301)	\$(301)
Revenues	0	0	0	0
Other Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact	\$(301)	\$(301)	\$(301)	\$(301)

Recommendation

The Governor recommends a 5% reduction in the appropriation for Minitex and MnLINK library services. The 5% reduction would result in a \$281,550 reduction in the state appropriation for Minitex and a \$20,000 reduction in MnLINK. These programs allow all libraries in Minnesota to use bulk purchasing and the Internet to provide Minnesota residents online access to print journals, electronic journals, books and other library resources.

Rationale

This reduction is recommended as part of a plan to address the projected state budget shortfall and preserve the state's primary need-based grant program available to students—the State Grant program.

The \$281,550 reduction in Minitex funding will likely result in reductions in the number and type of staff at participating libraries, as well as a reduction in operating hours; delays in providing timely technology updates; and reductions in higher education institutions' access to certain scholarly online resources and services to library staff and users.

The \$20,000 reduction in MnLINK funding will result in some delays in processing information requests and updating systems. It will also require that no additional libraries become Gateway Server sites.

Statutory change: Not applicable.

OFFICE OF HIGHER EDUCATION**Program: STUDENT FINANCIAL AID-OUTREACH****Change Item: Child Care Grant Reduction**

Fiscal Impact (\$000s)	FY 2012	FY 2013	FY 2014	FY 2015
General Fund				
Expenditures	\$(334)	\$(334)	\$(334)	\$(334)
Revenues	0	0	0	0
Other Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact	\$(334)	\$(334)	\$(334)	\$(334)

Recommendation

The Governor recommends a reduction of \$334,000 each year (5%) in the Postsecondary Child Care Grant program. The program provides grants to low-income students for child care expenses. In Fiscal Year 2010, 2,900 students received an average of \$2,200 to help with their child care expenses.

Rationale

This reduction is recommended as part of a plan to address the projected state budget shortfall and preserve the state's primary need-based grant program available to students – the State Grant program.

Postsecondary child care grant recipients are low-income students with dependent children. A recipient attending full-time may receive an award of up to \$2,600 per child if income is 130% of poverty or less for their household size. 130% of the poverty guideline was \$18,310 for a family of three people in FY 2010. Students with incomes up to 295% of the poverty guideline may qualify for a partial award.

With this reduction, approximately 150 fewer students will receive Postsecondary Child Care grants in FY 2012. Students who do not receive grants to help with their child-care expenses may work more hours or borrow more in student loans as a result. Some students may take longer to graduate because increased hours spent working or caring for their child will mean they have fewer hours to devote to their studies. Other students may be unable to continue their studies.

Statutory change: Not applicable.

OFFICE OF HIGHER EDUCATION**Program: STUDENT FINANCIAL AID-OUTREACH****Change Item: Get Ready Outreach Reduction**

Fiscal Impact (\$000s)	FY 2012	FY 2013	FY 2014	FY 2015
General Fund				
Expenditures	\$(9)	\$(9)	\$(9)	\$(9)
Revenues	0	0	0	0
Other Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact	\$(9)	\$(9)	\$(9)	\$(9)

Recommendation

The Governor recommends a 5% (\$9,200 annual) reduction to the state-funded portion of the Get Ready/GEAR UP program, a program that provides 4th through 12th grade students from low-income families and those from groups traditionally under-represented in college with college planning assistance, academic tutoring and information on career and higher education options. This would reduce the annual state base level funding from \$184,000 to \$174,800.

Rationale

Reductions to state program funds are necessary to help address the state budget deficit shortfall and to preserve the state's primary need-based grant program available to students—the State Grant program.

This meet this reduction, there will be a reduction in the provision of Get Ready Outreach services and materials to some schools that do not meet federal free and reduced price lunch criteria for services.

Because the \$2.5 million per year federal GEAR UP grant to Minnesota, requires a dollar-for-dollar match through either monetary or in-kind non-federal resources, the Office of Higher Education will identify alternative monetary and/or in-kind resources to cover the amount of this reduction. The program generates the majority of its federal matching dollars from the Department of Education's General Education Compensatory funding, which will likely be the source of the matching dollars to replace the reduction made in this program. The following website provides additional information about the Get Ready/GEAR UP program and the services it provides: www.getreadyforcollege.org.

Statutory Change: Not applicable.

OFFICE OF HIGHER EDUCATION**Program: STUDENT FINANCIAL AID-OUTREACH****Change Item: Parent Information Reduction**

Fiscal Impact (\$000s)	FY 2012	FY 2013	FY 2014	FY 2015
General Fund				
Expenditures	\$(6)	\$(7)	\$(6)	\$(7)
Revenues	0	0	0	0
Other Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact	\$(6)	\$(7)	\$(6)	\$(7)

Recommendation

The Governor recommends a 5% reduction, or \$13,000 over the biennium, for statewide distribution of student and parent information on preparing and paying for college.

Rationale

This reduction is recommended as part of a plan to address the projected state budget shortfall and preserve the state's primary need-based grant program available to students – the State Grant program.

The Minnesota Office of Higher Education has over thirty years of history of providing Minnesota students and their families with information about preparing and paying for college and college options (Chapter 136A.87). Information is distributed through educators, schools and outreach programs through the agency's Web site, publications and materials created by the agency and through its presentations and outreach work.

Student and parent information is currently available free to Minnesota schools, individuals and non-profit organizations. This reduction will result in elimination of the print version of the Minnesota College Guide beginning in FY 2012. The Guide is a free directory of all degree-granting institutions in Minnesota and the two- and four-year programs offered. The Guide will continue to be available online. In FY 2010, 70,000 copies of the Guide were ordered online by 565 organizations and individuals. In recent years, funding for producing the guide has come from state and outside resources, which will no longer be available.

Statutory change: Not applicable.

OFFICE OF HIGHER EDUCATION**Program: STUDENT FINANCIAL AID-OUTREACH****Change Item: American Indian Scholarship Reduction**

Fiscal Impact (\$000s)	FY 2012	FY 2013	FY 2014	FY 2015
General Fund				
Expenditures	\$(100)	\$(100)	\$(100)	\$(100)
Revenues	0	0	0	0
Other Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact	\$(100)	\$(100)	\$(100)	\$(100)

Recommendation

The Governor recommends a 5% reduction in the American Indian Scholarship program, or \$200,000 over the course of the FY 2012-13 biennium.

Rationale

This reduction is recommended as part of a plan to address the projected state budget shortfall and preserve the state's primary need-based grant program available to students – the State Grant program.

Established during the 1959 legislative session, the Minnesota Indian Scholarship Program provides postsecondary financial assistance to eligible Minnesota resident students who are of one-fourth or more Indian ancestry and demonstrate financial need for an award. Students are eligible to receive scholarships to attend undergraduate and graduate programs, including doctorate and other terminal degrees. During FY 2010, the average annual family income for recipients was approximately \$19,000.

This reduction will result in the elimination of an average annual scholarship of \$3,133 for approximately 32 students each fiscal year for a total of 64 students for the biennium and reduce the number of recipients from approximately 620 each fiscal year to 588.

Statutory Change: Not applicable.

OFFICE OF HIGHER EDUCATION**Program: STUDENT FINANCIAL AID-OUTREACH****Change Item: Safety Off Survivor Grant Transferred to State Grant****Preliminary Budget Option**

Fiscal Impact (\$000s)	FY 2012	FY 2013	FY 2014	FY 2015
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 transferring the direct appropriation for the Safety Officers Survivor program to the State Grant program. The program would remain in law as it currently stands. However, the funding would be made available directly from the appropriation for the State Grant Program.

Rationale

Annual usage of the program is typically well below the \$100,000 appropriation. Demand for this small but important program is very uncertain from year to year, as the annual number of recipients can vary widely. In 2008 and 2009 there were 12 recipients and spending was \$48,000 and \$57,000 in each year, respectively. By moving the appropriation for this program under the much larger State Grant program, OHE can address the uncertainty in the program and any remaining funds can be used for State Grant recipients. This will allow for more complete use of state resources.

Statutory Change: Not Applicable.

OFFICE OF HIGHER EDUCATION**Program: STUDENT FINANCIAL AID-OUTREACH****Change Item: Work Study Reduction**

Fiscal Impact (\$000s)	FY 2012	FY 2013	FY 2014	FY 2015
General Fund				
Expenditures	\$(5,055)	\$(4,705)	\$(4,705)	\$(4,705)
Revenues	0	0	0	0
Other Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact	\$(5,055)	\$(4,705)	\$(4,705)	\$(4,705)

Recommendation

The Governor recommends a reduction of \$9.76 million (32 percent) for the FY 2012-13 biennium in the State Work Study program. The program pays 75% of the wages for students working on campuses and in their communities. In fiscal year 2010, 11,100 students earned an average of \$1,800 each working in State Work Study jobs, of which approximately \$1,350 per student was from state funds and \$450 was employer matching funds. With this reduction, approximately 2,600 fewer students will have State Work-Study jobs in Fiscal Year 2012. Some colleges and universities may reduce the amount paid per hour, the number of hours students work per week, or they may use other sources of funds for their work study program in order to minimize the loss of jobs.

Rationale

This reduction is recommended as part of a plan to address the projected state budget shortfall and preserve the state's primary need-based grant program available to students – the State Grant program.

Institutions receive funding for work study programs from federal, state and institutional sources. Reducing the state-funded Work Study program will have an impact on the number and type of work study positions. However, state funds make up only a portion of the total funds available to institutions for this purpose.

Students who do not receive earnings from State Work Study jobs may work more hours in off-campus jobs or borrow more in student loans as a result. Some students may take longer to graduate because increased hours spent working will mean they have fewer hours to devote to their studies.

Some colleges and universities may increase student employment from institutional funds to help students cope with reduced State Work-Study funds. However, many campuses are likely to have difficulty obtaining funding for additional student jobs paid from institutional funds in the current economy.

Colleges and universities often employ students in libraries, laboratories and other campus jobs, using State Work Study funds. The campuses may have to reduce staffing for some jobs as a result of this reduction.

Statutory Changes: Not applicable.

OFFICE OF HIGHER EDUCATION**Program: STUDENT FINANCIAL AID-OUTREACH****Change Item: Eliminate Achieve Scholarship**

Fiscal Impact (\$000s)	FY 2012	FY 2013	FY 2014	FY 2015
General Fund				
Expenditures	\$(2,350)	\$(2,350)	\$(2,350)	\$(2,350)
Revenues	0	0	0	0
Other Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact	\$(2,350)	\$(2,350)	\$(2,350)	\$(2,350)

Recommendation

The governor recommends the Achieve Scholarship program be eliminated. The reduction of \$2.35 million per year, for a total of \$4.7 million for the biennium represents 100% of the base appropriation. The elimination of this program is recommended as part of a plan to meet the projected state budget shortfall.

Rationale

The elimination of this program is recommended as part of a plan to address the projected state budget shortfall and preserve the state's primary need-based grant program available to students – the State Grant program. As state resources have become more constrained over the past two biennia, the program has had to remain relatively small. Instead of continuing to operate a separate grant program at the potential expense of the State Grant program, which is much larger, the Governor recommend the elimination of this additional grant program.

The Achieve Scholarship program was created in 2008 to address two barriers to college attendance: lack of academic preparation and financial access to encourage high achieving, high-need students to attend postsecondary institutions. Eligible Minnesota high school graduates who complete any one of four sets of courses defined as rigorous earn a one-time scholarship to help pay for college at a public or private university or college in Minnesota. The program requires students to enroll full time in a Minnesota postsecondary institution during the first year immediately following high school graduation. Students must also meet financial need requirements by demonstrating eligibility for either a Federal Pell Grant or a Minnesota State Grant. During FY 2010, the average annual family income for recipients was approximately \$43,000. Students are eligible to receive an average annual scholarship or \$2,568.

Prior to modifications made to the program during the 2009 legislative session the original Achieve Scholarship Program was available to students who graduated from a Minnesota high school between January 1, 2008 and December 31, 2008. The original program provided eligible students with scholarship funds to be used within the first four years immediately following high school graduation. In order to fulfill the intent of the original program, 2008 high school graduates continued to be eligible to receive the scholarship under the original program parameters (Laws of Minnesota, 2009 Ch. 95, Art. 2 Sec. 39). If the funding for the program is eliminated and no funds are available to provide scholarships for these potentially eligible students, a maximum annual award of \$1,200 for approximately 130 students would be eliminated in FY 2012 (based on the number of students who received scholarships in FY 2011).

As a result of this elimination, all potentially eligible students would see a reduction in total state financial aid (grants and scholarships). Some students attending institutions with the ability to replace Achieve Scholarships with institutional funds will not see a significant change in their overall financial aid package.

Statute change: The language governing the Achieve Scholarship program should be eliminated, M.S. 136A.127.

OFFICE OF HIGHER EDUCATION**Program: STUDENT FINANCIAL AID-OUTREACH****Change Item: Eliminate Savings Plan Matching Grants**

Fiscal Impact (\$000s)	FY 2012	FY 2013	FY 2014	FY 2015
General Fund				
Expenditures	\$(350)	\$(700)	\$(700)	\$(700)
Revenues	0	0	0	0
Other Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact	\$(350)	\$(700)	\$(700)	\$(700)

Recommendation

The governor recommends phasing out Minnesota College Savings Plan Matching Grants. The reduction is \$350,000 in FY 2012 (50% reduction) and \$700,000 in FY 2013 (100% reduction), ending the matching grant portion of the Minnesota College Savings Plan. The Minnesota College Savings Plan would continue to exist as a savings vehicle for families to help them pay the rising costs associated with attending college and reduce their reliance on borrowing.

Rationale

This reduction is recommended as part of a plan to address the projected state budget shortfall and preserve the state's primary need-based grant program available to students – the State Grant program. The Minnesota College Savings Plan offers families an alternative to student borrowing and a tax advantaged opportunity to save for future college expenses.

The Minnesota College Savings Plan is a 529 Qualified Tuition Program. Minnesota's Plan is defined under Section 529 of the United States Internal Revenue Code and authorized under Minnesota Statutes 136G. The Plan had more than 54,106 account beneficiaries with more than \$825 million in savings in the fourth quarter of 2010. More information at <http://www.mnsaves.org>. Earnings in the Minnesota College Savings Plan are tax-deferred while invested and tax-free when distributed for qualified higher education expenses.

Minnesota is one of only eight states not offering an income tax deduction or credit on contributions to their state's 529 plan (among 42 states with an income tax). As such, the state has provided a state-funded matching grant to account beneficiaries from low and moderate-income Minnesota families. The matching grant is available annually to Minnesota resident account beneficiaries whose parent(s) filed a Minnesota individual income tax return with a 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. Applications are due May 1, 2011 for awards to be paid in July 2011, fiscal year 2012.

Statutory Change: The language pertaining to the Matching Grant Program should be deleted in Minnesota Statutes 136G.

Program at a Glance

- State student financial aid programs served more than 83,000 in FY 2009.
- Distributed \$172.6 million in grants, scholarships and work study in FY 2009.
- There were more than 50,000 Minnesota college savings plan accounts with a total market value of more than \$736 million in the first quarter of 2010.
- More than 2,100 account beneficiaries received matching grants in 2010.
- Approximately 25,000 Minnesota residents participate in tuition reciprocity annually.

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 offers a range of financial aid programs 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.

The **Minnesota State Grant** program is a need-based grant program for Minnesota undergraduate students attending Minnesota public and private institutions. The program 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 84,518 students and awarded \$143.5 million in FY 2009. The average state grant is about \$1,698. Eligible students are Minnesota residents attending a Minnesota public or private college or university who demonstrate financial need.

The **Summer Transition Grant** program, first implemented during the summer of 2010, provides need-based grants to Minnesota high school graduates attending approved summer transition programs offered by Minnesota colleges designed to increase academic readiness for postsecondary education. The program's annual funding of \$1 million comes from the Minnesota state grant appropriation.

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 FAFSA. State work study served 10,515 students in 2008-2009 who earned \$17.6 million, of which \$12.2 million were state funds.

The **Minnesota Indian Scholarship** program provides scholarships to Minnesota resident students who are of at least one-fourth American Indian ancestry to attend eligible postsecondary institutions in Minnesota. Undergraduate students who demonstrate need and qualify for either the Minnesota state grant or the federal Pell grant can receive an annual scholarship of up to \$4,000, with an average award of \$3,200. Graduate students who demonstrate need can receive an annual scholarship of up to \$6,000. In FY 2010 the program received 2,349 applications, provided 625 eligible students with approximately \$2 million in scholarships and 575 eligible students remained on the waiting list after all available funding had been awarded.

The **Minnesota Achieve Scholarship** awards recent Minnesota high school graduates with a scholarship for completing one of four rigorous programs of study while in high school. The program began in 2008-2009 and is available to Minnesota residents who meet specific financial need requirements and are 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 received up to \$2,600 per dependent child in FY 2009. The program served 2,873 students in FY 2009 with an allocation of \$6.2 million.

The **Minnesota GI Bill** provides financial assistance to eligible Minnesota veterans and service members who have served after September 11, 2001 and to the children and spouses of deceased or severely disabled eligible Minnesota veterans and services members to attend participating postsecondary institutions in Minnesota. The agency administers the program on behalf of the Minnesota Department of Veterans Affairs. In FY 2010 the program received 1,384 applications and 640 students received benefits totaling approximately \$1 million.

The Safety Officers Survivor's program provides grants to survivors of Minnesota public safety officers killed in the line of duty. In 2009, the program served 12 students and spent \$56,594.

The Minnesota SELF Loan program is described in the State Student Loans Program Narrative.

The Minnesota College Savings Plan is a 529 Qualified Tuition Program and encourages individuals and families to save for postsecondary education. Minnesota's plan is defined under Section 529 of the United States Internal Revenue Code and authorized under M.S. 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.

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.

Minnesota's plan provides a state-funded matching grant to account beneficiaries from low and moderate income Minnesota families. The matching grant is available annually to Minnesota resident account beneficiaries whose families have a 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.

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 25,000 Minnesota students attending colleges and universities in neighboring states at reduced prices during fall term 2009. 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. For the 2008-2009 academic year, Wisconsin paid Minnesota \$9.2 million and Minnesota paid North Dakota \$3.1 million. For the 2009-2010 academic year, Wisconsin is projected to pay Minnesota \$9 million and Minnesota is projected to pay North Dakota \$3.9 million. Final 2009-10 data will be available in January 2011.

Population Served

The Minnesota State Grant program, the Summer Transition Grant program, the Work Study program, the Indian Scholarship program, the Achieve Scholarship program, the Postsecondary Child Care Grant program, and the Safety Officers Survivors program serve Minnesota residents attending Minnesota postsecondary 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 Program Goals & Measures

Goal: Provide Minnesota students with access to postsecondary education at affordable prices.

Goal: Support the ability of students to choose the postsecondary institution that best meets their educational needs, regardless of financial circumstances.

Measures: Overall enrollment and the percentage of student who enroll in postsecondary education after high school provide information about the number of students affected by higher education policies and programs (see following table).

OFFICE OF HIGHER EDUCATION

Program: STUDENT FINANCIAL AID-OUTREACH

Narrative

Undergraduate Headcount Enrollment at Minnesota Postsecondary Institutions 2000 to 2009

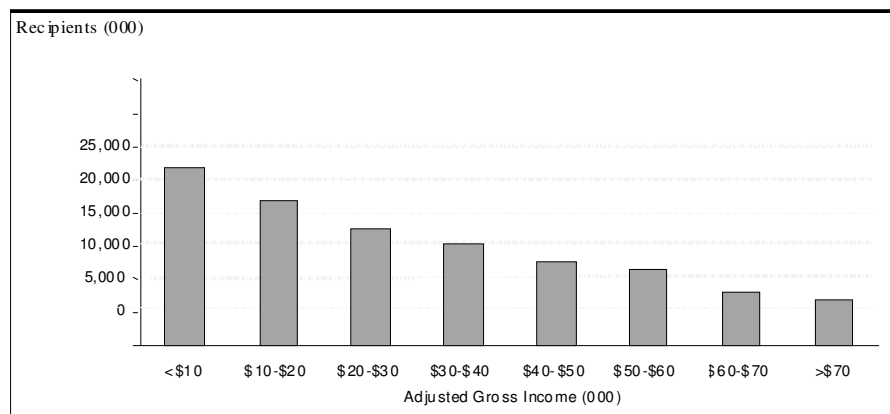
2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
240,603	245,162	252,428	265,692	264,891	266,891	273,759	283,287	296,236	317,259

Measures: The number of students served, total amount of financial aid awards and average awards in each program serve as measures for these programs.

The **Minnesota State Grant** program is a need-based grant program for Minnesota undergraduate students attending Minnesota public and private institutions.

Fiscal Year	Students Served	Total Awards	Average Award
2005	73,410	\$124,440,000	\$1,695
2006	71,108	\$124,290,000	\$1,748
2007	80,182	\$156,100,000	\$1,947
2008	83,246	\$148,670,000	\$1,786
2009	84,518	\$143,520,000	\$1,698

Minnesota State Grant Recipients by Income Level, 2009



The **Minnesota Work Study** program provides students with part-time jobs so students can earn money to help pay for college.

Fiscal Year	Students Served	Total Earnings	Average earnings	Amount from State General Fund
2005	10,924	\$18,057,372	\$1,653	\$12,587,559
2006	10,649	\$18,145,896	\$1,704	\$12,720,606
2007	11,921	\$20,039,201	\$1,681	\$14,768,352
2008	10,999	\$18,489,319	\$1,681	\$12,789,372
2009	10,515	\$17,560,050	\$1,670	\$12,207,557

The **Minnesota Indian Scholarship** program provides need-based scholarships to Minnesota resident students who are of at least one-fourth American Indian ancestry to attend eligible postsecondary institutions in Minnesota.

Fiscal Year	Students Served	Total Awards	Average Award
2005	481	\$1,530,123	\$3,181
2006	637	\$2,194,247	\$3,445
2007	538	\$1,804,381	\$3,354
2008	595	\$1,872,932	\$3,148
2009	625	\$2,000,000	\$3,200

The **Minnesota Achieve Scholarship** awards recent Minnesota high school graduates with a scholarship for completing one of four rigorous programs of study while in high school.

Fiscal Year	Students Served	Total Awards	Average Award
2009	1,934	\$2,121,600	\$1,097

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.

Fiscal Year	Students Served	Total Awards	Average Award
2005	2,662	\$4,672,972	\$1,755
2006	2,592	\$4,758,726	\$1,836
2007	2,832	\$5,086,400	\$1,796
2008	2,921	\$5,972,521	\$2,045
2009	2,873	\$5,937,721	\$2,067

The **Minnesota GI Bill** program provides postsecondary financial assistance to eligible Minnesota veterans and service members who have served after September 11, 2001 and to the children and spouses of deceased or severely disabled eligible Minnesota veterans and services members to attend postsecondary institutions in Minnesota. The agency administers the program on behalf of the Minnesota Department of Veterans Affairs.

Fiscal Year	Students Served	Total Awards	Average Award
2008	787	\$1,018,569	\$1,294
2009	719	\$957,125	\$1,331

The **Safety Officers Survivor's** program provides grants to survivors of Minnesota public safety officers killed in the line of duty.

Fiscal Year	Students Served	Total Awards	Average Award
2005	14	\$72,282	\$5,163
2006	20	\$88,775	\$4,439
2007	16	\$79,002	\$4,938
2008	12	\$47,873	\$3,989
2009	12	\$56,594	\$4,716

The **Minnesota College Savings Plan** is a 529 Qualified Tuition Program and encourages individuals and families to save for postsecondary education.

Calendar Year	Number of Account Beneficiaries	Total Market Value of Accounts	Number of Matching Grants
2008	51,054	\$557 million	2,200
2009	52,911	\$698 million	2,100

Tuition reciprocity agreements are negotiated and administered by the Minnesota Office of Higher Education. Interstate Tuition Reciprocity reduces tuition and admissions barriers for students who want to attend a public college in a partner reciprocity state.

Fiscal Year	Number of Minnesota Residents Attending in Reciprocity States	Number of Reciprocity State Residents Attending in Minnesota
2005	22,874	19,277
2006	23,638	19,423
2007	24,074	19,432
2008	24,311	18,736
2009	24,886	17,875

Goal: Support the ability of students to choose the postsecondary institution that best meets their educational needs, regardless of financial circumstances.

Measure: Overall enrollment and the percentage of student who enroll in postsecondary education after high school provide information about the number of students affected by higher education policies and programs. Undergraduate headcount enrollment at all Minnesota postsecondary institutions increased from 240,603 in 2000 to 317,259 in 2009. In addition, the percent of high school graduates enrolling in college within one year of graduation has increased from 62.8% in 2001 to 70.2% in 2008.

Goal: Provide efficient administration of financial aid programs, and provide effective and timely responses to inquiries from students, parents and postsecondary institutions.

Measure: The Financial Aid Division of the Office of Higher Education, which handles State Grants, Summer Transition Grants, Work Study, Child Care Grants, Safety Officer Survivors Grants, American Indian Scholarships, Achieve Scholarships and the Minnesota GI Bill awards, receives an average of 1,100 phone calls and e-mail inquiries per week from students, parents and postsecondary institutions.

Measure: Institution requests for student aid funds are received, evaluated, processed, approved, and funds transferred within 48 hours.

Measure: State administrative costs for the State Grant program represent less than one half of one percent of the cost of the program.

Program Funding

The Minnesota State Grant program, the Summer Transition Grant program, State Work Study, the Intervention for College Attendance program, and other financial aid programs are all funded through the state's general fund (note: higher-than-projected enrollment drove higher-than-expected demand in FY 2010, causing rationing of Minnesota state grants in FY 2011 to stay within the general fund appropriation). 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.

Program at a Glance

- More than 6,000 students attending low-income schools served directly by the Get Ready program.
- 24 college access programs received grants from the Intervention for college attendance program.
- The agency's informational web sites received 1.8 million hits in 2009.

Program Description

The agency is charged in statute with reaching students in K-12 through adulthood with information about preparing and paying for college. This is achieved many ways, through many programs and services.

The largest and most specific outreach effort undertaken by the Minnesota Office of Higher Education is the Get Ready program. The **Get Ready/GEAR UP** programs provide 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 6,000 students annually in ten Title I schools in Minneapolis and St. Paul. Through its outreach efforts, the program provides its resources and support to an additional 2,300 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.

Population Served

The Get Ready program directly serves students in ten low-income urban schools in grades four through 12 with direct services. Staff in schools work with students on academics, career exploration, college exploration and provide information and guidance on the college process and financial aid. In addition, the program serves 2,300 low-income students in schools and organizations throughout Minnesota.

The agency more broadly serves all schools, counselors and prospective students and their families across the state through its information resources, web sites and other means.

Key Program Goals & Measures

Goal: Reach low-income students with information about preparing and paying for college through the Get Ready program.

Measure: Through the Get Ready program's outreach efforts, the program provides its resources and support to 2,300 students across the state. The students received college access lessons, college field trips, academic support and counseling.

Measure: In an end-of year evaluation, 95 percent of students in the Get Ready program agreed the program helped them learn ways to pay for college; 95 percent reported the program helped them learn how much it would cost to attend different types of postsecondary institutions; 98 percent agreed the program helped them learn more about potential careers and the educational requirements for those careers; and 85 percent of the parents indicated they gained knowledge about various ways to finance a postsecondary education.

Goal: Reach students and families with current and accurate information about preparing and paying for college.

Measure: The Office of Higher Education's web site for students and families received 1.8 million hits in 2010.

Measure: The agency fulfilled requests to schools, community organizations and families for more than 350,000 publications in 2010.

Measure: See enrollment and participation rates in financial aid section.

Goal: Empower effective local college access programs to expand their reach and capacity (through the Intervention for College Attendance program and other measures).

Measure: Intervention for College Attendance program funding for the 2010-2011 biennium made it possible for 21 local programs to reach students from groups traditionally underrepresented in higher education with tutoring, career exploration, college orientation, counseling and information about college admissions and financial aid (outcome measures due to the legislature in a report January 2010.)

Program Funding

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.

Contact

Office of the Director
Minnesota Office of Higher Education
651-259-3901
1450 Energy Park Drive, Suite 350
Saint Paul, Minnesota 55108
Primary Web site: www.ohe.state.mn.us
Web site for students and parents: www.getreadyforcollege.org

OFFICE OF HIGHER EDUCATION

Program: STUDENT FINANCIAL AID-OUTREACH

Program Summary

Dollars in Thousands					
	Current		Governor Recomm.		Biennium
	FY2010	FY2011	FY2012	FY2013	2012-13
<u>Direct Appropriations by Fund</u>					
General					
Current Appropriation	213,631	140,365	175,697	175,697	351,394
Technical Adjustments					
Current Law Base Change			(528)	(428)	(956)
Subtotal - Forecast Base	213,631	140,365	175,169	175,269	350,438
Governor's Recommendations					
Work Study Reduction		0	(5,055)	(4,705)	(9,760)
Eliminate Achieve Scholarship		0	(2,350)	(2,350)	(4,700)
Eliminate Savings Plan Matching Grants		0	(350)	(700)	(1,050)
Child Care Grant Reduction		0	(334)	(334)	(668)
American Indian Scholarship Reduction		0	(100)	(100)	(200)
Safety Off Survivor Grant to State Grant		0	(100)	(100)	(200)
State Grant Receives Safety Off Grant		0	100	100	200
Get Ready Outreach Reduction		0	(9)	(9)	(18)
Parent Information Reduction		0	(6)	(7)	(13)
Total	213,631	140,365	166,965	167,064	334,029
<u>Expenditures by Fund</u>					
Direct Appropriations					
General	206,455	149,954	168,459	168,628	337,087
Statutory Appropriations					
Miscellaneous Special Revenue	133	137	110	110	220
Federal	4,526	5,535	5,660	5,660	11,320
Total	211,114	155,626	174,229	174,398	348,627
<u>Expenditures by Category</u>					
Total Compensation	1,562	1,848	1,854	1,884	3,738
Other Operating Expenses	1,477	1,970	1,856	1,825	3,681
Payments To Individuals	206,879	150,019	168,887	169,057	337,944
Local Assistance	1,186	1,769	1,612	1,612	3,224
Other Financial Transactions	10	20	20	20	40
Total	211,114	155,626	174,229	174,398	348,627
<u>Expenditures by Activity</u>					
State Grants	188,138	132,191	155,622	155,692	311,314
Mn College Savings Program	379	1,157	428	78	506
Interstate Tuition Reciprocity	3,975	3,276	3,150	3,250	6,400
State Work Study	14,512	13,608	9,889	10,239	20,128
Outreach Programs	4,089	5,361	5,107	5,106	10,213
Student Financial Aid Services	21	33	33	33	66
Total	211,114	155,626	174,229	174,398	348,627
Full-Time Equivalents (FTE)	26.9	26.9	26.9	26.9	

Program at a Glance

- SELF loan program serves approximately 23,000 students and lends \$120 million dollars of aid each year (2009).
- Since 1985, the Office of Higher Education has made more than 400,000 SELF loans totaling over \$1.7 billion to students.
- The Office of Higher Education collected over \$6.7 million from SELF defaulters in FY 2010.
- 107,000 SELF borrowers continue to be served until their outstanding loans, totaling \$742 million are paid off.

Program Description

The Office of Higher Education administers the Student Educational Loan Fund (SELF) program and the Graduated Repayment Income Protection (GRIP) 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. M.S. 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 and 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.

Services Provided

The SELF loan program serves undergraduate and graduate students. Minnesota residents attending institutions in Minnesota or at one of more than 260 out-of-state institutions that have contracts with the program are eligible to borrow. Also, non-resident students attending Minnesota institutions are eligible to borrow from this program. The SELF loan program serves an estimated 23,000 students with \$118 million in disbursements annually.

The **Graduated Repayment Income Protection** program no longer lends funds to students. GRIP participants are graduates of professional and graduate programs in specific health occupations. The GRIP loan was discontinued in 1995 for new participants. The only activity is managing repayments from 14 borrowers.

Key Program Goals & Measures

Goal: Provide an additional source of loan funding to postsecondary students.

Measure: The number of loans, total amount disbursed and average loan amount serve as measures for this program.

Fiscal Year	Number of Loans	Total Disbursed	Average Loan
2005	36,161	135,540,578	\$3,748
2006	33,051	127,173,732	\$3,848
2007	30,577	135,308,934	\$4,425
2008	28,302	141,556,162	\$5,002
2009	24,756	125,227,808	\$5,058

Goal: Provide a competitive interest rate.

Measure: SELF Loan interest rates vary with market interest rates. The interest rate in the 2nd quarter of each calendar year serves as a measure for this goal.

2nd Quarter (April)	Interest Rate
2005	6.1%
2006	7.9%
2007	7.4%
2008	6.0%
2009	4.7%
2010	3.9%

Goal: Collect from borrowers/cosigners who defaulted on their loans as they are able to pay.

Measure: The cumulative SELF Loan default rate over the life of the loans is less than 2%.

Program Funding

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 \$299.2 million of tax-exempt bonds and \$290.9 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 \$850 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.

Contact

Office of the Director
Minnesota Office of Higher Education
651-259-3901
1450 Energy Park Drive, Suite 350
Saint Paul, Minnesota 55108
Primary Web site: www.ohe.state.mn.us
Web site for students and parents: www.getreadyforcollege.org

OFFICE OF HIGHER EDUCATION
Program: STATE STUDENT LOANS

Program Summary

<i>Dollars in Thousands</i>					
	Current		Governor Recomm.		Biennium
	FY2010	FY2011	FY2012	FY2013	2012-13
<u>Expenditures by Fund</u>					
Statutory Appropriations					
Office Of Higher Education	126,626	125,005	135,005	135,005	270,010
Total	126,626	125,005	135,005	135,005	270,010
<u>Expenditures by Category</u>					
Other Operating Expenses	8,313	10,000	10,000	10,000	20,000
Other Financial Transactions	118,313	115,005	125,005	125,005	250,010
Total	126,626	125,005	135,005	135,005	270,010
<u>Expenditures by Activity</u>					
State Supplemental Loans	126,622	125,000	135,000	135,000	270,000
Other Loan Programs	4	5	5	5	10
Total	126,626	125,005	135,005	135,005	270,010

Program at a Glance

Enrollment records of 450,000 students attending nearly 200 institutions were reported in fall 2009.

- Financial aid reports, projections and analyses are produced for policymakers and educators and are posted to the agency web site.
- 88 private career training providers were licensed to operate in Minnesota in 2010.
- 81 private degree granting institutions were registered to operate in Minnesota in 2010.

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; and,
- consumer protection services that require private and out-of-state institutions to meet state standards.

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. In the past the report presented measures for a number of indicators organized under five state goals. The five state goals are:

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

During the summer of 2010 the agency reevaluated these goals and in early 2011 will release a report with a new format centered around a set of student pathways and will include a report that focuses on a key issue in higher education in the state.

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 uses 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 and projections 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 (M.S. 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 (M.S. 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 Program Goals & Measures

Goal: Provide quality analyses of enrollment, postsecondary participation and degrees earned by students attending private and public institutions.

Measures: Enrollment records of 450,000 students attending nearly 200 postsecondary institutions were reported in fall 2009. Regular reports were issued to policymakers on the percentage of high school graduates who enroll in college, part-time and full-time enrollment, the age of postsecondary students and other demographics.

Goal: Provide quality analyses of financial aid programs and college financing.

Measures: Accurate State Grant projections reported on the statutory timeframe. The Higher Education Accountability Report was produced first in 2006 and updated annually. It is one of the few state accountability reports that includes information on private nonprofit colleges and private for-profit career schools. Information was provided on the number of students served by each financial aid program, the types of institutions attended and total amounts awarded. Reports required in statute were produced and delivered on time.

Goal: Provide consumer protection by ensuring that minimum standards for private and out-of-state institutions are met and investigating student complaints.

Measures: More than 160 private postsecondary institutions are registered or licensed to operate in Minnesota. As the licenses and registrations expired, and when new programs or degrees were offered, Office of Higher Education staff reviewed the programs and procedures of the institutions for compliance with statutory requirements. Student complaints were investigated promptly and institutions were contacted to determine the actions taken in response to the complaints.

Program Funding

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

Contact

Office of the Director
Minnesota Office of Higher Education
651-259-3901
1450 Energy Park Drive, Suite 350
Saint Paul, Minnesota 55108
Primary Web site: www.ohe.state.mn.us
Web site for students and parents: www.getreadyforcollege.org

OFFICE OF HIGHER EDUCATION

Program: FISCAL POLICY & RESEARCH

Program Summary

<i>Dollars in Thousands</i>					
	Current		Governor Recomm.		Biennium
	FY2010	FY2011	FY2012	FY2013	2012-13
<u>Direct Appropriations by Fund</u>					
General					
Current Appropriation	543	562	562	562	1,124
Subtotal - Forecast Base	543	562	562	562	1,124
Governor's Recommendations					
Eliminate United Family Practice Grant		0	(467)	(467)	(934)
Total	543	562	95	95	190
<u>Expenditures by Fund</u>					
Direct Appropriations					
General	543	562	95	95	190
Statutory Appropriations					
Miscellaneous Special Revenue	432	309	309	309	618
Federal	1,182	1,015	1,015	1,015	2,030
Total	2,157	1,886	1,419	1,419	2,838
<u>Expenditures by Category</u>					
Total Compensation	346	286	288	288	576
Other Operating Expenses	208	167	165	165	330
Local Assistance	1,603	1,433	966	966	1,932
Total	2,157	1,886	1,419	1,419	2,838
<u>Expenditures by Activity</u>					
Fiscal Policy & Research	266	309	309	309	618
Miscellaneous Grant Programs	1,891	1,577	1,110	1,110	2,220
Total	2,157	1,886	1,419	1,419	2,838
Full-Time Equivalents (FTE)	4.1	4.1	4.1	4.1	

Program at a Glance**Minitex** in FY 2009:

- Through cooperative purchasing and licensing, Minitex saved Minnesota academic and state government libraries over \$30 million.
- Over 109,000 library loans and copies provided by University of Minnesota-Twin Cities campus libraries to Minnesota libraries throughout the state.
- More than 14 million uses of licensed electronic resources occurred through the Electronic Library for Minnesota.

MnLINK in FY 2009:

- Over 601,609 interlibrary loan requests were placed by patrons and library staff via the MnLINK Gateway.
- Over 33 million volumes, owned by 485 libraries are available to search and request plus the Electronic Library for Minnesota can be searched.

Program Description

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

Population Served

Library and technology programs serve Minnesota K-12 schools, public and private postsecondary institutions and their students, libraries, and the general public. Separate contracts provide Minitex services to residents of North and South Dakota and there is reciprocity of services with the State of Wisconsin.

Services Provided

Minitex is an information and resource sharing program of the Minnesota Office of Higher Education and the University of Minnesota Twin Cities Libraries. The mission of Minitex is to enhance the effectiveness and efficiency of libraries by expanding their access to information resources and improving library service for their users. Minitex provides a portal, Minnesota Knows (www.Mnknows.org) that provides Minnesotans with direct access to a suite of

electronic information resources including the MnLINK Gateway, Electronic Library for Minnesota, Minnesota Reflections, *AskMN* (a 24-hour/7 days-a-week reference service for Minnesotans), and *Research Project Calculator*, which assists middle and high school students with homework assignments. Minitex also provides loans and copies of a variety of resources (books, magazines, journals, etc.) from the University of Minnesota Twin Cities Campus and other resource sharing services, refers requests to other libraries for fulfillment, contracts for a statewide overnight courier delivery system, provides group discounts for scholarly and other resources for Minnesota libraries, manages the Minnesota Library Access Center, supports a common database of resources held by libraries worldwide and a database of journal, magazine and newspaper titles held by Minitex libraries, and is the administrator for the Minnesota Digital Library.

MnLINK Gateway. MnLINK is a statewide virtual library that provides Web-based access to Minnesota library catalogs and state-licensed electronic resources. MnLINK expands access to library resources for all Minnesota residents by drawing upon the combined collections of Minnesota libraries. Through the MnLINK Gateway (www.mnlinkgateway.org), Minnesota residents can search catalogs of the campuses of the University of Minnesota and MnSCU libraries, and other academic, state government, public, and school libraries and request materials for delivery and return through the MINITEX courier delivery system.

Key Program Goals & Measures

The services and applicable measures for Minitex and MnLINK are linked closely to the educational goals and aspirations of Minnesotans to excel and succeed in postsecondary education.

Goal: Increase citizen and educator access to library resources in an efficient manner.

Goal: Increase awareness of the services Minitex offers to postsecondary students and faculty.

Measure: Requests to (and fulfillment by) the Minitex Office for loans and copies of articles to supplement local library resources have increased 31 percent over the last five years. Postsecondary students as well as faculty and teachers enjoy a strong resource sharing and delivery service to supplement local resources for professional research and course development.

Requests to the Minitex Office	
FY06	337,427
FY07	388,109
FY08	403,685
FY09	426,232
FY10	440,203

Goal: Increase the data and information offerings of the Minitex system.

Measure: On July 1, 2009, with state appropriations, Minitex doubled the number of databases available in the state supported *Electronic Library for Minnesota*. Students and others have increased their usage of ELM resources to work on assignments, both in undergraduate and graduate courses. Students can start using ELM in the K-12 schools and use advanced resources as they enter the postsecondary world. ELM is also available to the Minnesota workforce, providing supplemental education and skills development with online access to magazine, journal, and newspaper articles, electronic books, and information from other reference sources to help with small businesses as well as solving problems in communities. ELM provides information on a vast array of topics, including consumer information, current events, health, science, social science, politics, business, arts and humanities, etc.

Usage of ELM resources	
FY06	10,544,565
FY07	11,047,980
FY08	12,951,609
FY09	13,691,718
FY10	14 million+ (incomplete)

Goal: Expand the reach of training on the use of Minitex for local library staff, students and educators to ensure continued use and access.

Measure: Library staff provides instruction to students and faculty on how these statewide resources can be used to improve course development, classroom work, and research. Over the last five years, and especially during 2010 when ELM resources increased, training attendance has grown, which is provided via Webinars as well as on-site.

Number of people receiving instruction and training	
FY06	887
FY07	1,934
FY08	2,252
FY09	2,327
FY10	3,537

Goal: Use technology in the delivery of library resources through Minitex.

Measure: Minitex staff provide electronic delivery of articles to the desktops of students and faculty or to their libraries. This provides convenient access for students to receive articles in their dorms, homes and/or work, and is a more convenient way for them to pursue their research and coursework.

Electronic deliveries of articles to desktops	
FY06	70,376
FY07	68,322
FY08	69,205
FY09	76,874
FY10	74,753

Goal: Increase access to web-based volumes and subscriptions for students and residents across the state.

Measure: Borrowing requests have increased 55 percent in the last five years without any large scale promotion. Students are able to use MnLINK from any location with internet access, and can borrow materials to assist with school work without being on campus. Borrowed materials are transported over the existing Minitex Delivery System.

Borrowing Requests on the MnLINK Gateway	
FY06	375,198
FY07	446,550
FY08	517,587
FY09	601,609
FY10	582,994

Program Funding

These programs are funded entirely by the general fund.

Contact

Office of the Director
 Minnesota Office of Higher Education
 Phone: 651-259-3901
 1450 Energy Park Drive, Suite 350
 Saint Paul, Paul 55108
 Primary Web site: www.ohe.state.mn.us
 Web site for students and parents: www.getreadyforcollege.org

OFFICE OF HIGHER EDUCATION

Program: LIBRARIES AND TECHNOLOGY

Program Summary

<i>Dollars in Thousands</i>					
	Current		Governor Recomm.		Biennium
	FY2010	FY2011	FY2012	FY2013	2012-13
<u>Direct Appropriations by Fund</u>					
General					
Current Appropriation	6,031	5,826	5,826	5,826	11,652
Technical Adjustments					
Current Law Base Change			205	205	410
Subtotal - Forecast Base	6,031	5,826	6,031	6,031	12,062
Governor's Recommendations					
Minitex Library Reduction		0	(301)	(301)	(602)
Total	6,031	5,826	5,730	5,730	11,460
<u>Expenditures by Fund</u>					
Direct Appropriations					
General	6,030	5,827	5,730	5,730	11,460
Total	6,030	5,827	5,730	5,730	11,460
<u>Expenditures by Category</u>					
Other Operating Expenses	201	160	180	180	360
Local Assistance	5,829	5,667	5,550	5,550	11,100
Total	6,030	5,827	5,730	5,730	11,460
<u>Expenditures by Activity</u>					
Minitex Library System	5,631	5,427	5,350	5,350	10,700
Mn Link Implementation	399	400	380	380	760
Total	6,030	5,827	5,730	5,730	11,460

Program at a Glance

Provides over all management, leadership & administrative support to serve the postsecondary community.

- Support the operation of eight state financial aid programs.
- Provide leadership, supervision, office space and equipment for 70 FTE staff.
- Manage three public websites and produce numerous publications for students, families and educators.

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.

Population Served

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

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; and,
- Advocate and communicate the agency's services, programs, information and resources to constituents.

Key Program Goals & Measures

Distinct work units provide key services pertaining to agency administration:

The Office of the 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, 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 programs and provision of agency receptionist services. This division also manages the loan capital portfolio to ensure sustainability of the SELF Loan Program.

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 and human resources activities of the agency comply with the Minnesota Management and Budget policies and procedures and generally accepted accounting principles.

OFFICE OF HIGHER EDUCATION

Program: AGENCY/LOAN ADMINISTRATION

Narrative

- Payroll is completed accurately and within the scheduled time allotments.
- Audits are conducted for postsecondary institutions with students receiving financial aid.
- Computer systems meet agency, state and Minnesota residents' needs.
- Publications and Web site meet Minnesota resident needs.
- Annual issuance of Certified Audited Financial Statements and Federal Awards Audit report by an independent CPA firm.

Program Funding

The Office of Higher Education administration services are funded by dedicated revenue, general fund appropriations, indirect cost revenue and the SELF Loan Capital Fund.

Contact

Office of the Director
Minnesota Office of Higher Education
Phone: (651) 259-3901
1450 Energy Park Drive, Suite 350
Saint Paul, Minnesota 55108
Primary Web site: www.ohe.state.mn.us
Web site for students and parents: www.getreadyforcollege.org

OFFICE OF HIGHER EDUCATION

Program: AGENCY/LOAN ADMINISTRATION

Program Summary

<i>Dollars in Thousands</i>					
	Current		Governor Recomm.		Biennium
	FY2010	FY2011	FY2012	FY2013	2012-13
<u>Direct Appropriations by Fund</u>					
General					
Current Appropriation	2,648	2,627	2,627	2,627	5,254
Technical Adjustments					
Operating Budget Reduction			(2)	(2)	(4)
Subtotal - Forecast Base	2,648	2,627	2,625	2,625	5,250
Governor's Recommendations					
Agency Administrative Reduction		0	(131)	(132)	(263)
Total	2,648	2,627	2,494	2,493	4,987
<u>Expenditures by Fund</u>					
Direct Appropriations					
General	2,465	2,786	2,494	2,493	4,987
Statutory Appropriations					
Miscellaneous Special Revenue	498	224	224	224	448
Office Of Higher Education	6,879	8,828	8,833	8,839	17,672
Total	9,842	11,838	11,551	11,556	23,107
<u>Expenditures by Category</u>					
Total Compensation	2,895	3,055	3,070	3,119	6,189
Other Operating Expenses	6,686	8,755	8,481	8,437	16,918
Local Assistance	261	28	0	0	0
Total	9,842	11,838	11,551	11,556	23,107
<u>Expenditures by Activity</u>					
Agency Management	9,344	11,614	11,327	11,332	22,659
Agency Admin Services	498	224	224	224	448
Total	9,842	11,838	11,551	11,556	23,107
Full-Time Equivalents (FTE)	35.8	35.8	35.8	35.8	

Summary

The Office of Higher Education received \$6.55 million in federal funds in FY 2011 and that amount is projected to grow slightly to \$6.675 million each year in FY 2012 and 2013.

Description of Federal Programs

GEAR UP - 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 that provides low income students at an early age (fourth grade through high school) and their parent's college and career planning information and academic skill preparation to prepare them to successfully complete high school and pursue higher education.

The federal GEAR UP program provides a \$15 million six-year grant to Minnesota, which requires a dollar for dollar match. The matching requirement may be fulfilled either through monetary or in-kind matching resources, and may include both state and outside funding sources. There is a state appropriation of \$184,000 per fiscal year which helps to meet this matching requirement. The term of the current six-year GEAR UP grant ends August 31, 2011 and the Office of Higher Education is planning to apply to the U.S. Department of Education for another six-year grant.

Improving Teacher Quality Grants – The grants provided \$1.2 million in Fiscal Year 2011 and are projected to be \$1 million each year in Fiscal Years 2012 and 2013. The federal funds support in-service programs for K-12 educators that improve the effectiveness of classroom instruction and the distribution of highly qualified teachers. The funds have no federal matching or maintenance of effort requirements.

Leveraging Educational Assistance Partnerships and Special Leveraging Educational Assistance Partnerships - The LEAP/SLEAP Program assists States in providing student aid programs for students who have substantial financial need. Minnesota has used LEAP/SLEAP funds to provide additional grants and scholarships through the Minnesota State Grant program and the Achieve Scholarship program. A new federal program called Grants for Access and Persistence is scheduled to replace the federal Special Leveraging Educational Assistance Program (SLEAP) in FY 2012. The GAP Program would place substantial administrative burdens on states and institutions. As of October 2010, all 50 states have indicated an unwillingness to undertake the new GAP program. If all 50 states maintain this position for 2012 and 2013, the funds will revert to the existing federal LEAP program. Minnesota will continue to use the funds to provide Minnesota State Grant awards. LEAP funds have maintenance of effort and matching requirements. States must spend more for grants under the LEAP program than what the state spent for grants in 1999. In addition, states must provide matching state grant funds at least equal to the average annual aggregate expenditures of matching grant funds for the preceding three fiscal years. For Minnesota, the maintenance of effort for Fiscal Years 2012 and 2013 is approximately \$123 million per year.

College Access Challenge Grants - Minnesota will receive \$1.5 million in Fiscal Year 2011 through the College Access Challenge Grant to increase the number of underrepresented students who enter and succeed in postsecondary education. The funds are expected to continue at that level in Fiscal Year 2012 and 2013 if Minnesota meets the maintenance of effort requirement. The federal funding is an entitlement program scheduled to continue through Fiscal Year 2015. The federal maintenance of effort requirement is for states to increase spending on higher education by at least as much as they increased it over the previous five years or lose this funding for subsequent years. It may be difficult for Minnesota and most other states to meet the maintenance of effort requirement because of budget reductions in Fiscal Years 2010 and 2011.

Paul Douglas Loan Repayments - Under the Paul Douglas Teacher Scholarship Program, the Department of Education issued grants to the states to repay the loans of certain teachers who received Douglas Scholarship funds for their undergraduate education. The federal program has been repealed, but loan payments continue for a small number of borrowers who received funds while it was active. The program has no maintenance of effort or matching requirements.

The John R. Justice Grant Program - The John R. Justice Student Loan Repayment Program is a new federal program administered by the Minnesota Office of Higher Education. Approximately 32 public prosecutors and defenders will receive educational loan repayments if they promise to remain as a public prosecutor or defender in Minnesota for at least three years. The program has no maintenance of effort or matching requirements.

Table

Federal Award Name + Brief Purpose	New grant	Required state match/MOE? Yes/No		SFY 2010 Revenues	SFY 2011 Revenues	Estimated SFY 2012 Revenues	Estimated SFY 2013 Revenues
		Match	MOE				
GEAR UP (Gaining Early Awareness)	N	Y	N	\$2,440	\$2,500	\$2,500	\$2,500
Eisenhower Teacher Training Grants	N	N	N	\$1,182	\$1,015	\$1,015	\$1,015
Leveraging Educational Assistance Partnerships	N	Y	Y	\$605	\$631	\$631	\$631
Special Leveraging Educational Assistance Partnerships	N	Y	Y	\$777	\$860	\$860	\$860
College Access Challenge Grant	N	Y	Y	\$694	\$1,500	\$1,500	\$1,500
Paul Douglas Loan Repayments	N	N	N	\$10	\$20	\$20	\$20
John R Justice Grant Program	Y	N	N	\$0	\$24	\$149	\$149
Total				\$5,708	\$6,550	\$6,675	\$6,675

OFFICE OF HIGHER EDUCATION

Agency Revenue Summary

Dollars in Thousands

	Actual FY2010	Budgeted FY2011	Governor's Recomm. FY2012 FY2013		Biennium 2012-13
<u>Non Dedicated Revenue:</u>					
Other Revenues:					
General	10,052	8,080	5,280	2,880	8,160
Total Non-Dedicated Receipts	10,052	8,080	5,280	2,880	8,160
<u>Dedicated Receipts:</u>					
Departmental Earnings:					
Miscellaneous Special Revenue	242	298	298	298	596
Grants:					
Miscellaneous Special Revenue	46	3	3	3	6
Federal	5,703	6,525	6,655	6,655	13,310
Other Revenues:					
Miscellaneous Special Revenue	338	313	313	313	626
Federal	5	10	10	10	20
Office Of Higher Education	119,465	123,994	128,999	129,005	258,004
Other Sources:					
Miscellaneous Special Revenue	10	20	0	0	0
Federal	5	10	10	10	20
Office Of Higher Education	15,040	19,850	14,850	14,850	29,700
Total Dedicated Receipts	140,854	151,023	151,138	151,144	302,282
Agency Total Revenue	150,906	159,103	156,418	154,024	310,442

	PAGE
Small Agency Profile	2
Agency Fiscal Page (Gov Rec)	5

Agency Purpose

The Office of Ombudsperson for Families' (OBFF) mission is to ensure that children and families are protected by law in all child placement proceedings conducted by public and private agencies. Established as an independent state agency (M.S. 257.0755), OBFF seeks to reduce racial and ethnic disparities in out-of-home placements for children of color. To this end, the office assists communities of color to resolve their differences with government and child welfare agencies by bringing a fair and neutral perspective to the proceedings.

At a Glance

Number of Children Placed in Out-of-Home Care, 2008

	African American/Black	American Indian	Asian/Pacific Islander	White	Hispanic ethnicity -any race	Two or more races	Unable to determine
Total Placement Settings	5,311	3,054	480	11,021	2,045	2,136	855

Source: Department of Human Services Minnesota Child Welfare Disparities Report – February 2010.

*Placement settings include: Relative and non-relative foster family or pre-adoptive home; juvenile correctional facilities; group home, residential treatment center, foster care with shift staff, and intermediate care facilities for the mentally retarded.

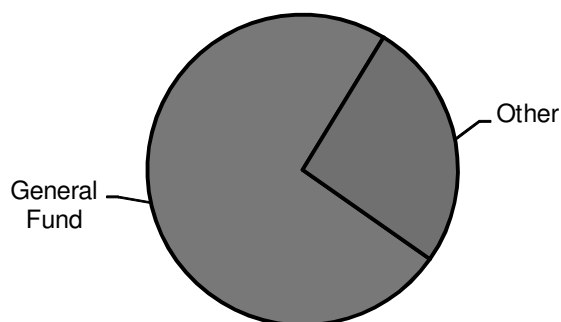
Remark: Children of color and American Indian children make up approximately 20% of Minnesota's child population, but more than half of all children in out-of-home placements.

Percentage of Children in Out-of-home Care (OHC) per 1,000 in the Child Population by Race, 2009

Race	2009	2009: A non-White child is...
African American/Black	27.1	5 times than a White child to be placed in OHC
American Indian	66.1	12 times than a White child to be placed in OHC
Asian/Pacific Islander	3.9	n/a
Hispanic ethnicity-any race	11.8	2 times than a White child to be placed in OHC
Two or more races	26.0	4 times than a White child to be placed in OHC

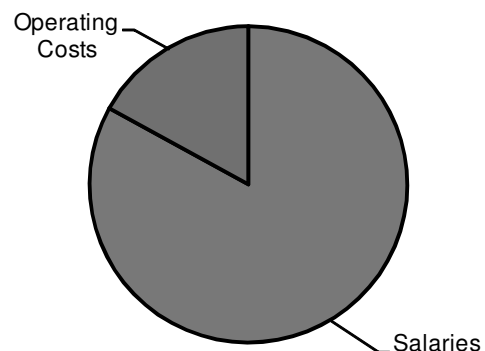
Source: DHS Section II – 2009 Children in Out-of-home Care

Est. FY 2010-11 Expenditures by Fund



Source: Consolidated Fund Statement.

Est. FY 2010-11 Expenditures by Type



Source: Ombudsperson for Families Budget Analysis, 8/10.

Strategies

- Assist counties and state agencies in improving outcomes for all children and in reducing racial and ethnic disparities and disproportionality.
- Ensure fair and transparent processes in the Minnesota child welfare system.
- Monitor social services agencies' compliance with state and federal laws and policies.
- Increase cultural competency and sensitivity of child welfare workers and services providers.

Operations

Four community-specific boards that comprise the full board meet quarterly to advise and guide the office on overall policies, plans, protocols and programs. There are four full time ombudspersons that operate independently but in collaboration with the four state councils of color; and, there is one part-time office administrative specialist.

- Reviews and investigates inquiries and complaints of any family with a child under the age of 18 who is identified by one or both parents or another trusted adult to be of American Indian, Hispanic-Latino, Asian-Pacific, African, or African-American descent in the State of Minnesota.
- Investigates, upon a complaint or upon personal initiative, any action of any agency that may be contrary to law or rule, unfair, unclear, or disregard the rights of a child.
- Assists in the development of policies and practices that help eliminate racial and ethnic disparities and disproportionality from intake to permanency.
- Develop policies to support and create culturally competent and bilingual social workers, and Guardians ad litem in communities of color throughout Minnesota.
- Works with state and local courts, policy makers, and service providers to promote integrated systems to ensure family reunification, stability, security, safety, permanency and well-being of Minnesota's families.
- Issues reports to highlight where systemic problems exist.

Key Goals & Measures

Improve and ensure quality, accessibility, and linguistically and culturally appropriate services are provided to families with disparate outcomes in the child welfare system.

- Through case investigations, the Ombudsperson makes recommendations on cases that involve possible bias or discrimination, lack of cultural sensitivity, lack of linguistically and culturally appropriate services, or non-compliance with State or Federal law and policy.
 - Total number of complaints/calls received, 2005-2009: 3,227

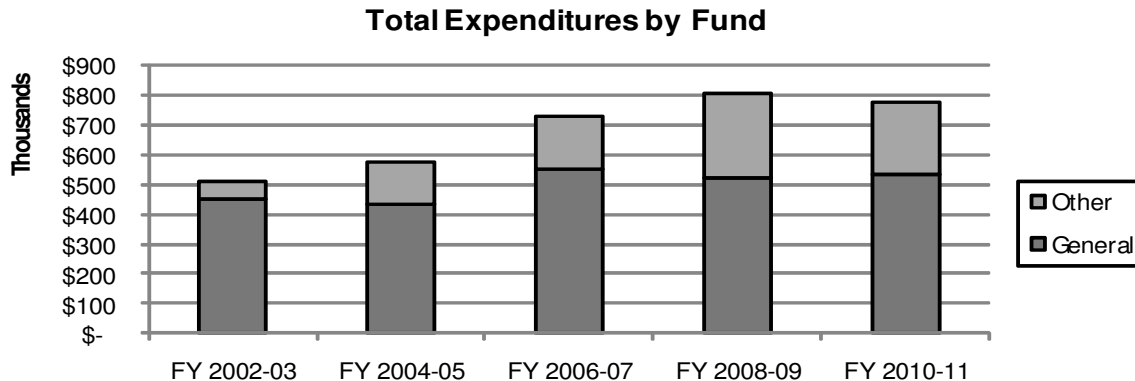
Year	2005	2006	2007	2008	2009
Complaints/Calls Received	480	655	610	774	708

- Total number of investigations, 2005-2009: 110

Year	2005	2006	2007	2008	2009
Investigations	27	14	21	28	20

- Through public policy development, the Ombudsperson works to effect policy changes when those, policies do not reflect current best practices.
 - 2005-2009: Implemented more than 15 initiatives and task forces that have had an ongoing and positive impact on eliminating racial disparities and disproportionality in child welfare, and improving outcomes for children and their families involved in child protection cases.

Budget Trends



Source data: Budget Trends Data FY 2000-2011*.

External factors impacting agency operations include changes in legislation that require modification of state and county policies and practices causing agencies to contain costs by prioritizing; increasing unemployment rates that result in more poverty-related child protection reports; after-school, community and county programs that are being reduced or eliminated; the growing population of new Americans and immigrants with specific cultural and linguistic needs; and an increased focus on intervention (rather than prevention), which sometimes leaves vulnerable children in unsafe surroundings.

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 L. Nengchu, Ombudsperson for Asian-Pacific Families	(651) 643-2514
Muriel Gubasta, Ombudsperson for Spanish-Speaking Families	(651) 643-2537

OMBUDSPERSON FOR FAMILIES

Agency Overview

<i>Dollars in Thousands</i>					
	Current		Governor Recomm.		Biennium
	FY2010	FY2011	FY2012	FY2013	2012-13
<u>Direct Appropriations by Fund</u>					
General					
Current Appropriation	265	265	265	265	530
Recommended	265	265	265	265	530
Change		0	0	0	0
% Biennial Change from 2010-11					0%
<u>Expenditures by Fund</u>					
Direct Appropriations					
General	265	265	265	265	530
Statutory Appropriations					
Miscellaneous Special Revenue	115	126	128	133	261
Total	380	391	393	398	791
<u>Expenditures by Category</u>					
Total Compensation	314	319	320	324	644
Other Operating Expenses	66	72	73	74	147
Total	380	391	393	398	791
<u>Expenditures by Program</u>					
Ombudspersons For Families	380	391	393	398	791
Total	380	391	393	398	791
Full-Time Equivalents (FTE)	4.4	4.4	4.4	4.4	

PAGE

Small Agency Profile	2
Agency Fiscal Page (Gov Rec)	5

Agency Purpose

This independent agency was created in 1987, in part as a result 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).

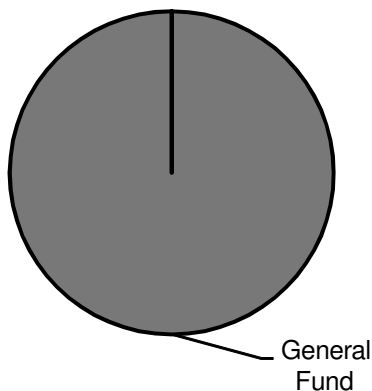
The agency's vision is to bring about change that improves the effectiveness and efficiency of the service delivery system, while ensuring that some of Minnesota's most vulnerable persons are protected.

At a Glance

Recent agency program actions include:

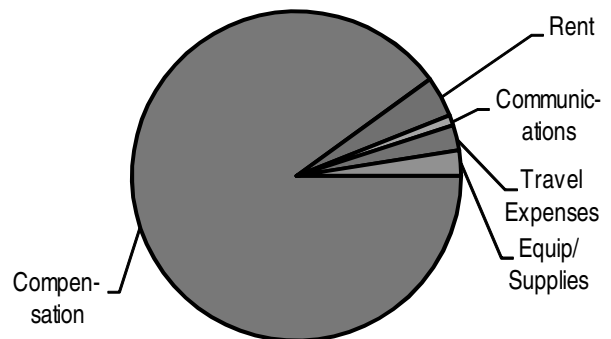
- Providing service in almost 2,000 death and serious injury reviews and thousands more client reviews, assistance, and information requests annually.
- Continuing a suicide education and outreach program as part of the medical review process.
- Updating a web-based list service to provide information on medical alerts and related information and increasing agency web site links and information.
- Providing 30 education and training sessions on civil commitment, guardianship and related issues statewide, as well as consultation with North and South Dakota regarding inter-state compacts.
- Installing a new Electronic Case Management system to improve the tracking of client cases and reporting on collected data.

Est. FY 2010-11 Expenditures by Fund



Source: Consolidated Fund Statement.

Est. FY 2010-11 Expenditures by Type



Source: Minnesota Accounting & Procurement System (MAPS).

Strategies

- Share identified preventive strategies gleaned from review of serious injuries and deaths of agency clients.
- Provide dispute resolution through education, facilitation, mediation, and advocacy.
- 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, guardianship and conservatorship statutes, and other related laws.

Strategic prioritization: The number of client-related calls received increases each year. To manage this trend, the agency has allowed the regional staff to prioritize the neediest cases. Death and serious injury reports also increase each year. This review process has been streamlined, giving added attention to each report meeting

criterion for further review. The Civil Commitment Training and Resource Center has expanded its trainings to include transport of those on hold orders, the commitment process, border state service challenges, and how managed care organizations will prepare for providing case management for committed patients. Through prioritization, the Ombudsman Office is working diligently to meet the increased needs of its vulnerable clients while maintaining the same number of FTEs and operating within its budget.

Operations

Client Services Unit

This unit 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. Regional office staff is the backbone in delivering these services, including:

- Conducting neutral fact finding reviews, coupled with facilitation, education and problem resolution;
- Advocating assertively when required;
- Reviewing and reporting on broader issues impacting service delivery and quality;
- Providing civil commitment information and training system-wide; and
- Offering information, education, self-advocacy assistance, and referral.

Regional office locations:

- Anoka
- Brainerd
- Duluth
- Fergus Falls
- St. Paul
- St. Peter
- Willmar

Medical Review Unit

This unit 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 the following components listed below:

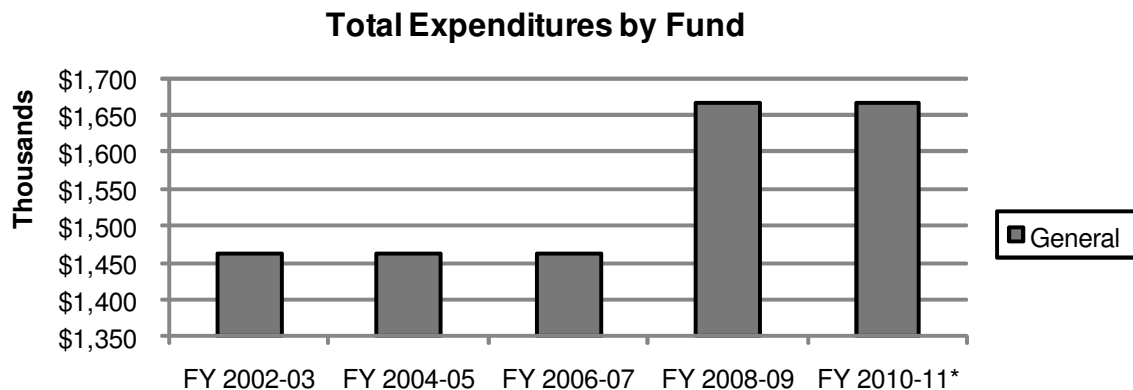
- Reviewing deaths or serious injuries of persons with mental, developmental, or chemical disabilities who were or are receiving services.
- Providing direct feedback to agencies, facilities, or programs on how service delivery can be improved.
- Alerting and educating providers of service (via web-based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

Key Goals & Measures

- 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.

Fiscal Year	Total Contacts	Serious Injuries	Deaths	CCTRC Trainings/# Trained
2009	5,483	1,898	846	14/642
2010	3,955	1,403	623	23/1,059

The agency cannot measure how many civil commitments, lawsuits or injuries were and are prevented resulting from agency work and educational outreach.

Budget Trends

* FY 2010-11 is estimated, not actual. Source data for the previous chart is the Minnesota Accounting and Procurement System (MAPS) as of August 2010.

External factors impacting agency operations include volume and increased difficulty of cases, reduced funding in the care delivery system, health care program reduction or elimination, patient numbers increasing while provider numbers decrease, the aging of parents taking care of family members at home, and the increased cost of providing care to specific residential populations while revenues decrease.

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 web site: <http://www.ombudmhdd.state.mn.us>

<i>Dollars in Thousands</i>					
	Current		Governor Recomm.		Biennium
	FY2010	FY2011	FY2012	FY2013	2012-13
<u>Direct Appropriations by Fund</u>					
General					
Current Appropriation	1,655	1,655	1,655	1,655	3,310
Recommended	1,655	1,655	1,655	1,655	3,310
Change		0	0	0	0
% Biennial Change from 2010-11					0%
<u>Expenditures by Fund</u>					
Direct Appropriations					
General	1,456	1,854	1,655	1,655	3,310
Total	1,456	1,854	1,655	1,655	3,310
<u>Expenditures by Category</u>					
Total Compensation	1,271	1,508	1,449	1,473	2,922
Other Operating Expenses	185	346	206	182	388
Total	1,456	1,854	1,655	1,655	3,310
<u>Expenditures by Program</u>					
Ombudsman For Mh & Dd	1,456	1,854	1,655	1,655	3,310
Total	1,456	1,854	1,655	1,655	3,310
Full-Time Equivalents (FTE)	18.1	18.1	18.5	18.5	

	PAGE
Small Agency Profile	2
Agency Fiscal Page (Gov Rec)	5
Change Summary	6
Agency Change Items	
⇒ Convert To Dedicated Funding.....	7
Agency Revenue Summary Fiscal Page	8
⇒ Designates that this item is a change item	

Agency Purpose

The Board of Optometry is responsible for protection of the public through the regulation of optometrists in the State of Minnesota. The Board was established in 1915 under the authority of Minnesota Statutes, chapter 148. Regulation is accomplished through licensure examination, annual renewal, required continuing education, as well as investigation and resolution of complaints against licensees.

The mission of the board is:

- Protect the public through licensure of qualified optometrists
- Protect the public by ensuring that all licensees provide competent optometric services
- Protect the public by setting standards for quality optometric services
- Promote public interest in receiving quality optometric care from competent optometrists

At a Glance

Credentialing Services

- 1,000 renewed licenses
- 75 new licenses

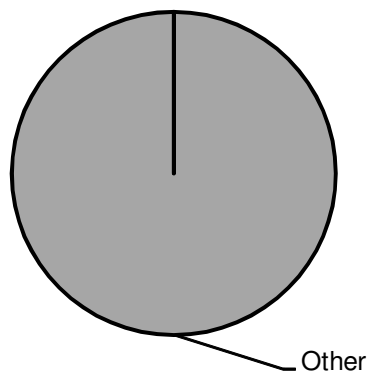
Education Services

- 1,000 reviews of reported continuing education
- 100 audits of reported continuing education
- 75 continuing education program approvals

Discipline Services

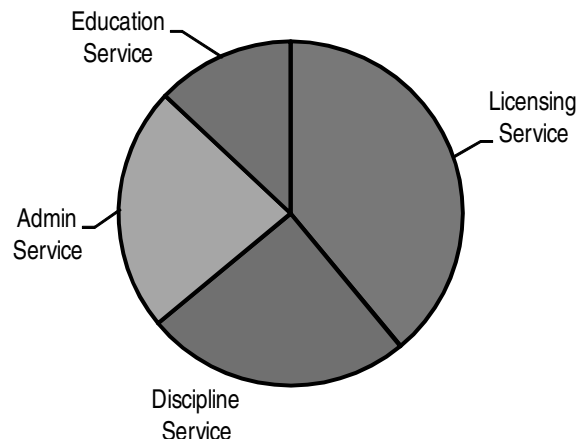
- Reviewed 20 complaints submitted
- Prepared 20 complaint files for committee
- Monitored four optometrists under disciplinary order
- Assured monitoring of optometrists in the Health Professional Services Program

Est. FY 2010-11 Expenditures by Fund



Source: Consolidated Fund Statement.

Est. FY 2010-11 Expenditures by Service



Source: Board expenses allocated to the services provided by the board.

Strategies

The board accomplishes its mission of Public Protection by:

- Providing information and education to the public, other interested parties, and licensees
- Support public protection by setting standards of practice and conduct for licensees
- Support public protection by verifying that applicants meet set standards for initial licensure
- Support public protection by verifying that licensees meet continuing competence requirements

Operations

The Board serves the consumers of optometric services by licensing as optometrists only those persons the board has determined meet the established education, experiential and examination requirements. The board serves the optometric community by providing verification of credentials to other state and federal agencies.

The Board is committed to public protection and to responsible, efficient, and cost-effective services. The seven-member Board of Optometry (five licensed optometrists, two public members) sets the direction for the Board and oversees the agency's activities.

Key Activity Goals & Measures

Key Goals

- Promote quality optometric care from licensed optometrists
- Maintain excellence in optometric regulation
- Initiate and complete rulemaking for license reinstatement
- Initiate and complete rulemaking for continuing education audit requirements
- Implement online application process

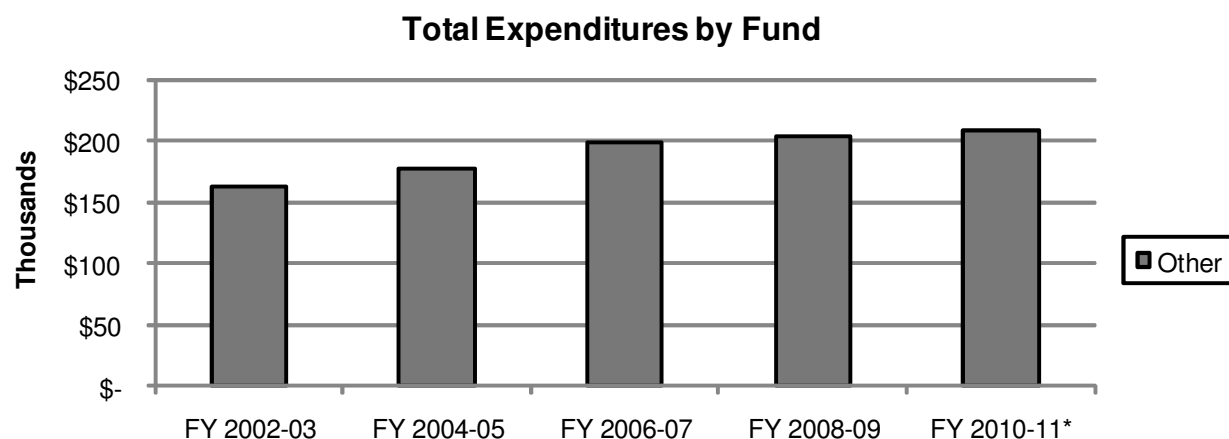
Key Measures

- Public protection – the Board's website offers several services to the public; verification of licensure, downloadable complaint forms along with information on the complaint process
- Online services – licensees are able to update contact information, record continuing education and complete annual license renewal
- Licenses are issued within 24 hours following approval by the Board
- Manual license verification to other licensing jurisdictions are completed within 24 hours following receipt of request.

Budget Trends Section

The board is responsible for collecting sufficient revenue to cover both direct and indirect expenditures. The board is estimated to collect \$234,000 in FY 2010-11, which is deposited as non-dedicated revenue into the state government special revenue fund.

From this fund, the board receives a direct appropriation to pay for agency activities such as salaries, rent, costs for disciplinary/contested cases and operating expenditures. It also pays statewide indirect costs through an open appropriation. In FY 2010-11, total expenditures for these purposes are estimated at \$220,000. The chart below shows funding trends over the last five biennia for the direct and open appropriation.



* FY 2010-11 is estimated, not actual

Source data for the previous chart is the Minnesota Accounting and Procurement System (MAPS) as of 07/31/10.

Board fees are also responsible for covering a prorated share of support functions provided outside of the Board itself. These include legal support (Attorney General), statewide e-licensing system development and operations (Office of Enterprise Technology), centralized administrative support (Health Boards Administrative Services Unit), funding for services to health professionals (Health Professionals Services Program) and controlled substance program (Prescription Electronic Reporting). In FY 2010-11, some of the health boards' reserves in the state government special revenue fund were also transferred to the general fund. The table below displays direct and open appropriation expenditures, external support costs (prorated share), and the general fund transfers (prorated share) estimated in FY 2010-11.

	FY 2010-11 (in thousands)
Board's Direct and Open Appropriations	\$ 220
Board's External Support Costs and Transfers (prorated Share)	
• Attorney General support	27
• E-licensing support	11
• Central administrative service unit	13
• Health professional service program	5
• Prescription Electronic Reporting	8
• General fund transfer	70
Total	354
Fees Collected by Board	\$234
Prorated Surplus/(Deficit)	(120)

In most years, Board fee revenues exceed direct expenditures and external support costs, and as directed by law, the surplus is used to maintain a reserve in the state government special revenue fund. It should be noted here that the FY 2010-11 transfers to the General Fund, along with unanticipated increases in the support costs discussed above, have resulted in the Board's fee revenue not covering its prorated costs and transfers.

External Factors Impacting Agency Operations

The number of licensees regulated by the Board continues to rise, as do the number of complaints and the complexity of the cases. Another external factor which will impact the agency's operations is the ongoing enhancement to a single source national association database to maintain continuing education records of all optometrists. This database will allow for 100% audit of required continuing education, effectively reducing staff time spent reviewing and auditing reported continuing education by Minnesota licensed optometrists.

Contact

Minnesota Board of Optometry
 Executive Director: (651) 201-2762
 2829 University Avenue South East, Suite 550
 Minneapolis, Minnesota 55414
 Fax: 651-201-2763
 E-mail: optometry.board@state.mn.us
 Website: <http://www.optometryboard.state.mn.us>

<i>Dollars in Thousands</i>					
	Current		Governor Recomm.		Biennium
	FY2010	FY2011	FY2012	FY2013	2012-13
<u>Direct Appropriations by Fund</u>					
State Government Spec Revenue					
Current Appropriation	101	101	101	101	202
Recommended	101	101	0	0	0
Change		0	(101)	(101)	(202)
% Biennial Change from 2010-11					-100%
<u>Expenditures by Fund</u>					
Direct Appropriations					
State Government Spec Revenue	90	126	0	0	0
Open Appropriations					
State Government Spec Revenue	2	2	0	0	0
Statutory Appropriations					
State Government Spec Revenue	0	0	115	115	230
Total	92	128	115	115	230
<u>Expenditures by Category</u>					
Total Compensation	66	84	73	74	147
Other Operating Expenses	26	44	42	41	83
Total	92	128	115	115	230
<u>Expenditures by Program</u>					
Optometry, Board Of	92	128	115	115	230
Total	92	128	115	115	230
Full-Time Equivalents (FTE)	0.9	0.9	0.9	0.9	

<i>Dollars in Thousands</i>				
	FY2011	Governor's Recomm.		Biennium
		FY2012	FY2013	2012-13
<i>Fund: STATE GOVERNMENT SPEC REVENUE</i>				
FY 2011 Appropriations	101	101	101	202
Subtotal - Forecast Base	101	101	101	202
Change Items				
Convert to Dedicated Funding	0	(101)	(101)	(202)
Total Governor's Recommendations	101	0	0	0
<i>Fund: STATE GOVERNMENT SPEC REVENUE</i>				
Planned Open Spending	2	3	3	6
Change Items				
Convert To Dedicated Funding	0	(3)	(3)	(6)
Total Governor's Recommendations	2	0	0	0
<i>Fund: STATE GOVERNMENT SPEC REVENUE</i>				
Planned Statutory Spending	0	0	0	0
Change Items				
Convert to Dedicated Funding	0	115	115	230
Total Governor's Recommendations	0	115	115	230

OPTOMETRY BOARD

Change Item: Convert to Dedicated Funding

Fiscal Impact (\$000s)	FY 2012	FY 2013	FY 2014	FY 2015
Health Related Boards Fund (171)				
Direct Appropriated Account				
Expenditures	\$(101)	\$(101)	\$(101)	\$(101)
Non-Dedicated Revenue	(115)	(115)	(115)	(115)
Open Appropriated Account				
Expenditures	(3)	(3)	(3)	(3)
Dedicated Account				
Expenditures	115	115	115	115
Dedicated Revenue	115	115	115	115
Transfer In	0	0	0	0
Net Fiscal Impact	\$11	\$11	\$11	\$11

Recommendation

The Governor recommends changing the way appropriations are made to the health related licensing boards that operate in the state government special revenue fund. Under this proposal, the boards' funding would be converted from direct appropriations to dedicated appropriations, giving each board spending authority equal to its fee revenue and any accumulated balance. The net effect of this change is the difference between the board's current base appropriations and projected revenues.

Rationale

This proposal places ownership in the boards' 183 appointed members to be efficient and cost effective in setting their spending levels, while providing continued legislative oversight in the setting of the boards' fees. It encourages the boards to find efficiencies and ensures the fees paid by each occupation are dedicated to the boards' mission to protect the public and ensure that Minnesota citizens receive quality care by qualified licensed health professionals. The establishment of the dedicated appropriation will improve the boards' management of resources and transparency for licensees.

The health related licensing boards are fee-supported organizations that receive no general fund dollars. The boards currently collect and deposit fees as non-dedicated special revenue into the health related boards account in the state government special revenue fund (171). The legislature then provides a direct appropriation from these revenues to each board for its operating expenses. Unlike agencies that receive direct appropriations from the general fund, the boards must ensure that licensing fees are collected to recover each board's direct and indirect expenditures to maintain the solvency of the state government special revenue fund. For this reason, the health boards already operate much like agencies with dedicated appropriations—except that they must seek appropriation authority to gain access to their existing fee revenue.

This proposal changes the boards' non-dedicated revenue to dedicated revenue within the same fund and provides each board with a dedicated appropriation from the board's revenue. Additionally, the current accumulated fund balance within the health related boards account will be transferred to individual boards based on each board's contribution to the balance. M.S. 16A.1283 requires that all fee increases be approved by the legislature, so even with a dedicated funding arrangement, the boards must still seek legislative action to increase spending beyond current law fee revenues.

Key Goals and Measures

Minnesota Milestone: Government in Minnesota will be cost-efficient, and services will be designed to meet the needs of the people who use them. Minnesotans expect their state and local governments to spend money carefully and effectively.

Measures:

- Transparency of fees and expenditures
- The level of service provided to licensees and Minnesota citizens.

Statutory Change: Minnesota Statutes Chapter 148

OPTOMETRY BOARD

Agency Revenue Summary

Dollars in Thousands

	Actual FY2010	Budgeted FY2011	Governor's Recomm. FY2012 FY2013		Biennium 2012-13
<u>Non Dedicated Revenue:</u>					
Departmental Earnings:					
State Government Spec Revenue	119	115	0	0	0
Other Revenues:					
State Government Spec Revenue	(11)	0	0	0	0
Total Non-Dedicated Receipts	108	115	0	0	0
<u>Dedicated Receipts:</u>					
Departmental Earnings:					
State Government Spec Revenue	0	0	115	115	230
Total Dedicated Receipts	0	0	115	115	230
Agency Total Revenue	108	115	115	115	230

	PAGE
Small Agency Profile	2
Agency Fiscal Page (Gov Rec)	5
Change Summary	6
Agency Change Items	
⇒ 5% Operations & Reimbursement Reduction	7
Agency Revenue Summary Fiscal Page	8
⇒ Designates that this item is a change item	

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.

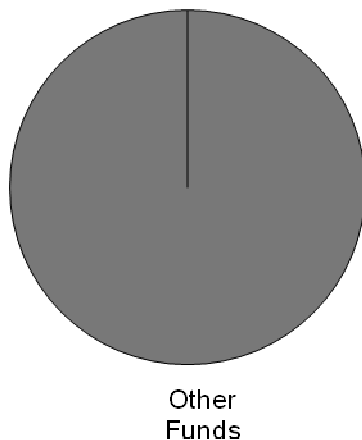
At a Glance

The Minnesota Board of Peace Officer Standards and Training licenses over 10,500 peace officers and part-time peace officer. It also certifies 24 two- and four-year post-secondary institutions throughout the state that deliver the Professional Peace Officer Education (PPOE) programs.

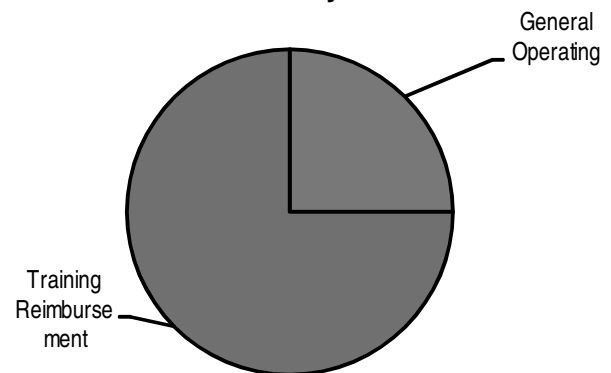
Compared to other states, Minnesota's licensing system is unique because it requires all peace officers to obtain a post-secondary degree. There is no state-level police training academy system as in most other states.

Since 1978 the Minnesota POST Board's standards for pre-service education and in-service continuing education training have been recognized as a model for other states who seek to adopt a similar system.

Est. FY 2010-11 Expenditures by Fund



Est. FY 2010-11 Expenditures by Activity



Source: Consolidated Fund Statement.

Strategies

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

- administer license examinations;
- license peace officers and part-time peace officer;
- renew and restore peace officer and part-time peace officer licenses;
- manage a training reimbursement fund for law enforcement agencies;
- monitor compliance with standards of conduct;
- establish and maintain pre-service education curricula; and
- monitor compliance of continuing education requirements.

Operations

The POST Board licenses over 10,500 peace officers and part-time peace officers, and since the majority them 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 the highest level of professional conduct.

Over the past biennium, POST

- Renewed 7,196 peace officer and part-time peace officer licenses
- Issued 764 new peace officer licenses
- Administered 1,677 peace officer exams
- Administered 58 part-time peace officer exams
- Administered 95 interstate reciprocity exams
- Administered 23 military reciprocity exams

Five-Year Trends in Agency Operations

	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>
Peace Officer Exams	893	795	845	851	857
Part-time Officer Exams	21	38	39	36	55
Peace Officer License Issued	404	493	645	580	622
Part-time License Issued	17	40	45	49	50
Peace Officers Renewed	3,127	3,869	3,501	3,210	3,796
Part-time Officers Renewed	109	105	102	98	96
Interstate Reciprocity Exams	65	61	64	105	95
Military Reciprocity Exams	13	11	9	11	10
Training Fund	\$3,658,148	\$3,610,510	\$3,531,454	\$3,093,710	\$2,918,265
Eligible Officers	9,245	9,026	8,799	8,567	8,285
Per-officer Share	\$396	\$400	\$402	\$362	\$352
Complaints Received	17	9	12	12	20
Impartial Policing Compliance	2	10	2	8	6
On-site Agency Reviews	33	84	72	74	66
College On-site Reviews	5	5	5	5	5

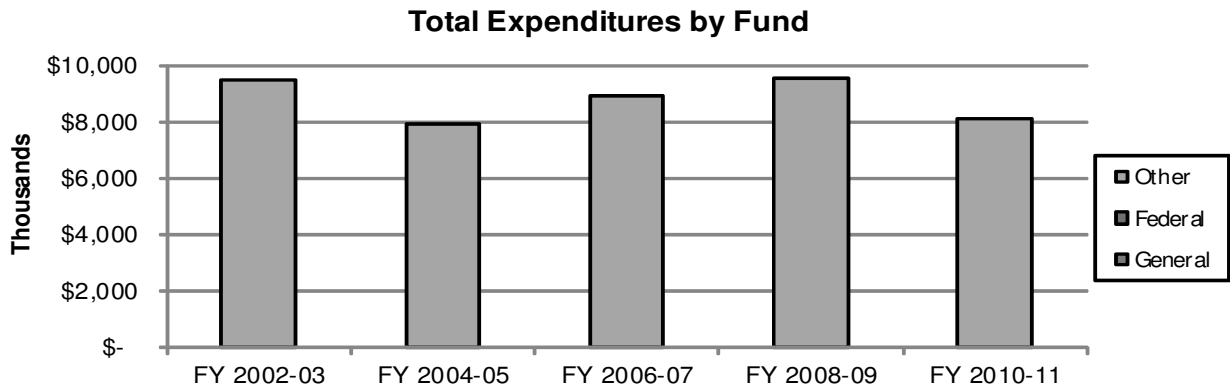
Key Activity Goals & Measures

- In cooperation with the Office of Enterprise Technology's "Versa Gateway" project, improve the POST Board's online computer services capabilities.
 - Identify reasons the system is "down" so often.
 - Educate online users through website tutorial.
- In cooperation with the Office of Enterprise Technology's "Versa Regulation" project, improve the POST Board's back-office computer capabilities.
 - Continue conversations with OET to identify solutions to back-office problems with data entry, data retrieval and reporting tools.
 - Cross-train staff to facilitate the ebb and flow of work projects.
- Ensure funding to meet with continuing education accredited sponsors.
 - Closely monitor budget to allow travel and lodging for POST's Continuing Education Coordinator to conduct onsite compliance visits.
 - Conduct random reviews by mail or electronic means.

- Complete a comprehensive review and revision of POST licensing exams.
 - Host meetings with chiefs, sheriffs and officer associations to review exam questions.
 - Host meetings with PPOE faculty members to review exam questions based on class curricula.
- Review the 11 (soon to be 12) legislative directed mandated model policies for law enforcement.
 - Selected staff members will review each policy and compare with state statute.
 - Present revision recommendations to the Training Committee and then the full Board.
 - Consider statute or administrative rule changes if necessary.
- Work with local units of government to ensure adequate and professional policing in mainly rural areas where demographic shifts and economic cuts have stressed the budgets.
 - Respond to inquiries by mail, phone and emails from local elected officials.
 - Attend League of MN Cities' and Association of MN Townships' seminars and conferences.
 - Provide constructive dialogue, but not answers, to assist local decisions.

Budget Trends Section

Staffing reductions (1.5 FTE in the past two years), budget decreases and the transition to a new computer system have combined to challenge staff to meet the mission of the agency.



* FY 2010-11 is estimated, not actual. Source data for the previous chart is the Minnesota Accounting and Procurement System (MAPS) as of 08/30/10.

External Factors

Like other state agencies, POST is subject to the ebb and flow of economic and societal changes. Some of the trends affecting policing are shown in the chart under the "Agency Operations" section above.

Contact

For more information contact Neil W. Melton, Executive Director, at (651) 201-7788.

The POST Board's website at <http://www.post.state.mn.us> provides information about Minnesota's peace officer licensing system, news, updates, application forms, directories of board and staff members, and links to other related information.

PEACE OFFICERS BOARD (POST)

Agency Overview

<i>Dollars in Thousands</i>					
	Current		Governor Recomm.		Biennium
	FY2010	FY2011	FY2012	FY2013	2012-13
<u>Direct Appropriations by Fund</u>					
Miscellaneous Special Revenue					
Current Appropriation	4,028	4,095	4,095	4,095	8,190
Recommended	4,028	4,095	3,795	3,795	7,590
Change		0	(300)	(300)	(600)
% Biennial Change from 2010-11					-6.6%
<u>Expenditures by Fund</u>					
Direct Appropriations					
Miscellaneous Special Revenue	3,967	4,132	3,795	3,795	7,590
Statutory Appropriations					
Miscellaneous Special Revenue	444	402	402	402	804
Total	4,411	4,534	4,197	4,197	8,394
<u>Expenditures by Category</u>					
Total Compensation	951	920	857	857	1,714
Other Operating Expenses	158	237	224	224	448
Local Assistance	3,302	3,377	3,116	3,116	6,232
Total	4,411	4,534	4,197	4,197	8,394
<u>Expenditures by Program</u>					
Peace Officers Standards&Train	4,411	4,534	4,197	4,197	8,394
Total	4,411	4,534	4,197	4,197	8,394
Full-Time Equivalents (FTE)	12.0	11.0	10.5	10.5	

PEACE OFFICERS BOARD (POST)

Change Summary

<i>Dollars in Thousands</i>				
	FY2011	Governor's Recomm.		Biennium
		FY2012	FY2013	2012-13
<i>Fund: MISCELLANEOUS SPECIAL REVENUE</i>				
FY 2011 Appropriations	4,095	4,095	4,095	8,190
Technical Adjustments				
One-time Appropriations		(100)	(100)	(200)
Subtotal - Forecast Base	4,095	3,995	3,995	7,990
Change Items				
5% Operations & Reimbursement Reduction	0	(200)	(200)	(400)
Total Governor's Recommendations	4,095	3,795	3,795	7,590
<i>Fund: MISCELLANEOUS SPECIAL REVENUE</i>				
Planned Statutory Spending	402	402	402	804
Total Governor's Recommendations	402	402	402	804
<i>Revenue Change Items</i>				
<i>Fund: MISCELLANEOUS SPECIAL REVENUE</i>				
Change Items				
5% Operations & Reimbursement Reduction	0	(200)	(200)	(400)

PEACE OFFICERS BOARD (POST)

Change Item: 5% Operations & Reimbursement Reduction

Fiscal Impact (\$000s)	FY 2012	FY 2013	FY 2014	FY 2015
General Fund				
Expenditures	\$0	\$0	\$0	\$0
Revenues (transfers in)	200	200	200	200
Other Fund				
Expenditures	(200)	(200)	(200)	(200)
Revenues (transfers from)	200	200	200	200
Net Fiscal Impact	\$(200)	\$(200)	\$(2000)	\$(200)

Recommendation

The Governor recommends a reduction of \$57,000 each year for operations and \$143,000 each year for partial reimbursement funding provided to local governments for peace officer training. The Governor intends that the POST Board should focus its operating funds on maintaining highest priority services. In addition, the Governor intends to provide as much flexibility as possible to the agency for implementation of these reductions.

This proposal represents a 5% reduction to the agency's base budget directly appropriated from the peace officer training account in the special revenue fund. Funds collected in that account exceeding appropriations to the POST Board transfer to the General Fund.

Rationale

The Post Board's base funding from the peace officer training account is \$3.995 million each year which includes \$1.138 million for operations and \$2.857 million for partial reimbursements to local governments for peace officer training costs. The recommended reductions are 5% for each component of the budget. For the operating budget the reduction is anticipated to reduce staffing by approximately 0.5 FTE. For reimbursements the reduction is anticipated to reduce the per-officer share from \$358 in FY 2010 to approximately \$345 in FY 2012-13.

Statutory Change: Not Applicable.

PEACE OFFICERS BOARD (POST)

Agency Revenue Summary

Dollars in Thousands

	Actual FY2010	Budgeted FY2011	Governor's Recomm. FY2012 FY2013		Biennium 2012-13
<u>Non Dedicated Revenue:</u>					
Departmental Earnings:					
General	364	536	736	736	1,472
Miscellaneous Special Revenue	0	0	(200)	(200)	(400)
Other Sources:					
General	77	70	70	70	140
Total Non-Dedicated Receipts	441	606	606	606	1,212
<u>Dedicated Receipts:</u>					
Other Revenues:					
Miscellaneous Special Revenue	1	2	2	2	4
Total Dedicated Receipts	1	2	2	2	4
Agency Total Revenue	442	608	608	608	1,216

	PAGE
Agency Profile.....	2
Agency Fiscal Page (Gov Rec)	6
Change Summary	7
Agency Revenue Summary Fiscal Page	8

Agency Purpose

The mission of the Perpich Center for Arts Education's (PCAE) is to provide all Minnesota students the opportunity to develop and integrate their artistic and academic abilities to their highest potential. This mission is accomplished through three primary programs: Professional Development and Research that serves Minnesota K-12 schools; a statewide public Arts High School for 11th and 12th grade students; and a statewide Library & Learning Resource Center with books and materials for use by teachers, artists, students and the general public.

At a Glance

For the academic school year 2009-2010:

Professional Development and Research (PDR)

- Provided professional development opportunities, standards education and curriculum development support for 13,000 teachers/administrators in 85 school districts, impacting 220,000 K-12 students.
- Collaborated and/or provided assistance to 75% of MINNESOTA colleges with programs for teacher preparation, providing material on K-12 graduation standards, arts education curriculum development and needs of teachers in school environments.
- Continued development for all schools of curricular materials that focus on arts and culture of Native American and other ethnic groups.
- Designed and currently implementing a major pilot project to integrate arts education throughout the curriculum in MINNESOTA schools to improve teaching, boost achievement, reduce student absenteeism and provide equity in education for all students.
- Developed and will spearhead the first Minnesota Arts Education Survey that will provide comprehensive data for decision-makers on the depth and status of arts education in schools.

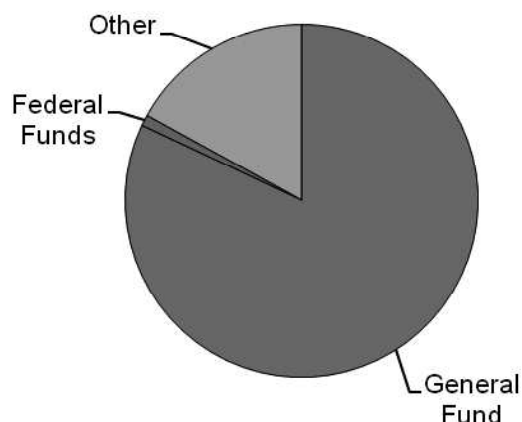
Arts High School

- Accepted 286 students, representing schools in every congressional district of Minnesota; 158 rural students were able to reside on campus; more than half of AHS students qualified for free/reduced financial aid.
- 99% of the AHS students graduated, amassing over \$4 million in college scholarships.
- Academic and arts teachers developed curricular materials on integrated arts education for online learning or distribution to other Minnesota teachers.

Library & Learning Resource Center

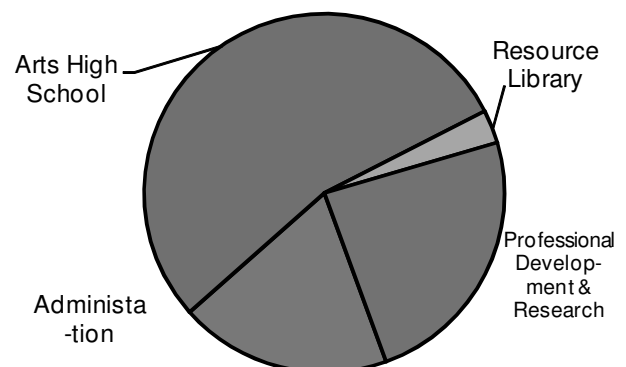
- Provided services for more than 260 teachers, teaching artists, college students and specialists working in arts education.
- Assisted 2400 students across Minnesota with research, education or special interest projects.
- Continue to expand service and holdings through relationships with state, university, Hennepin County and other library services

Est. FY 2010-11 Expenditures by Fund



Source: Consolidated Fund Statement.

Est. FY 2010-11 Expenditures by Program



Source: Agency Internal Spreadsheet

Strategies

The strategies utilized by the Perpich Center to accomplish the agency mission include:

1. Monitoring and responding to environmental factors that affect student learning, including changing demographics, state and school district economic conditions, student achievement, economic disparity, alternative licensure, teacher preparedness, equity and accessibility to arts education, changing family structures and local arts communities.
2. Strengthening relationships with partners, particularly community organizations and institutions of higher education, in order to expand resources and training opportunities for teachers.
3. Designing innovative, realistic and responsive programs to support teaching and learning in schools.
4. Producing, through integrated arts education, creative problem solvers, strategic thinkers, inventors, ethical leaders and exceptional humanitarians for the 21st Century workforce.

Operations

Directly or indirectly, the Perpich Center serves Minnesota's 823,000 students; 340 school districts; 233,920 licensed teachers and teaching artists; and the Arts High School students and their parents. The Perpich Center works collaboratively with arts organizations and community leaders as well as colleges/universities that have teacher-training programs. The hub of the Perpich Center is a 33-acre campus in Golden Valley that includes three buildings: one that houses the Library and the Arts High School; a dormitory for outstate students, and a facility for the Professional Development & Research staff. Perpich education specialists conduct outreach services and programs for professional development of K-12 teachers throughout the state.

The Leadership Team

Having strong central administration is key to the agency's ability to deliver quality, cost-effective programs throughout Minnesota. Emphasis has been placed on enhancing administrative divisions within the agency: Finance, Human Resources, Communications, Technology, School Administration, Policy, Professional Development, Facilities and Maintenance, and Security. In conjunction with the *State Code of Ethics*, managers foster an environment of collaboration, mutual trust and respect, good stewardship, accountability, and impeccable customer service.

Professional Development and Research

The professional employees of PDR are responsible for developing programs and services that support teaching and learning in and through the arts. Among the areas for which they are responsible are: conducting research, developing curriculum, identifying best practices, fostering quality teaching and accountability, developing and promoting state standards, mentoring teachers, and developing programs to serve diverse and/or at-risk populations. With inclusion by MDE of a new graduation standard around Native American arts and culture, the Perpich Center has taken a leadership role in disseminating information and assisting school districts in implementing this and other standards related to arts education.

Policy and Special Projects

The Perpich Center enjoys a national reputation for excellence. Professionals in this division represent the agency on appropriate regional and national boards to monitor trends, spearhead policies, recommend standards, introduce best practices, and identify new partnerships for the Perpich Center.

Arts High School

Administrative staff members include the school director, social worker, nurse, residence hall director, counselor, special education director, and other support services. The academic and arts teachers hold traditional or alternative teaching degrees and excel at reaching students who learn, communicate and achieve through an arts-focused, integrated curriculum. Art areas supported by the school are: literary, dance, music, visual, media, and theater. Students attend school from 8 a.m.- 4:15 p.m. The school administers a 24/7 residential program and a food program that includes breakfast-lunch-dinner.

Library & Learning Resource Center

The Library operates year-round and operates as a public access library.

Key Activity Goals & Measures

As an educational facility, goals of the Perpich Center promote teacher success and student achievement. These goals are established after review of state demographic and population trends, school district needs, agency budget and staffing levels, and national trends. Additional information is obtained from the Minnesota Department of Education, independent research, agency program evaluations, strategic planning goals established by the Perpich Center Board of Directors, and direction provided by government officials. Highlights are:

Key Activity: The 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 of Minnesota.

Goal: To improve student learning.

Measure: Increased number of schools meeting state standards in arts education and increased use of technology and distance learning for teachers and students.

Goal: Increase percentage of applicants to the Arts High School from diverse populations.

Measure: Applications from students of color increased from 15% last year to 24% for the 2010-2011 academic year. Increases were highest among Black-African American students and American Indian-Alaskan Nationals.

Measure: As economic conditions worsen, lack of affordability for students from outstate Minnesota to attend the Arts High School continues to surface. This year, those qualifying and receiving free/ reduced financial assistance increased by 25%. This trend is expected to continue.

Goal: To improve teaching practices and accountability.

Measure: With funding from the Arts and Cultural Heritage Fund, the Perpich Center enrolled 10 schools from 10 school districts in West Central Minnesota in a pilot project to integrate arts education throughout the curriculum.

Measure: Established network of arts education teachers and specialists, covering 40-50 school districts. In a 2010 survey conducted by MDE, 85% of Minnesota school districts indicated need for services from the Perpich Center.

Key Activity: The Perpich Center will influence arts education policy through research, information sharing, and partnerships.

Goal: To provide research-based data on academic achievement associated with arts education and to improve standards related to teaching and learning in arts education.

Measure: Expanded partnerships on a state, national and international level to keep Minnesota in the forefront of trends and achievements related to the benefits of arts education. In June, the College Board invited the Perpich Center to participate as a delegate to China in an educational exchange program. Perpich is working to create a partnership with schools in China that focus on arts education. This fall, a group of educators and students from China will be guests of the Arts High School.

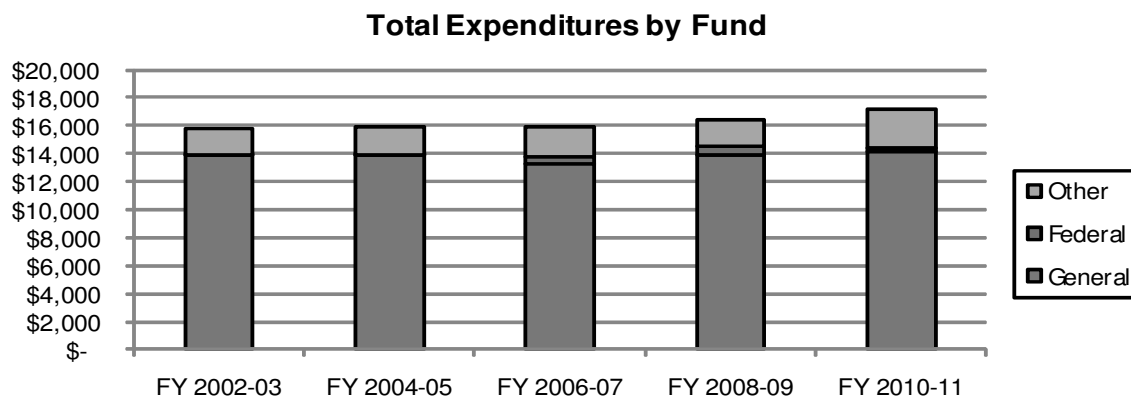
Measure: Established network of Minnesota schools focused on arts education. There are about 42 arts-focused schools in Minnesota; the Perpich Center is hosting a meeting for these schools in October at the Minnesota Department of Education to determine ways to strengthen collaboration and forge partnerships for teaching and learning.

Key Activity: The Perpich Center will remain financially viable while furthering the agency mission and being good stewards of public funds.

Goal: To adopt cost accounting procedures that includes annual planning, programmatic review and analysis, and implementation of best practices.

Measure: All agency programs will be evaluated by August 2011 for reach, programmatic value, and cost-effectiveness. Opportunities for private/public partnerships will be researched and identified by August 2011.

Measure: The Perpich Center Board of Directors reviews thorough financial reporting monthly. The agency is on-schedule for SWIFT implementation.



Source data for the previous chart is the Minnesota Accounting and Procurement System (MAPS) as of 09/01/10.

Contact

Executive Offices of the Perpich Center for Arts Education: 763-591-4718
 Agency web site: <http://www.pcae.k12.mn.us>

Perpich Center for Arts Education
 6125 Olson Memorial Highway
 Golden Valley, Minnesota 55422

Dollars in Thousands					
	Current		Governor Recomm.		Biennium
	FY2010	FY2011	FY2012	FY2013	2012-13
<u>Direct Appropriations by Fund</u>					
General					
Current Appropriation	7,087	7,087	7,087	7,087	14,174
Recommended	7,087	7,087	7,087	7,087	14,174
Change		0	0	0	0
% Biennial Change from 2010-11					0%
Arts And Cultural Heritage					
Current Appropriation	300	700	700	700	1,400
Recommended	300	700	0	0	0
Change		0	(700)	(700)	(1,400)
% Biennial Change from 2010-11					-100%
<u>Expenditures by Fund</u>					
Direct Appropriations					
General	6,891	7,283	7,087	7,087	14,174
Arts And Cultural Heritage	185	815	0	0	0
Statutory Appropriations					
Miscellaneous Special Revenue	652	934	963	957	1,920
Federal	58	0	0	0	0
Gift	23	10	0	0	0
Total	7,809	9,042	8,050	8,044	16,094
<u>Expenditures by Category</u>					
Total Compensation	5,624	6,482	6,450	6,450	12,900
Other Operating Expenses	1,951	2,373	1,413	1,407	2,820
Capital Outlay & Real Property	1	0	0	0	0
Payments To Individuals	42	12	12	12	24
Local Assistance	191	175	175	175	350
Total	7,809	9,042	8,050	8,044	16,094
<u>Expenditures by Program</u>					
Center For Arts Educ	7,809	9,042	8,050	8,044	16,094
Total	7,809	9,042	8,050	8,044	16,094
Full-Time Equivalents (FTE)	80.4	80.1	75.6	75.3	

<i>Dollars in Thousands</i>				
	FY2011	Governor's Recomm.		Biennium
		FY2012	FY2013	2012-13
<i>Fund: GENERAL</i>				
FY 2011 Appropriations	7,087	7,087	7,087	14,174
Subtotal - Forecast Base	7,087	7,087	7,087	14,174
Total Governor's Recommendations	7,087	7,087	7,087	14,174
<i>Fund: ARTS AND CULTURAL HERITAGE</i>				
FY 2011 Appropriations	700	700	700	1,400
Technical Adjustments				
One-time Appropriations		(700)	(700)	(1,400)
Subtotal - Forecast Base	700	0	0	0
Total Governor's Recommendations	700	0	0	0
<i>Fund: MISCELLANEOUS SPECIAL REVENUE</i>				
Planned Statutory Spending	934	963	957	1,920
Total Governor's Recommendations	934	963	957	1,920
<i>Fund: GIFT</i>				
Planned Statutory Spending	10	0	0	0
Total Governor's Recommendations	10	0	0	0

PERPICH CENTER FOR ARTS EDUC

Agency Revenue Summary

Dollars in Thousands

	Actual FY2010	Budgeted FY2011	Governor's Recomm. FY2012 FY2013		Biennium 2012-13
<u>Non Dedicated Revenue:</u>					
Total Non-Dedicated Receipts	0	0	0	0	0
<u>Dedicated Receipts:</u>					
Departmental Earnings:					
Miscellaneous Special Revenue	46	59	59	59	118
Grants:					
Federal	58	0	0	0	0
Other Revenues:					
Miscellaneous Special Revenue	618	573	871	871	1,742
Gift	2	0	0	0	0
Other Sources:					
Miscellaneous Special Revenue	9	14	14	14	28
Total Dedicated Receipts	733	646	944	944	1,888
Agency Total Revenue	733	646	944	944	1,888

	PAGE
Agency Profile.....	2
Agency Fiscal Page (Gov Rec)	6
Change Summary	7
Agency Change Items	
⇒ Convert To Dedicated Funding.....	8
⇒ Increased Fees.....	9
Agency Revenue Summary Fiscal Page	10
⇒ Designates that this item is a change item	

Agency Purpose

The Minnesota Board of Pharmacy was established in 1885 and exists to protect the public from adulterated, misbranded, and illicit drugs, and from unethical or unprofessional conduct on the part of pharmacists or other licensees and registrants. The Board strives to provide a reasonable assurance of professional competency in the practice of pharmacy by enforcing the Pharmacy Practice Act, the State Controlled Substances Act and various other statutes and rules. The Board fulfills its mission through a combination of licensing, inspections, complaint investigation, discipline, consultations and regulatory activities. The Minnesota Prescription Monitoring Program, a tool that prescribers and pharmacists can use to help prevent prescription drug abuse, is also administered by the Board.

At a Glance

Board members: Seven, five pharmacists and two public members, appointed by the Governor

Staff: 12 Full-time employees

Licenses & Registrations Issued

7,546	Pharmacists
498	Pharmacy Interns
8,552	Pharmacy Technicians
1,701	Pharmacies
401	Drug Manufacturers
1,067	Drug Wholesalers
68	Medical Gas Distributors
498	Controlled Substance Researchers
1,456	Pharmacy Preceptors

Inspections

496 inspections of pharmacies, wholesalers, manufacturers, medical gas distributors & controlled substance researchers.

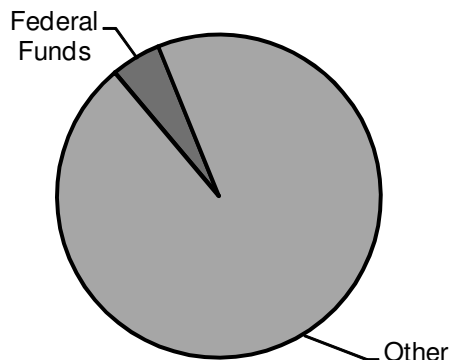
Complaint & Discipline

- Receipt of 85 new jurisdictional complaints
- Resolution of 69 jurisdictional complaints
- 26 disciplinary actions taken
- Monitor 30 individuals under disciplinary order

Prescription Monitoring Program

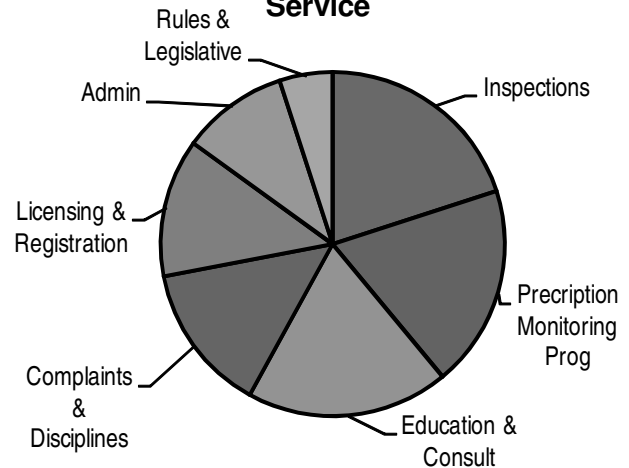
- 6.5 million controlled substance prescriptions projected to be reported annually to PMP
- 2,458 enrolled prescribers and pharmacists
- 16,372 database queries as of 6/30/2010

Est. FY 2010-11 Expenditures by Fund



Source: Consolidated Fund Statement.

Est. FY 2010-11 Expenditures by Service



Source: Board expenses allocated to the services provided by the board.

Strategies

One of the Board's primary strategies is to promote adherence to state and federal laws and rules relating to the practice of pharmacy and to the manufacture and distribution of pharmaceuticals. Another, equally important strategy is to promote the adoption of cutting edge standards of practice that go beyond the minimum requirements specified in the statutes and rules.

Operations

Unlike larger agencies that are divided into administrative areas or divisions, the Board functions as a single operational unit. Nevertheless, the Board's activities can be divided into several areas of focus:

- **Licensing.** Licensing is the Board's "foundation", on which most activities ultimately rest. The ability to license and register individuals and businesses empowers the Board to inspect facilities, investigate complaints, and take disciplinary action when necessary. In addition, the Board is primarily funded by the licensing and registration fees that it collects. Most of the Board's staff members are involved in some aspect of the licensing process. Administrative staff members process applications and work with the National Association of Boards of Pharmacy to make sure that applicants for a pharmacist license have passed the required examinations. Compliance staff members conduct initial inspections of facilities before they are allowed to be licensed.
- **Compliance.** Activities in this area can be further divided as follows:
 - **Inspections.** The Board licenses or registers 2279 in-state pharmacies, drug wholesalers, drug manufacturers, medical gas distributors and controlled substance researchers. Each in-state facility is inspected by a Board Surveyor (aka an Inspector) before it is allowed to open. The Board strives to inspect each pharmacy that it licenses once every two years, at a minimum. However, due to budgetary concerns, the Board did not replace a Surveyor who retired in 2009. This has reduced the number of completed inspections by 20% during FY 2010.
 - **Complaint Investigations.** The Board investigates every jurisdictional complaint that it receives. Most often, a Board Surveyor visits the pharmacy in question, meets with pharmacy staff, reviews the policies and procedures of the pharmacy, and directs pharmacy staff to make necessary changes to policies and procedures. The Surveyor then files a report which is reviewed by the Board's Committee on Professional Standards (COPS). The Committee may dismiss the complaint if it determines that the allegations are without merit or if it is satisfied that the pharmacy will make any changes necessary to minimize future errors. The Committee sometimes determines that offenses were committed that are serious enough to warrant discipline. For cases involving certain issues, such as alleged physical or mental impairment of a licensee, the Board refers the matter to the Attorney General's Office (AGO) for investigation. In such cases, the AGO also issues a report that is reviewed by COPS.
 - **Discipline.** If either COPS or the Board's Executive Director (ED) determines that credible evidence exists that substantiates a serious violation of statutes or rules, the matter is turned into a disciplinary case. The ED works with the AGO to initiate the due process procedures that the Board must follow. The licensee or registrant is directed to appear before a Complaint Review Panel, which weighs the available evidence. In most cases, if the Panel determines that discipline is warranted, it reaches a settlement agreement with the licensee or registrant. Such agreements, which must be approved by the full Board, usually involve the issuance of a disciplinary order which places limitations and conditions on the license or registration of the person or business that was investigated. Several cases per year result in the revocation or voluntary surrender of a license or registration.
 - **Consultations.** The Executive Director and Board Surveyors are licensed pharmacists with, collectively, over 125 years of experience working in a variety of pharmacy settings. As such, their advice is sought on a daily basis by pharmacists and other licensees and registrants. The ED and Surveyors provide consultations on issues that are often extremely technical and complex. For example, Surveyors regularly work with pharmacists, architects and engineers to provide advice concerning compliance with the United States Pharmacopeia Chapter 797 standards for sterile compounding. The goal of all consultations is to promote both adherence to laws and rules and the adoption of cutting edge standards of practice and technology that help protect the health, welfare and safety of citizens.
- **Policy, Regulatory and Legislative Activities.** As new standards of practice emerge and new technologies are developed, the Board and its staff work to update guidelines, rules and statutes. Guidelines help licensees and registrants use new technologies and procedures in a way that best promotes the health, welfare and safety of citizens. As new technologies and standards of practice become more broadly accepted, the Board will promulgate rules, as necessary, to replace the guidelines. For certain issues, it is necessary to ask the Legislature and Governor to enact new statutory language. In addition, Board staff very frequently provides technical assistance to legislators and their staff on a variety of issues concerning pharmacy and pharmaceuticals. The Board also works on policy issues with other local, state and federal agencies, including local law enforcement agencies, county attorneys, the state Departments of Human Services and Health, the Minnesota Pollution Control Agency, the Bureau of Criminal Apprehension, the U.S. Drug Enforcement Administration, and the U.S. Food and Drug Administration.
- **Services for the General Public.** In addition to the benefits that the public derives from the activities described above, Board staff provides direct services to the public as well. Staff provides information directly to members of the public in response to inquiries concerning the legal requirements and standards for

pharmacy practice. Members of the public can use the Board's online license verification system to verify that individuals and businesses are licensed by the Board and to determine if any disciplinary action has been taken against a licensee or registrant. The Board provides copies of disciplinary orders to the public upon request - at no charge.

- **Prescription Monitoring Program.** The purpose of the Prescription Monitoring Program (PMP) is to promote public health, safety and welfare by detecting the diversion, abuse, and misuse of prescription medications classified as controlled substances under Minnesota statutes and rules. The PMP collects information concerning almost all controlled substance prescriptions dispensed for people residing in Minnesota. Prescribers, pharmacists and certain Medicaid program staff can access this data through a secure online system. The PMP is a tool that these authorized users can employ in order to detect possible "doctor-shopping behavior". (i.e. – obtaining prescriptions from multiple prescribers and having them filled by multiple pharmacies). The Board encourages prescribers and pharmacists who do identify individuals who appear to be engaged in "doctor-shopping" to refer them for appropriate care – either chemical dependency treatment or pain management. Law enforcement officials can obtain data from the system as well, but only after obtaining a court-issued search warrant and serving it on the Board.

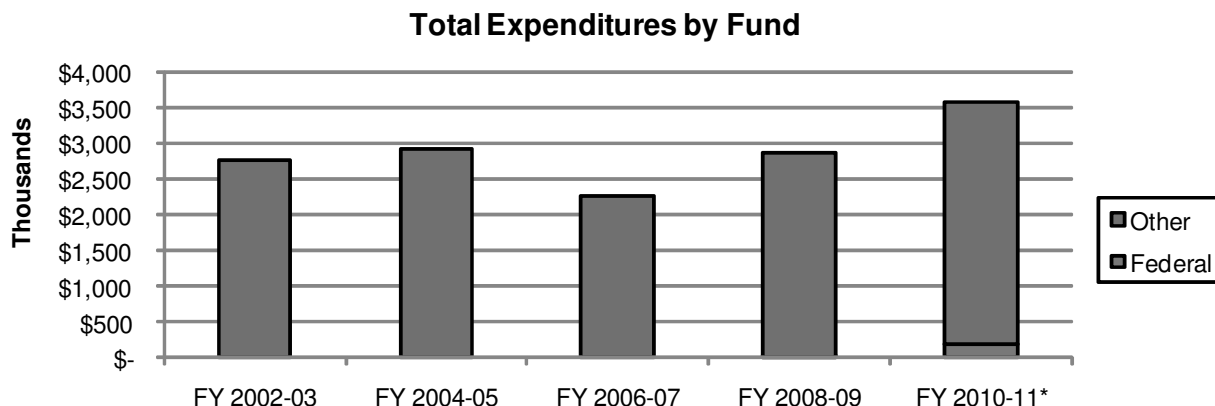
Key Activity Goals & Measures

- The Board shares the Minnesota Milestone goal that state citizens will be healthy. By promoting best standards for pharmacy practice and disciplining unethical or incompetent pharmacists, the Board helps achieve the goal of reducing premature deaths. The operations described in the previous section help to reduce the number of medication errors that adversely impact patients. Due to the many variables that affect the health of citizens, it is difficult to determine the precise impact of the Board's activities in this area.
- Help reduce "doctor-shopping" behavior and the abuse of prescription drugs. Reducing the abuse of prescription drugs should result in fewer cases of accidental overdoses and even motor vehicle and other accidents caused by impaired individuals. This is a goal of the Minnesota Prescription Monitoring Program (PMP), which only became fully operational on April 15, 2010. The Board does not yet have enough data to demonstrate the impact that the PMP might be having in this area. We do know that a very similar program that the Iowa Board of Pharmacy has been running for the past couple of years has resulted in a decrease of "doctor-shopping" in that state. The Board expects similar results in Minnesota. The Board is tracking data that is indicative of "doctor shopping", namely the number of individuals who receive prescriptions from six or more prescribers and have them filled at six or more pharmacies within a six month period of time.

Budget Trends

The board is responsible for collecting sufficient revenue to cover both direct and indirect expenditures. The board is estimated to collect \$3.196 million in FY 2010-11, which is deposited as non-dedicated revenue into the state government special revenue fund.

From this fund, the board receives a direct appropriation to pay for agency activities such as salaries, rent, costs for disciplinary/contested cases and operating expenditures. It also pays statewide indirect costs through an open appropriation. In FY 2010-11, total expenditures for these purposes are estimated at \$2.904 million. The chart below shows funding trends over the last five biennia for the direct and open appropriation.



* FY 2010-11 is estimated, not actual; Source data for the previous chart is the Minnesota Accounting and Procurement System (MAPS) as of 07/31/10. FY 2006-07 funding for the Administrative Services Unit moved to the Board of Nursing Home Administrators

Board fees are also responsible for covering a prorated share of support functions provided outside of the Board itself. These include legal support (Attorney General), statewide e-licensing system development and operations (Office of Enterprise Technology), centralized administrative support (Health Boards Administrative Services Unit), funding for services to health professionals (Health Professionals Services Program) and controlled substance program (Prescription Electronic Reporting). In FY 2010-11, some of the health boards' reserves in the state government special revenue fund were also transferred to the general fund. The table below displays direct and open appropriation expenditures, external support costs (prorated share), and the general fund transfers (prorated share) estimated in FY 2010-11.

	FY 2010-11 (in thousands)
Board's Direct and Open Appropriations	\$ 2,904
Board's External Support Costs and Transfers (prorated Share)	
• Attorney General support	106
• E-licensing support	218
• Central administrative service unit	161
• Health professional service program	70
• Prescription Electronic Reporting	124
• General fund transfer	231
	<hr/>
Total	3,814
Fees Collected by Board	<hr/>
	\$3,196
Prorated Surplus/(Deficit)	(618)

In most years, Board fee revenues exceed direct expenditures and external support costs, and as directed by law, the surplus is used to maintain a reserve in the state government special revenue fund. It should be noted here that the FY 2010-11 transfers to the General Fund, along with unanticipated increases in the support costs discussed above, have resulted in the Board's fee revenue not covering its prorated costs and transfers.

The number of licensees regulated by the Board continues to rise, as do the number of complaints and the complexity of the cases. Also, there is an increase in the use of prescription medications due to an aging population and a decrease in the amount of reimbursement pharmacies receive for dispensing medications. Given these changes, pharmacies are accelerating the adoption of new technologies and practices in an effort to increase productivity and cut costs. The Board must monitor these developments to ensure that these new technologies and practices do not have an adverse impact on the health, safety and welfare of the public. These developments make inspections and complaint investigations more complicated and time-consuming – and thus more costly.

Contact

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

The Web site at: <http://www.pharmacy.state.mn.us> gives visitors easy access to useful information about the Board of Pharmacy. Types of information available through the web site include; general information about the Board, regulatory news and updates, Minnesota rules and statutes, public notices, forms, and online renewals of certain licenses and registrations.

E-mail: pharmacy.board@state.mn.us

Phone: (651)201-2825
Fax: (651)201-2837
TDD: 1-800-627-3529

<i>Dollars in Thousands</i>					
	Current		Governor Recomm.		Biennium
	FY2010	FY2011	FY2012	FY2013	2012-13
<u>Direct Appropriations by Fund</u>					
State Government Spec Revenue					
Current Appropriation	1,388	1,905	1,905	1,905	3,810
Recommended	1,388	1,905	0	0	0
Change		0	(1,905)	(1,905)	(3,810)
% Biennial Change from 2010-11					-100%
<u>Expenditures by Fund</u>					
Direct Appropriations					
State Government Spec Revenue	1,293	2,009	0	0	0
Open Appropriations					
State Government Spec Revenue	60	45	0	0	0
Statutory Appropriations					
State Government Spec Revenue	0	0	1,991	1,991	3,982
Miscellaneous Special Revenue	0	18	0	0	0
Federal	224	163	0	0	0
Total	1,577	2,235	1,991	1,991	3,982
<u>Expenditures by Category</u>					
Total Compensation	1,133	1,301	1,034	1,082	2,116
Other Operating Expenses	444	934	957	909	1,866
Total	1,577	2,235	1,991	1,991	3,982
<u>Expenditures by Program</u>					
Pharmacy, Board Of	1,577	2,235	1,991	1,991	3,982
Total	1,577	2,235	1,991	1,991	3,982
Full-Time Equivalents (FTE)	11.1	12.8	13.0	13.0	

PHARMACY BOARD

Change Summary

<i>Dollars in Thousands</i>				
	FY2011	Governor's Recomm.		Biennium
		FY2012	FY2013	2012-13
Fund: STATE GOVERNMENT SPEC REVENUE				
FY 2011 Appropriations	1,905	1,905	1,905	3,810
Technical Adjustments				
Current Law Base Change		(161)	(161)	(322)
Subtotal - Forecast Base	1,905	1,744	1,744	3,488
Change Items				
Convert to Dedicated Funding	0	(1,744)	(1,744)	(3,488)
Total Governor's Recommendations	1,905	0	0	0
Fund: STATE GOVERNMENT SPEC REVENUE				
Planned Open Spending	45	59	59	118
Change Items				
Convert To Dedicated Funding	0	(59)	(59)	(118)
Total Governor's Recommendations	45	0	0	0
Fund: STATE GOVERNMENT SPEC REVENUE				
Planned Statutory Spending	0	0	0	0
Change Items				
Convert to Dedicated Funding	0	1,627	1,627	3,254
Increased Fees	0	364	364	728
Total Governor's Recommendations	0	1,991	1,991	3,982
Fund: MISCELLANEOUS SPECIAL REVENUE				
Planned Statutory Spending	18	0	0	0
Total Governor's Recommendations	18	0	0	0
Fund: FEDERAL				
Planned Statutory Spending	163	0	0	0
Total Governor's Recommendations	163	0	0	0
Revenue Change Items				
Fund: STATE GOVERNMENT SPEC REVENUE				
Change Items				
Increased Fees	0	364	364	728

PHARMACY BOARD

Change Item: Convert to Dedicated Funding

Fiscal Impact (\$000s)	FY 2012	FY 2013	FY 2014	FY 2015
Health Related Boards (171)				
Direct Appropriated Account				
Expenditures	\$(1,744)	\$(1,744)	\$(1,744)	\$(1,744)
Non-Dedicated Revenues	(1,627)	(1,627)	(1,627)	(1,627)
Open Appropriated Account				
Expenditures	(59)	(59)	(59)	(59)
Dedicated Account				
Expenditures	1,627	1,627	1,627	1,627
Dedicated Revenues	1,627	1,627	1,627	1,627
Transfer In	0	0	0	0
Net Fiscal Impact	\$(176)	\$(176)	\$(176)	\$(176)

Recommendation

The Governor recommends changing the way appropriations are made to the health related licensing boards that operate in the state government special revenue fund. Under this proposal, the boards' funding would be converted from direct appropriations to dedicated appropriations, giving each board spending authority equal to its fee revenue and any accumulated balance. The net effect of this change is the difference between the board's current base appropriations and projected revenues.

The direct appropriation for the Pharmacy Board includes an appropriation for the Minnesota Prescription Monitoring Program. Under this proposal, Prescription Monitoring Program will be funded through partnership agreements with the boards that license prescribers.

Rationale

This proposal places ownership in the boards' 183 appointed members to be efficient and cost effective in setting their spending levels, while providing continued legislative oversight in the setting of the boards' fees. It encourages the boards to find efficiencies and ensures the fees paid by each occupation are dedicated to the boards' mission to protect the public and ensure that Minnesota citizens receive quality care by qualified licensed health professionals. The establishment of the dedicated appropriation will improve the boards' management of resources and transparency for licensees.

The health related licensing boards are fee-supported organizations that receive no General Fund dollars. The boards currently collect and deposit fees as non-dedicated special revenue into the health related boards account in the state government special revenue fund (171). The legislature then provides a direct appropriation from these revenues to each board for its operating expenses. Unlike agencies that receive direct appropriations from the General Fund, the boards must ensure that licensing fees are collected to recover each board's direct and indirect expenditures to maintain the solvency of the state government special revenue fund. For this reason, the health boards already operate much like agencies with dedicated appropriations—except that they must seek appropriation authority to gain access to their existing fee revenue.

This proposal changes the boards' non-dedicated revenue to dedicated revenue within the same fund and provides each board with a dedicated appropriation from the board's revenue. Additionally, the current accumulated fund balance within the health related boards account will be transferred to individual boards based on each board's contribution to the balance. M.S. 16A.1283 requires that all fee increases be approved by the legislature, so even with a dedicated funding arrangement, the boards must still seek legislative action to increase spending beyond current law fee revenues.

Key Goals and Measures

Minnesota Milestone: Government in Minnesota will be cost-efficient, and services will be designed to meet the needs of the people who use them. Minnesotans expect their state and local governments to spend money carefully and effectively.

Measures:

- Transparency of fees and expenditures
- The level of service provided to licensees and Minnesota citizens.

Statutory Change: Minnesota Statutes Chapter 148

PHARMACY BOARD

Change Item: Increased Fees

Fiscal Impact (\$000s)	FY 2012	FY 2013	FY 2014	FY 2015
Health Related Boards Fund (171)				
Dedicated Account				
Expenditures	\$364	\$364	\$364	\$364
Dedicated Revenues	364	364	364	364
Net Fiscal Impact	\$0	\$0	\$0	\$0

Recommendation

The Governor recommends that the Board of Pharmacy collect additional fees, in the amounts of \$364,000 in FY 2012 and \$364,000 in FY 2013.

Rationale

The proposed increases in fees are necessary to cover the increasing operating costs of the board that can no longer be sustained by the current fee schedule. Some of these increased costs include replacing a Pharmacy Surveyor (i.e. Inspector) who retired in 2009 and who has not yet been replaced due to budget concerns; the severance costs that must be paid to an employee who has indicated a retirement during the biennium and increased costs associated with benefit increases, increased inspection-related costs, and increased utilization of the attorney general's office.

A portion of the fee increase is needed to cover the board's portion of the funds that the legislature appropriated during the 2010 Special Session for the Minnesota Prescription Monitoring Program. The legislature appropriated \$517,000 for FY 2011 and \$356,000 as the base appropriation in subsequent fiscal years. The legislature directed that the Board of Pharmacy and the boards that license prescribers split the cost of the appropriation. The legislation passed states that: "Each respective board may adjust the fees that the boards are required to collect to compensate for the amount apportioned to each board". Notwithstanding this language, M.S. 16A.1283 requires that the legislature approve the actual fee increase that will be necessary to fund the Board of Pharmacy's portion of the program's appropriation. The fee increase that is necessary to fund the program is built into the requested fee increases for pharmacists and pharmacies since those two license types will be users of the program. Twelve dollars of the requested fee increases for those two license types will go towards funding the Prescription Monitoring Program.

Key Goals and Measures

The Board of Pharmacy exists to protect the public from adulterated, misbranded, and illicit drugs, and from unethical or unprofessional conduct on the part of pharmacists or other licensees and registrants. The Board strives to provide a reasonable assurance of professional competency in the practice of pharmacy by enforcing the Pharmacy Practice Act, the State Controlled Substances Act and various other statutes and rules. The Board fulfills its mission through a combination of licensing, inspections, complaint investigation, discipline, consultations and regulatory activities. The Minnesota Prescription Monitoring Program, a tool that prescribers and pharmacists can use to help prevent prescription drug abuse, is also administered by the Board.

The purpose of the Prescription Monitoring Program (PMP) is to promote public health and welfare by detecting diversion, abuse, and misuse of the prescription medications classified as controlled substances under the Minnesota statutes. The primary goal of the program is to prevent individuals from obtaining prescriptions for controlled substances from multiple prescribers and have them filled at multiple pharmacies. Achievement of this goal can be measured by performing certain queries of the PMP database.

Statutory Change: Minnesota Statutes Chapter 151.065

PHARMACY BOARD

Agency Revenue Summary

Dollars in Thousands

	Actual FY2010	Budgeted FY2011	Governor's Recomm. FY2012 FY2013		Biennium 2012-13
<u>Non Dedicated Revenue:</u>					
Departmental Earnings:					
State Government Spec Revenue	1,663	1,533	0	0	0
Other Revenues:					
State Government Spec Revenue	(207)	0	0	0	0
Total Non-Dedicated Receipts	1,456	1,533	0	0	0
<u>Dedicated Receipts:</u>					
Departmental Earnings:					
State Government Spec Revenue	0	0	1,991	1,991	3,982
Grants:					
Miscellaneous Special Revenue	0	18	0	0	0
Federal	224	163	0	0	0
Total Dedicated Receipts	224	181	1,991	1,991	3,982
Agency Total Revenue	1,680	1,714	1,991	1,991	3,982

	PAGE
Agency Profile.....	2
Agency Fiscal Page (Gov Rec)	5
Change Summary	6
Agency Change Items	
⇒ Move To Dedicated Funding.....	7
Agency Revenue Summary Fiscal Page	8
⇒ Designates that this item is a change item	

Agency Purpose

The Board of Physical Therapy 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 under Minnesota Statutes 148.65-148.78 and Rules 5601.0100-5601.3200.

The mission of the Board is to protect the public through licensure of qualified physical therapists (PT) and physical therapist assistants (PTA), and to provide timely and impartial resolution of complaints against licensees, including discipline, when warranted.

At a Glance

Complaint Review & Investigative Services

- Investigate 102 jurisdictional complaints
- Monitor ten PTs and PTAs under discipline order
- Monitor eight PTs and PTAs under agreements for corrective action
- Assure monitoring of 15 PTs and PTAs in the Health Professional Services Program

Education Services

- 968 Continuing Education courses reviewed
- 20 Presentations provided at PT and PTA educational programs

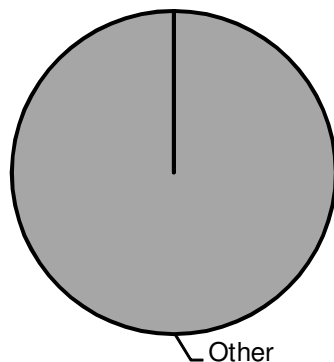
Credentialing Services

- 5,400 Licensees
 - 4,100 Physical Therapists (PT)
 - 1,300 Physical Therapist Assistants (PTA)
- 10,407 Licenses renewed, 90% submitted online
- 682 PT and PTA initial applications processed, 52% submitted online
- 307 Temporary Permits issued
- 520 Examinations authorized

Staff

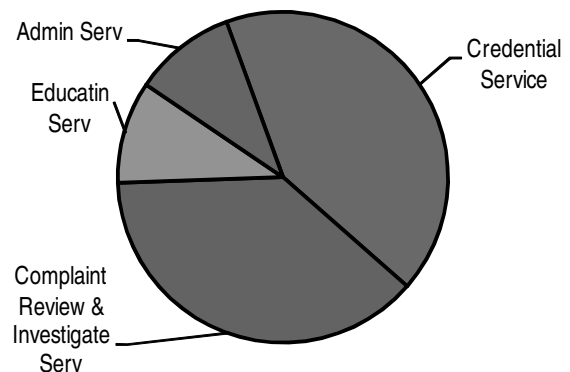
- 3.0 full time equivalent employees

Est. FY 2010-11 Expenditures by Fund



Source: Consolidated Fund Statement.

Est. FY 2010-11 Expenditures by Service



Source: Board expenses allocated to the services provided by the board.

Strategies

- To protect public safety through the investigation of complaints against physical therapists and physical therapist assistants, the identification of licensees who fail to maintain the minimum standards necessary for the provision of safe and quality care, and when warranted, the provision of timely and appropriate disciplinary or corrective action.
- To support public protection by ensuring that applicants meet the standards for initial licensure; and that licensees meet the standards, including continuing competence requirements, for license renewals.
- To provide information and education to the public, other interested parties, and licensees.

Operations

The Board is committed to public protection and to responsive, efficient, and cost-effective services. The eleven member Board of Physical Therapy (three public members, five physical therapists, two physical therapist assistants, and one medical doctor) set the direction for the Board, oversee the agency's activities, and serve as

members on the Complaint Review, Continuing Education, Licensure, Administration, and Legislative Committees, and Continuing Competence Task Force.

Complaint Review and Investigative Services:

- Public protection is provided through the investigation of complaints and discipline of licensees, and monitoring of licensees under discipline orders and agreements for corrective action.
- The board's website offers services to the public, licensees, employers, third party payers, and other government agencies, including complete text of disciplinary orders, information on the complaint process, complaint registration forms, and individual licensee licensure status and disciplinary history.

Credentialing Services:

- Initial Licensure: 52% of applicants used online application service during first year of availability
- License Renewals: 90% of licensees use the online renewal service. Historical growth from FY 2004-05 at 22%, FY 2006-07 at 44%, to FY 2008-09 at 85%.
- Online services include license verification, address and contact information changes, license renewals, information for licensees, and initial licensure application forms. Continuing education application forms and instructions, and physical therapy statutes and rules are printable from the website.

Educational Services:

- Information and resources for the public, licensees, employers and other governmental agencies are available from the Board website (<http://www.physicaltherapy.state.mn.us>) and direct communication. Online services include: license verification, address and contact information changes, license renewals, initial license applications, and resources. Online printable forms include: continuing education application forms and physical therapy statutes and rules.
- Public information is provided by dedicated staff answering the phone and responding to email inquiries during business hours.
- Continuing Education courses review and approval
- Educational presentations to the Physical Therapist and Physical Therapist Assistant educational programs in Minnesota.

Key Activity Goals & Measures

Public Protection: The vision of the board is to ensure that Minnesota citizens receive quality physical therapy services from competent physical therapists.

- Initiate and complete rulemaking for continuing competency revisions by the end of FY 2013.
- Implement online complaint registration function by the end of FY 2013.

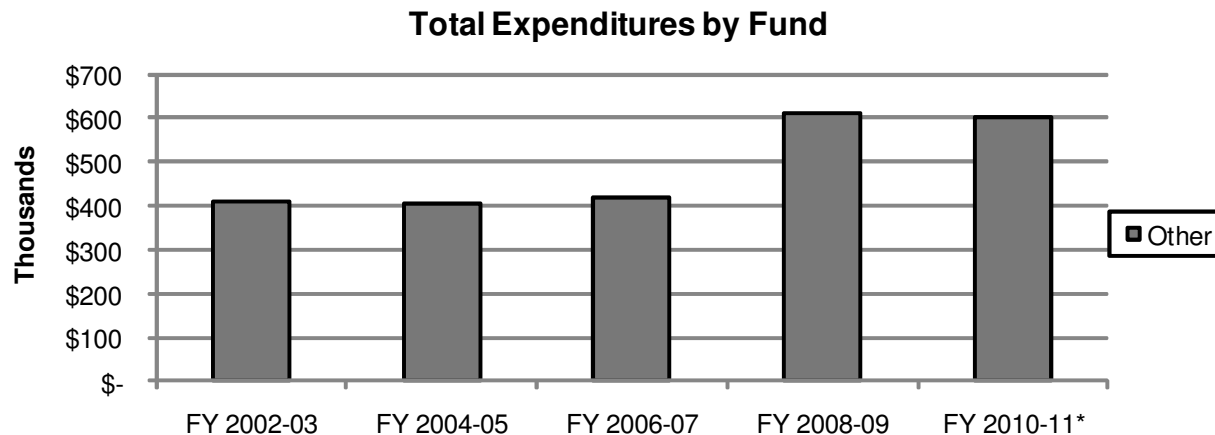
Government in Minnesota will be cost-efficient, and the services will be designed to meet the needs of the people who use them. Minnesota Milestones #36 Satisfaction with Government Services and #37 Price of Government.

- Maintain the standard of processing online and paper annual renewal applications within 1-2 business days of receipt of all licensing requirements with 85-90% of licensees using the online renewal system. Historical renewal processing has been consistently achieved on the same or next business day with participation rates in FY 2004-05 at 22%, FY 2006-07 at 44%, FY 2008-09 at 85%, and FY 2010 at 90%.
- Process online and paper initial license applications in 1-2 business days with 70% of applications submitted online.
- Enhance and progress the development of the Board's integrated, comprehensive database for discipline, licensing, and web services, to add user friendly functionality for staff and licensees utilizing the most efficient ratio of development and maintenance cost to outcomes and functionality. This is an ongoing goal.

Budget Trends

The board is responsible for collecting sufficient revenue to cover both direct and indirect expenditures. The board is estimated to collect \$864,000 in FY 2010-11, which is deposited as non-dedicated revenue into the state government special revenue fund.

From this fund, the board receives a direct appropriation to pay for agency activities such as salaries, rent, costs for disciplinary/contested cases and operating expenditures. It also pays statewide indirect costs through an open appropriation. In FY 2010-11, total expenditures for these purposes are estimated at \$601,000. The chart below shows funding trends over the last five biennia for the direct and open appropriation.



* FY 2010-11 is estimated, not actual

Source data for the previous chart is the Minnesota Accounting and Procurement System (MAPS) as of 07/31/10.

Board fees are also responsible for covering a prorated share of support functions provided outside of the Board itself. These include legal support (Attorney General), statewide e-licensing system development and operations (Office of Enterprise Technology), centralized administrative support (Health Boards Administrative Services Unit) and funding for services to health professionals (Health Professionals Services Program). In FY 2010-11, some of the health boards' reserves in the state government special revenue fund were also transferred to the general fund. The table below displays direct and open appropriation expenditures, external support costs (prorated share), and the general fund transfers (prorated share) estimated in FY 2010-11.

	FY 2010-11 (in thousands)
Board's Direct and Open Appropriations	\$ 601
Board's External Support Costs and Transfers (prorated Share)	
• Attorney General support	61
• E-licensing support	89
• Central administrative service unit	38
• Health professional service program	22
• General fund transfer	259
Total	1,070
Fees Collected by Board	\$864
Prorated Surplus/(Deficit)	(206)

In most years, Board fee revenues exceed direct expenditures and external support costs, and as directed by law, the surplus is used to maintain a reserve in the state government special revenue fund. It should be noted here that the FY 2010-11 transfers to the General Fund, along with unanticipated increases in the support costs discussed above, have resulted in the Board's fee revenue not covering its prorated costs and transfers.

An external economic factor which will impact the agency's operations is an emerging trend toward single source national association approval for continuing education courses and providers which will likely decrease the Board's revenue from review of continuing education courses during FY 2012-13.

Contact

Minnesota Board of Physical Therapy

Executive Director: 612-627-5406

2829 University Ave South East, Suite 420

Minneapolis, Minnesota 55414

Fax: 612-627-5403

E-mail: physical.therapy@state.mn.us

Website: <http://www.physicaltherapy.state.mn.us>

PHYSICAL THERAPY BOARD

Agency Overview

<i>Dollars in Thousands</i>					
	Current		Governor Recomm.		Biennium
	FY2010	FY2011	FY2012	FY2013	2012-13
<u>Direct Appropriations by Fund</u>					
State Government Spec Revenue					
Current Appropriation	295	295	295	295	590
Recommended	295	295	0	0	0
Change		0	(295)	(295)	(590)
% Biennial Change from 2010-11					-100%
<u>Expenditures by Fund</u>					
Direct Appropriations					
State Government Spec Revenue	274	316	0	0	0
Open Appropriations					
State Government Spec Revenue	5	7	0	0	0
Statutory Appropriations					
State Government Spec Revenue	0	0	420	420	840
Total	279	323	420	420	840
<u>Expenditures by Category</u>					
Total Compensation	235	238	241	248	489
Other Operating Expenses	44	85	179	172	351
Total	279	323	420	420	840
<u>Expenditures by Program</u>					
Physical Therapy Bd	279	323	420	420	840
Total	279	323	420	420	840
Full-Time Equivalents (FTE)	3.0	3.0	3.0	3.0	

PHYSICAL THERAPY BOARD

Change Summary

<i>Dollars in Thousands</i>				
	FY2011	Governor's Recomm.		Biennium
		FY2012	FY2013	2012-13
Fund: STATE GOVERNMENT SPEC REVENUE				
FY 2011 Appropriations	295	295	295	590
Subtotal - Forecast Base	295	295	295	590
Change Items				
Convert to Dedicated Funding	0	(295)	(295)	(590)
Total Governor's Recommendations	295	0	0	0
Fund: STATE GOVERNMENT SPEC REVENUE				
Planned Open Spending	7	9	9	18
Change Items				
Convert To Dedicated Funding	0	(9)	(9)	(18)
Total Governor's Recommendations	7	0	0	0
Fund: STATE GOVERNMENT SPEC REVENUE				
Planned Statutory Spending	0	0	0	0
Change Items				
Convert to Dedicated Funding	0	420	420	840
Total Governor's Recommendations	0	420	420	840

PHYSICAL THERAPY BOARD

Change Item: Convert to Dedicated Funding

Fiscal Impact (\$000s)	FY 2012	FY 2013	FY 2014	FY 2015
Health Related Boards Fund (171)				
Direct Appropriated Account				
Expenditures	\$(295)	\$(295)	\$(295)	\$(295)
Non-Dedicated Revenue	(420)	(420)	(420)	(420)
Open Appropriated Account				
Expenditures	(9)	(9)	(9)	(9)
Dedicated Account				
Expenditures	420	420	420	420
Dedicated Revenue	420	420	420	420
Transfer In	0	0	0	0
Net Fiscal Impact	\$116	\$116	\$116	\$116

Recommendation

The Governor recommends changing the way appropriations are made to the health related licensing boards that operate in the state government special revenue fund. Under this proposal, the boards' funding would be converted from direct appropriations to dedicated appropriations, giving each board spending authority equal to its fee revenue and any accumulated balance. The net effect of this change is the difference between the board's current base appropriations and projected revenues.

Rationale

This proposal places ownership in the boards' 183 appointed members to be efficient and cost effective in setting their spending levels, while providing continued legislative oversight in the setting of the boards' fees. It encourages the boards to find efficiencies and ensures the fees paid by each occupation are dedicated to the boards' mission to protect the public and ensure that Minnesota citizens receive quality care by qualified licensed health professionals. The establishment of the dedicated appropriation will improve the boards' management of resources and transparency for licensees.

The health related licensing boards are fee-supported organizations that receive no General Fund dollars. The boards currently collect and deposit fees as non-dedicated special revenue into the health related boards account in the state government special revenue fund (171). The legislature then provides a direct appropriation from these revenues to each board for its operating expenses. Unlike agencies that receive direct appropriations from the General Fund, the boards must ensure that licensing fees are collected to recover each board's direct and indirect expenditures to maintain the solvency of the state government special revenue fund. For this reason, the health boards already operate much like agencies with dedicated appropriations—except that they must seek appropriation authority to gain access to their existing fee revenue.

This proposal changes the boards' non-dedicated revenue to dedicated revenue within the same fund and provides each board with a dedicated appropriation from the board's revenue. Additionally, the current accumulated fund balance within the health related boards account will be transferred to individual boards based on each board's contribution to the balance. M.S. 16A.1283 requires that all fee increases be approved by the legislature, so even with a dedicated funding arrangement, the boards must still seek legislative action to increase spending beyond current law fee revenues.

Key Goals and Measures

Minnesota Milestone: Government in Minnesota will be cost-efficient, and services will be designed to meet the needs of the people who use them. Minnesotans expect their state and local governments to spend money carefully and effectively.

Measures:

- Transparency of fees and expenditures
- The level of service provided to licensees and Minnesota citizens.

Statutory Change: Minnesota Statutes Chapter 148

PHYSICAL THERAPY BOARD

Agency Revenue Summary

Dollars in Thousands

	Actual FY2010	Budgeted FY2011	Governor's Recomm. FY2012 FY2013		Biennium 2012-13
<u>Non Dedicated Revenue:</u>					
Departmental Earnings:					
State Government Spec Revenue	442	423	0	0	0
Other Revenues:					
State Government Spec Revenue	(37)	0	0	0	0
Total Non-Dedicated Receipts	405	423	0	0	0
<u>Dedicated Receipts:</u>					
Departmental Earnings:					
State Government Spec Revenue	0	0	420	420	840
Total Dedicated Receipts	0	0	420	420	840
Agency Total Revenue	405	423	420	420	840

	PAGE
Agency Profile.....	2
Agency Fiscal Page (Gov Rec)	6
Change Summary	7
Agency Change Items	
⇒ Convert To Dedicated Funding.....	8
Agency Revenue Summary Fiscal Page	9
⇒ Designates that this item is a change item	

Agency Purpose

The Minnesota Board of Podiatric Medicine Minnesota 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 and public safety and protection of all citizens in the state of Minnesota. Regulation and public safety and protection are 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.

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.

At a Glance

Licensing & Credentialing Service

- 205 Podiatrists
- 112 Biennial Renewals FY2010
- 709 License Verifications FY2010
- Six License Applications FY2010
- 40 Professional Corporations
- 13 Temporary Permits

Professional Development/Continuing Education

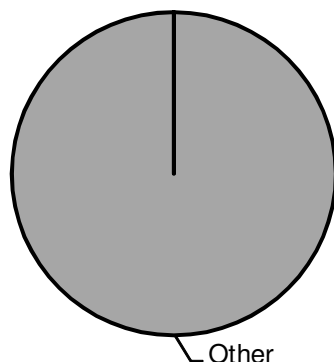
- Review over 3,360 continuing medical education hours (CME's) provided by over 50 sponsors

- Review and approve CME's not pre-approved by CPME as prescribed in statute
- Administer, score and review jurisprudence exams with podiatrists
- Educational conferences held with licensees

Complaints & Discipline Resolution Service

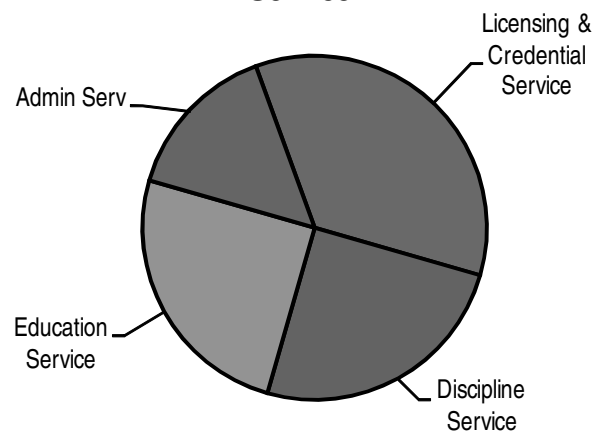
- Ten Complaints received
- Six complaints resolved
- Several Requests for Unconditional Licenses
- National Practitioner Data Bank discipline reports
- Public Inquiries

Est. FY 2010-11 Expenditures by Fund



Source: Consolidated Fund Statement.

Est. FY 2010-11 Expenditures by Service



Source: Board expenses allocated to the services provided by the board.

Strategies

Core functions of the Board are established to protect the public by ensuring that professionals comply with the Board's rules and practice in a professional, legal, and ethical manner. The Board's core functions are:

- 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

The board is comprised of five podiatrists and two public members, all of whom are appointed by the Governor. The board is staffed by a 0.5 full time equivalent position. Services are delivered by issuing licenses to qualified individuals, renewal certificates to licensees meeting continuing medical 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. The Complaint Review Committee (CRC) is comprised of three board members. Board orders for disciplinary actions and Agreements for Corrective Action further protect the public.

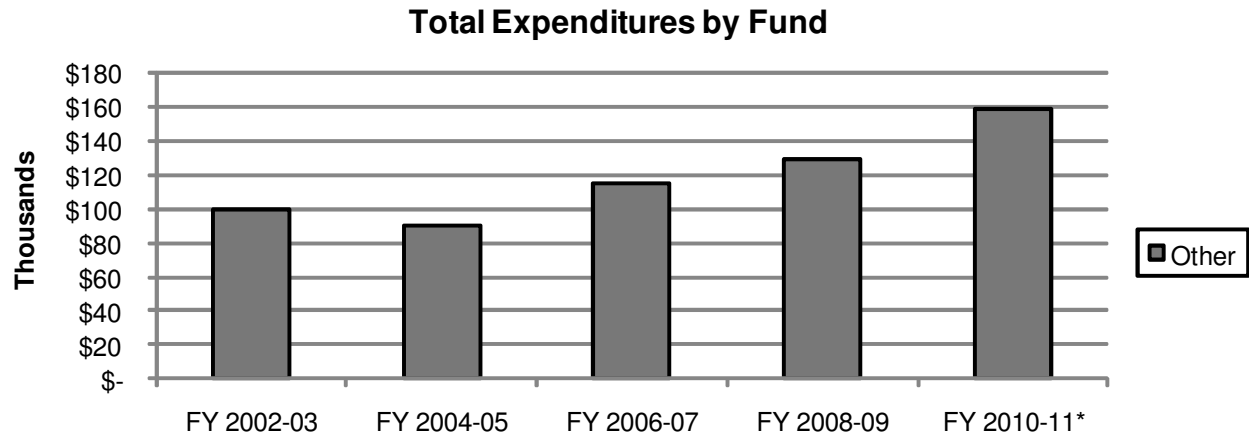
Key Activity Goals & Measures

- **maintain excellence in the practice of podiatric medicine;**
 - ensure applicants for credentials have met all statutory requirements and have a thorough understanding of Minnesota statutes;
 - keep licensees informed of changes affecting the practice of podiatric medicine via newsletters, emails, phone interaction and board website;
 - review and approve continuing medical education hours to promote and ensure high-quality education and continuous improvement, resulting in highest quality patient care and healthy Minnesotans;
 - maintain qualified residency programs in Minnesota which have decreased from four to three over the past seven years; 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; temporary permit holders increased from seven to 13 in 2011.
- **Provide effective public safety and protection.**
 - respond quickly and thoroughly to complaints and when appropriate take disciplinary or corrective action against a licensee when in violation of the practice act; hold educational and disciplinary conferences with licensees when necessary. Minnesota had an increase of 29 licensed podiatrists from June of 2003 to June of 2010, an increase of 16%. However, as the number of licensed podiatrists increased by 16%, the average number of complaints received on an annual basis declined by 1%.
 - promptly report disciplinary actions to the National Practitioner Data Bank and to all parties 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 web site;
- **Administrative services will be cost-efficient and services designed to meet the needs of the people who use them.**
 - allow licensees, permit holders and citizens online access to information about podiatric medicine;
 - offer online payment for license verifications through the board's web site;
 - 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;
 - offer online biennial license renewal;
 - new license applications will be processed within 48 hours upon receipt of all required documentation from applicant;
 - 90% of requests for license verifications will be fulfilled within 48 hours of receipt at the board office;

Budget Trends

The board is responsible for collecting sufficient revenue to cover both direct and indirect expenditures. The board is estimated to collect \$182,000 in FY 2010-11, which is deposited as non-dedicated revenue into the state government special revenue fund.

From this fund, the board receives a direct appropriation to pay for agency activities such as salaries, rent, costs for disciplinary/contested cases and operating expenditures. It also pays statewide indirect costs through an open appropriation. In FY 2010-11, total expenditures for these purposes are estimated at \$156,000. The chart below shows funding trends over the last five biennia for the direct and open appropriation.



* FY 2010-11 is estimated, not actual

Source data for the previous chart is the Minnesota Accounting and Procurement System (MAPS) as of 07/31/10.

Board fees are also responsible for covering a prorated share of support functions provided outside of the Board itself. These include legal support (Attorney General), statewide e-licensing system development and operations (Office of Enterprise Technology), centralized administrative support (Health Boards Administrative Services Unit), funding for services to health professionals (Health Professionals Services Program) and controlled substance program (Prescription Electronic Reporting). In FY 2010-11, some of the health boards' reserves in the state government special revenue fund were also transferred to the general fund. The table below displays direct and open appropriation expenditures, external support costs (prorated share), and the general fund transfers (prorated share) estimated in FY 2010-11.

	FY 2010-11 (in thousands)
Board's Direct and Open Appropriations	\$ 156
Board's External Support Costs and Transfers (prorated Share)	
• Attorney General support	28
• E-licensing support	8
• Central administrative service unit	8
• Health professional service program	2
• Prescription Electronic Reporting	3
• General fund transfer	33
Total	238
Fees Collected by Board	\$182
Prorated Surplus/(Deficit)	(56)

In most years, Board fee revenues exceed direct expenditures and external support costs, and as directed by law, the surplus is used to maintain a reserve in the state government special revenue fund. It should be noted here that the FY 2010-11 transfers to the General Fund, along with unanticipated increases in the support costs discussed above, have resulted in the Board's fee revenue not covering its prorated costs and transfers.

The number of licensees regulated by the Board continues to rise, as do the number of complaints and the complexity of the cases. The average age of Minnesota licensed podiatrists is 47 years old with 68% being under 50 years old and only 6% over 60 years of age; 39 of the 205 podiatrists are women; the public as medical consumers are becoming increasingly adept at researching licensees before choosing a doctor; the board is seeing increasing numbers of new licensees practicing in numerous states.

Contact

Minnesota Board of Podiatric Medicine
 2829 University Avenue South East, Suite 430
 Minneapolis, Minnesota 55414
<http://www.podiatricmedicine.state.mn.us>
 E-mail: podiatricmedicine@state.mn.us
 Phone: (612) 548-2175
 Fax: (612) 617-2698
 Ruth Grendahl, Executive Director

<i>Dollars in Thousands</i>					
	Current		Governor Recomm.		Biennium
	FY2010	FY2011	FY2012	FY2013	2012-13
<u>Direct Appropriations by Fund</u>					
State Government Spec Revenue					
Current Appropriation	71	71	71	71	142
Recommended	71	71	0	0	0
Change		0	(71)	(71)	(142)
% Biennial Change from 2010-11					-100%
<u>Expenditures by Fund</u>					
Direct Appropriations					
State Government Spec Revenue	63	86	0	0	0
Statutory Appropriations					
State Government Spec Revenue	0	0	96	86	182
Total	63	86	96	86	182
<u>Expenditures by Category</u>					
Total Compensation	51	48	48	49	97
Other Operating Expenses	12	38	48	37	85
Total	63	86	96	86	182
<u>Expenditures by Program</u>					
Podiatry, Board Of	63	86	96	86	182
Total	63	86	96	86	182
Full-Time Equivalents (FTE)	0.5	0.5	0.5	0.5	

PODIATRY BOARD

Change Summary

<i>Dollars in Thousands</i>				
	FY2011	Governor's Recomm.		Biennium
		FY2012	FY2013	2012-13
Fund: STATE GOVERNMENT SPEC REVENUE				
FY 2011 Appropriations	71	71	71	142
Subtotal - Forecast Base	71	71	71	142
Change Items				
Convert to Dedicated Funding	0	(71)	(71)	(142)
Total Governor's Recommendations	71	0	0	0
Fund: STATE GOVERNMENT SPEC REVENUE				
Planned Open Spending	0	6	6	12
Change Items				
Convert To Dedicated Funding	0	(6)	(6)	(12)
Total Governor's Recommendations	0	0	0	0
Fund: STATE GOVERNMENT SPEC REVENUE				
Planned Statutory Spending	0	0	0	0
Change Items				
Convert to Dedicated Funding	0	96	86	182
Total Governor's Recommendations	0	96	86	182

PODIATRY BOARD

Change Item: Convert to Dedicated Funding

Fiscal Impact (\$000s)	FY 2012	FY 2013	FY 2014	FY 2015
Health Related Boards Fund (171)				
Direct Appropriated Account				
Expenditures	\$(71)	\$(71)	\$(71)	\$(71)
Non-Dedicated Revenue	(96)	(86)	(96)	(96)
Open Appropriated Account				
Expenditures	(6)	(6)	(6)	(6)
Dedicated Account				
Expenditures	96	86	96	96
Dedicated Revenue	96	86	96	96
Transfer In	0	0	0	0
Net Fiscal Impact	\$19	\$9	\$19	\$19

Recommendation

The Governor recommends changing the way appropriations are made to the health related licensing boards that operate in the state government special revenue fund. Under this proposal, the boards' funding would be converted from direct appropriations to dedicated appropriations, giving each board spending authority equal to its fee revenue and any accumulated balance. The net effect of this change is the difference between the board's current base appropriations and projected revenues.

Rationale

This proposal places ownership in the boards' 183 appointed members to be efficient and cost effective in setting their spending levels, while providing continued legislative oversight in the setting of the boards' fees. It encourages the boards to find efficiencies and ensures the fees paid by each occupation are dedicated to the boards' mission to protect the public and ensure that Minnesota citizens receive quality care by qualified licensed health professionals. The establishment of the dedicated appropriation will improve the boards' management of resources and transparency for licensees.

The health related licensing boards are fee-supported organizations that receive no General Fund dollars. The boards currently collect and deposit fees as non-dedicated special revenue into the health related boards account in the state government special revenue fund (171). The legislature then provides a direct appropriation from these revenues to each board for its operating expenses. Unlike agencies that receive direct appropriations from the General Fund, the boards must ensure that licensing fees are collected to recover each board's direct and indirect expenditures to maintain the solvency of the state government special revenue fund. For this reason, the health boards already operate much like agencies with dedicated appropriations—except that they must seek appropriation authority to gain access to their existing fee revenue.

This proposal changes the boards' non-dedicated revenue to dedicated revenue within the same fund and provides each board with a dedicated appropriation from the board's revenue. Additionally, the current accumulated fund balance within the health related boards account will be transferred to individual boards based on each board's contribution to the balance. M.S. 16A.1283 requires that all fee increases be approved by the legislature, so even with a dedicated funding arrangement, the boards must still seek legislative action to increase spending beyond current law fee revenues.

Key Goals and Measures

Minnesota Milestone: Government in Minnesota will be cost-efficient, and services will be designed to meet the needs of the people who use them. Minnesotans expect their state and local governments to spend money carefully and effectively.

Measures:

- Transparency of fees and expenditures
- The level of service provided to licensees and Minnesota citizens.

Statutory Change: Minnesota Statutes Chapter 148

PODIATRY BOARD

Agency Revenue Summary

Dollars in Thousands

	Actual FY2010	Budgeted FY2011	Governor's Recomm. FY2012 FY2013		Biennium 2012-13
<u>Non Dedicated Revenue:</u>					
Departmental Earnings:					
State Government Spec Revenue	96	86	0	0	0
Other Revenues:					
State Government Spec Revenue	(7)	0	0	0	0
Total Non-Dedicated Receipts	89	86	0	0	0
<u>Dedicated Receipts:</u>					
Departmental Earnings:					
State Government Spec Revenue	0	0	96	86	182
Total Dedicated Receipts	0	0	96	86	182
Agency Total Revenue	89	86	96	86	182

	PAGE
Agency Profile	2
Agency Fiscal Page (Gov Rec)	6
Change Summary	8
Agency Change Items	
⇒ E-Waste- Direct Appropriation	11
⇒ General Fund Reduction.....	12
⇒ Landfill Financial Assurance Review	13
⇒ Metropolitan Solid Waste Landfill Fee	14
⇒ Air Appropriation Increased	17
⇒ Env. Quality Board Transfer to MPCA	18
⇒ Petroleum Remediatin Program.....	19
⇒ VIC Appropriation Reduction	21
⇒ Clean Water Funding.....	22
⇒ Wastewater Certification and Exam.....	24
⇒ Wild Rice Sulfate Toxicity Testing.....	25
Programs	
Water	26
Program Summary	31
Air	33
Program Summary	37
Land	38
Program Summary	42
Environmental Asst Crossmedia	43
Program Summary	46
Administrative Support	47
Program Summary	50
Federal Funds Summary	51
Agency Revenue Summary Fiscal Page	54
⇒ Designates that this item is a change item	

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.

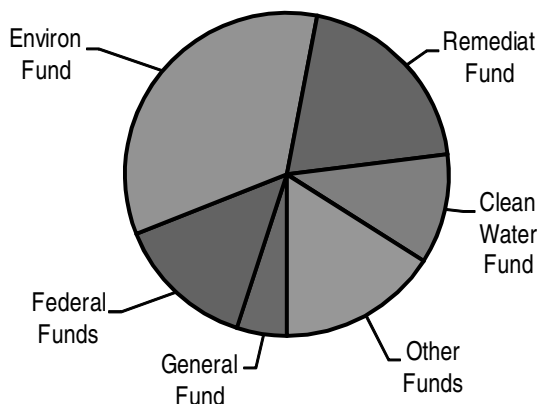
The vision for the MPCA is:

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

At a Glance

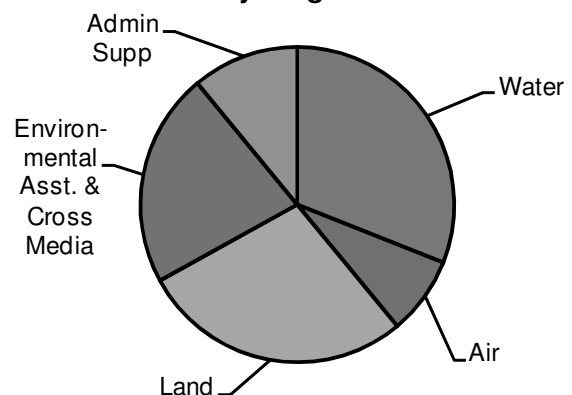
- Leverages partnerships and resources to address environmental issues and achieve results.
- Product stewardship program provides an innovative approach to conserving resources, reducing waste and increasing recycling.
- Addresses complex environmental problems effectively and efficiently through use of technology, technical and financial assistance, prevention, regulation, and cleanup solutions; examples include restoring contaminated soils for future development opportunities.
- Monitors more than 750 sites across the state to determine environmental conditions of air, surface waters and ground water.
- Provides resources to local units of government to reduce air and water pollutants and waste generation, and improve the cost effectiveness of recycling, composting and recovery programs.
- Provides web interface that shares environmental data through programs such as What's in My Neighborhood and Environmental Data Access.
- Performs permitting, inspection, compliance determination, and enforcement actions at sites and facilities whose operations impact the condition of air, water and land.
- Issues over 7,000 water permits, 4,000 air permits and 200 solid and hazardous waste permits, while inspecting and issuing licenses for more than 40,000 sites for hazardous waste generation, feedlots, and tank management.
- Leads state-financed clean-up at 265 contaminated sites and oversees work at an additional 3,000 sites.
- Manages training and certification for over 2,500 wastewater operators, landfill inspectors, tank operators and household hazardous waste facility staff each year.

Est. FY 2010-11 Expenditures by Fund



Source: MAPS FY10 Expenditures & FY11 Current Budget

Est. FY 2010-11 Expenditures by Program



Source: MAPS FY10 Expenditures & FY11 Current Budget

Strategies

The MPCA's mission is implemented following these strategies:

- Focus on priorities and manage for environmental results.
- Actively 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

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

The Commissioner's Office sets the strategic direction for the MPCA and provides an essential link to stakeholders and partners. In addition, the MPCA 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 employs staff to monitor and evaluate the physical, chemical, and biological conditions of Minnesota's environment. The Division identifies environmental threats and potential impacts to human health and ecosystems, helps set environmental goals and measures progress in achieving them, establishes environmental standards, conducts risk assessments, develops the permit limits needed for regulatory work, and makes environmental data available to staff, stakeholders, and citizens. This Division also conducts rulemaking regarding the beneficial use of waters of the state.

The Prevention and Assistance Division uses technical and financial assistance to arrive at innovative approaches to environmental problems. Business Assistance staff efforts include product stewardship, market development environmental design, pollution prevention, waste and toxicity reduction as well as operating in compliance. Community development staff builds partnerships with community leaders in topic areas such as low impact designs, green development and sustainability. The Business and Community First Link staff answer regulatory and environmental questions from businesses and citizens about air and water quality, solid and hazardous waste, and storage tank regulation. Services provided through the Information Systems Office includes data management, telecommunications, desktop, Web, GIS, applications development and system security.

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

The Regional Division enables 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, watershed protection and restoration management, stormwater, and other efforts targeting nonpoint source pollution. Staff also completes environmental review, disburse clean water partnership grants, and complete total maximum daily load (TMDL) plans and studies under Minnesota's Clean Water Legacy Act.

The Industrial Division provides regulatory services for 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 rulemaking for tanks. Recent and significant growth within business sectors prompted the MPCA to form teams to address specific project needs.

The Municipal Division provides regulatory services for publicly-owned wastewater treatment facilities and stormwater facilities. The Division provides regulatory services regarding mixed-municipal land disposal facilities, demolition land disposal and recycling facilities, recycling centers, and transfer stations. This Division provides

technical assistance, permitting, compliance and enforcement services regarding sub-surface sewage treatment systems. The Division is responsible for rules and policy governing the MPCA's water and waste regulatory programs.

The Data Performance Management Division works to implement data and performance management systems. The Division's focus is on creating accessible and useful data management systems; deploy the MPCA's continuous improvement effort; lead organizational development; and advance sustainable practices to reduce the MPCA's environmental footprint and influence other agencies to do likewise.

The Operational Support Division oversees the MPCA's financial management (accounts receivable/payables and grants and contract management) and its business operations (records management, 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, although a number of communication professionals work in regional offices.

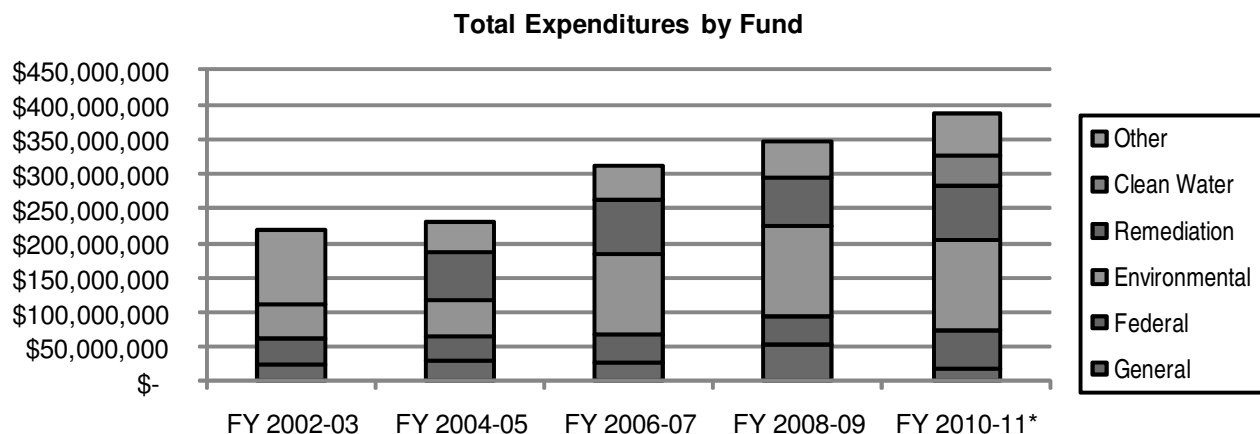
The MPCA Citizens' Board **is unique to state government and acts on significant and controversial environmental issues.**

Budget Trends

The MPCA managed a number of authorized appropriations for FY 2010-11, including appropriation changes from the 2010 Legislative session, totaling \$387.9 million. The mix of funding is 5% General Fund, 34% Environmental Fund, 20% Remediation Fund, 11% Clean Water Fund, 14% federal and 16% other sources.

The graphs below show the MPCA's budget in terms of its media programs and the specific funds used to support the programs. The Environmental Fund receives most of its revenues through fee-based systems and as such is reflective of economic trends. Program work is impacted by changing federal regulations since it operates a number of regulatory programs on behalf of the U.S. Environmental Protection Agency.

Additionally, a trends analysis has been developed to show how the funding has changed over time. It should be noted that the significant increase in FY2006-2007 reflects the merger of the MPCA with the Office of Environmental Assistance.



* FY 2010-11 is estimated, not actual. Source data for the previous chart is the Minnesota Accounting and Procurement System (MAPS) as of 08/30/10.

Contact

For more information, contact Fiscal – Operational Support at (651) 296-6300 or toll-free at 800-657-3864

In addition, visitors can learn more about environmental issues at <http://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 <http://www.pca.state.mn.us/index.php/about-mpca/mpca-overview/agency-strategy/mpca-strategic-plan.html>

POLLUTION CONTROL AGENCY

Agency Overview

Dollars in Thousands					
	Current		Governor Recomm.		Biennium
	FY2010	FY2011	FY2012	FY2013	2012-13
<u>Direct Appropriations by Fund</u>					
Environment & Natural Resource					
Current Appropriation	425	0	0	0	0
Recommended	425	0	0	0	0
Change		0	0	0	0
% Biennial Change from 2010-11					-100%
General					
Current Appropriation	10,300	8,917	8,917	8,917	17,834
Recommended	10,300	8,917	9,305	7,805	17,110
Change		0	388	(1,112)	(724)
% Biennial Change from 2010-11					-11%
State Government Spec Revenue					
Current Appropriation	48	48	48	48	96
Recommended	48	48	75	75	150
Change		0	27	27	54
% Biennial Change from 2010-11					56.2%
Environmental					
Current Appropriation	61,524	62,183	62,126	62,126	124,252
Recommended	61,524	62,183	62,632	62,801	125,433
Change		0	506	675	1,181
% Biennial Change from 2010-11					1.4%
Remediation Fund					
Current Appropriation	11,086	11,086	11,086	7,470	18,556
Recommended	11,086	11,086	10,496	10,496	20,992
Change		0	(590)	3,026	2,436
% Biennial Change from 2010-11					-5.3%
Clean Water					
Current Appropriation	23,976	23,130	23,130	23,130	46,260
Recommended	23,976	23,130	28,040	24,625	52,665
Change		0	4,910	1,495	6,405
% Biennial Change from 2010-11					11.8%

POLLUTION CONTROL AGENCY

Agency Overview

<i>Dollars in Thousands</i>					
	Current		Governor Recomm.		Biennium
	FY2010	FY2011	FY2012	FY2013	2012-13
<u>Expenditures by Fund</u>					
Direct Appropriations					
Environment & Natural Resource	375	11	0	0	0
General	8,920	9,383	9,305	7,805	17,110
State Government Spec Revenue	44	52	75	75	150
Environmental	59,444	59,473	59,117	59,286	118,403
Remediation Fund	9,234	10,507	10,378	10,377	20,755
Clean Water	15,407	31,699	28,040	24,625	52,665
Statutory Appropriations					
Environment & Natural Resource	425	0	0	0	0
Clean Water Revolving Fund	8,742	3,516	4,073	4,073	8,146
State Government Spec Revenue	1	2	2	2	4
Miscellaneous Special Revenue	20,283	24,353	21,779	21,754	43,533
Federal	21,391	31,759	26,965	25,722	52,687
Federal Stimulus	4,891	4,540	648	0	648
Environmental	2,689	3,366	3,650	3,783	7,433
Remediation Fund	27,695	31,519	22,827	23,346	46,173
Gift	1,725	1,054	0	0	0
Total	181,266	211,234	186,859	180,848	367,707
<u>Expenditures by Category</u>					
Total Compensation	74,243	74,282	74,627	71,760	146,387
Other Operating Expenses	71,292	92,109	75,019	64,631	139,650
Capital Outlay & Real Property	46	0	0	0	0
Local Assistance	26,785	41,921	33,666	31,377	65,043
Other Financial Transactions	8,900	2,922	2,860	2,977	5,837
Transfers	0	0	687	10,103	10,790
Total	181,266	211,234	186,859	180,848	367,707
<u>Expenditures by Program</u>					
Water	56,088	71,321	62,394	56,261	118,655
Air	12,971	13,994	13,521	13,792	27,313
Land	51,624	57,047	45,106	44,957	90,063
Environmental Asst Crossmedia	40,926	45,879	44,106	44,106	88,212
Administrative Support	19,657	22,993	21,732	21,732	43,464
Total	181,266	211,234	186,859	180,848	367,707
Full-Time Equivalents (FTE)	921.9	920.0	920.3	880.1	

POLLUTION CONTROL AGENCY

Change Summary

<i>Dollars in Thousands</i>				
	FY2011	Governor's Recomm.		Biennium
		FY2012	FY2013	2012-13
Fund: ENVIRONMENT & NATURAL RESOURCE				
FY 2011 Appropriations	0	0	0	0
Subtotal - Forecast Base	0	0	0	0
Total Governor's Recommendations	0	0	0	0
Fund: GENERAL				
FY 2011 Appropriations	8,917	8,917	8,917	17,834
Technical Adjustments				
Biennial Appropriations		41	41	82
One-time Appropriations		(450)	(450)	(900)
Subtotal - Forecast Base	8,917	8,508	8,508	17,016
Change Items				
General Fund Reduction	0	(854)	(854)	(1,708)
Env. Quality Board Transfer to MPCA	0	151	151	302
Wild Rice Sulfate Toxicity Testing	0	1,500	0	1,500
Total Governor's Recommendations	8,917	9,305	7,805	17,110
Fund: STATE GOVERNMENT SPEC REVENUE				
FY 2011 Appropriations	48	48	48	96
Subtotal - Forecast Base	48	48	48	96
Change Items				
Wastewater Certification and Exam	0	27	27	54
Total Governor's Recommendations	48	75	75	150
Fund: ENVIRONMENTAL				
FY 2011 Appropriations	62,183	62,126	62,126	124,252
Technical Adjustments				
One-time Appropriations		(50)	(50)	(100)
Subtotal - Forecast Base	62,183	62,076	62,076	124,152
Change Items				
General Fund Reduction	0	0	0	0
Env. Quality Board Transfer to MPCA	0	75	75	150
E-Waste- Direct Appropriation	0	315	315	630
Air Appropriation Increased	0	166	335	501
Total Governor's Recommendations	62,183	62,632	62,801	125,433
Fund: REMEDIATION FUND				
FY 2011 Appropriations	11,086	11,086	7,470	18,556
Subtotal - Forecast Base	11,086	11,086	7,470	18,556
Change Items				
VIC Appropriation Reduction	0	(590)	(590)	(1,180)
Petroleum Remediation Program	0	0	3,616	3,616
Total Governor's Recommendations	11,086	10,496	10,496	20,992
Fund: CLEAN WATER				
FY 2011 Appropriations	23,130	23,130	23,130	46,260
Technical Adjustments				
One-time Appropriations		(23,130)	(23,130)	(46,260)
Subtotal - Forecast Base	23,130	0	0	0
Change Items				
Clean Water Funding	0	28,040	24,625	52,665

POLLUTION CONTROL AGENCY

Change Summary

<i>Dollars in Thousands</i>				
	FY2011	Governor's Recomm.		Biennium
		FY2012	FY2013	2012-13
Total Governor's Recommendations	23,130	28,040	24,625	52,665
Fund: CLEAN WATER REVOLVING FUND				
Planned Statutory Spending	3,516	4,073	4,073	8,146
Total Governor's Recommendations	3,516	4,073	4,073	8,146
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	24,353	21,769	21,744	43,513
Change Items				
Landfill Financial Assurance Review	0	10	10	20
Total Governor's Recommendations	24,353	21,779	21,754	43,533
Fund: FEDERAL				
Planned Statutory Spending	31,759	26,965	25,722	52,687
Total Governor's Recommendations	31,759	26,965	25,722	52,687
Fund: FEDERAL STIMULUS				
Planned Statutory Spending	4,540	648	0	648
Total Governor's Recommendations	4,540	648	0	648
Fund: ENVIRONMENTAL				
Planned Statutory Spending	3,366	2,535	2,652	5,187
Change Items				
E-Waste- Direct Appropriation	0	0	0	0
Metropolitan Solid Waste Landfill Fee	0	1,115	1,131	2,246
Total Governor's Recommendations	3,366	3,650	3,783	7,433
Fund: REMEDIATION FUND				
Planned Statutory Spending	31,519	22,827	17,546	40,373
Change Items				
Petroleum Remediation Program	0	0	5,800	5,800
Total Governor's Recommendations	31,519	22,827	23,346	46,173
Fund: GIFT				
Planned Statutory Spending	1,054	0	0	0
Total Governor's Recommendations	1,054	0	0	0
<u>Revenue Change Items</u>				
Fund: STATE GOVERNMENT SPEC REVENUE				
Change Items				
Wastewater Certification and Exam	0	27	27	54
Fund: MISCELLANEOUS SPECIAL REVENUE				
Change Items				
Landfill Financial Assurance Review	0	10	10	20
Fund: ENVIRONMENTAL				
Change Items				
Metropolitan Solid Waste Landfill Fee	0	1,115	1,131	2,246
Air Appropriation Increased	0	166	335	501

POLLUTION CONTROL AGENCY

Change Summary

<i>Dollars in Thousands</i>				
	FY2011	Governor's Recomm.		Biennium
		FY2012	FY2013	2012-13
Fund: REMEDIATION FUND				
Change Items				
Metropolitan Solid Waste Landfill Fee	0	372	377	749

POLLUTION CONTROL AGENCY

Program: ENVIRONMENTAL ASST CROSSMEDIA

Change Item: E-Waste- Direct Appropriation

Fiscal Impact (\$000s)	FY 2012	FY 2013	FY 2014	FY 2015
Environmental Fund				
Expenditures - Statutory	\$(315)	\$(315)	\$(315)	\$(315)
Expenditures - Direct	315	315	315	315
Revenues				
Net Fiscal Impact	\$0	\$0	\$0	\$0

Recommendation

The Governor recommends the MPCA's e-waste activity be moved from a statutory to a direct appropriation. The Governor further recommends that this direct appropriation come from the environmental fund, in the amount of \$315,000 in FY 2012 and \$315,000 in FY 2013.

Rationale

Under M.S. 115A.1314, subdivision 2(b), the MPCA no longer has statutory authority to spend the revenue collected from fees paid by electronics manufacturers to carry out the MPCA's electronic waste program after June 30, 2011.

Rider language from Laws 2009, Chapter 37, Article 2, Section 3, subdivision 5 directs the MPCA to report on revenues received and program expenditures during fiscal years 2010 and 2011 to determine if fees collected cover the costs of the electronic waste program. The MPCA completed the required report in December 2010. The report may be found at: <http://www.pca.state.mn.us/index.php/view-document.html?gid=15316>.

Based on this assessment the MPCA is directed to prepare a request such that beginning July 1, 2011 the e-waste program will be funded by a direct appropriation from the Environmental Fund.

This budget change item also includes other e-waste program provisions that will be effective on July 1, 2011. The electronic waste dedicated account in the environmental fund is abolished, and the fees charged under the program will be reclassified and deposited as nondedicated rather than dedicated receipts. Fees will be deposited to the environmental fund at the fund level.

Key Goals and Measures

This request is for a change in the funding mechanism for the MPCA's e-waste program activity. The goals and measures associated with the program remain unchanged. The expected outcomes for the program will include increase collection sites (by 5 percent) and an increase in the amount of e-waste collected (by 15%) over FY2011 levels.

Technology Funding Detail

- This is not a technology funding proposal.

Statutory Change: M.S. 115A.1314 and M.S. 115A.1320.

POLLUTION CONTROL AGENCY

Change Item: General Fund Reduction

Fiscal Impact (\$000s)	FY 2012	FY 2013	FY 2014	FY 2015
General Fund				
Expenditures	\$(854)	\$(854)	\$(854)	\$(854)
Revenues	0	0	0	0
Net Fiscal Impact	\$(854)	\$(854)	\$(854)	\$(854)

Recommendation

The Governor recommends a reduction of \$854,000 in FY 2012 and \$854,000 in FY 2013 to the MPCA's general fund operating budget. Downsized agency operations in the environmental fund enable the Agency to re-point program operations from the general fund to the environmental fund. The Governor intends that the MPCA 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.

This proposal represents a 10% percent reduction to MPCA base general fund forecast budget.

Rationale

The MPCA's total base forecast general fund operating budget is \$8,508 thousand for FY 2012 and \$8,508 thousand for 2013 and includes amounts budgeted for the Water Program, Environmental Assistance and Cross Media (EACM) Program, and Administrative Support. The MPCA is proposing to reduce General Fund operating expenditures and positions during the FY 2012-13 biennium. Specifically, the MPCA will reduce operating budgets by the following amounts:

- EACM Program - \$350 in each of FY 2012 and FY 2013 ,
- Water Program: Community Technical Assistance - \$289 in each of FY 2012 and FY 2013, and
- Water Program: Clean Water Partnership - \$215 in each of FY2012 and FY 2013,

The reduction to EACM decreases the general fund appropriation to this program by 51 percent. Activities within this budget program that will continue with funding from the Environmental Fund include environmental monitoring and analysis, data analysis that support our water programs in the areas of permitting, impaired waters determinations, and the development of appropriate surface water standards.

The reduction to the Water Program decreases the General Fund appropriation by 8 percent. This proposal eliminates the General Fund appropriation for community technical assistance and moves these program expenses to the Environmental Fund. This work supports MPCA technical assistance and grants to counties for the implementation of subsurface sewage treatment program at the local level. The General Fund appropriation for Clean Water Partnership grants is also reduced annually by \$215, less than 10 percent of the annual appropriation for this grant program. The MPCA awards Clean Water Partnership grants for qualifying projects that demonstrate an emphasis on the protection of water resources. The MPCA will also award the partnership grants consistent with the strategy that allocates resources to specific watersheds based on a multi-year plan. This reduction will result in 1-2 fewer grants per year to local governments.

Technology Funding Detail

- This is not a technology funding proposal.

Statutory Change: Not Applicable.

POLLUTION CONTROL AGENCY

Change Item: Landfill Financial Assurance Review

Fiscal Impact (\$000s)	FY 2012	FY 2013	FY 2014	FY 2015
General Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Miscellaneous Special Revenue Fund				
Expenditures	\$10	\$10	\$10	\$10
Revenues	10	10	10	10
Net Fiscal Impact	\$0	\$0	\$0	\$0

Recommendation

The Governor recommends that the MPCA be authorized to recover from permit applicants all necessary and reasonable costs incurred by the Commissioner in hiring third parties to evaluate innovative financial assurance proposals made by permit applicants for new solid waste landfills. This charge would be only be applied when the permittee proposes a mechanism currently not contained in Minn. R. 7035. The increased revenues will be deposited to the Miscellaneous Special Revenue Fund and appropriated to the MPCA commissioner to fund the costs of the financial review.

Rationale

In 2008, the Minnesota Legislature directed MPCA to develop solid waste rules that ensure the state is protected from costs associated with future groundwater contamination. In 2010, the Legislature further directed MPCA to limit new rules to certain types of new landfills and to periodically consult with Minnesota Management and Budget (MMB) on these matters.

Following discussions between MMB, Department of Commerce, Department of Natural Resources, and MPCA representatives, the agencies concluded that state government has the ability to review certain common forms of financial assurance and carry out the legislative directive to ensure state financial protection. However, the solid waste landfill regulated community sometimes proposes using financial assurance mechanisms that are not anticipated in the rules. In these instances, state government is not positioned to reliably review and ensure state financial protection.

The participating agencies also concluded it may be possible to draft rules that provide the regulated community some flexibility to propose financial assurance options if the MPCA had authority to recover the cost of contracted expert services, to review uncommon, complex, or innovative financial assurance proposals. Because these types of services are outside of the normal course of agency work, charging permit applicants for these costs seems appropriate only for those receiving this specialized service.

The MPCA would not use contracted services for common and straight-forward financial assurances mechanisms such as cash funded trust funds or letters of credit. These are currently the most common forms of financial assurance.

Key Goals and Measures

This proposal relates to two Minnesota Milestone goals:

- Indicator 36. Satisfaction with government services. This proposal will allow regulated parties the increased flexibility they have requested.
- Indicator 59. Water Use: clean and abundant water supply. This proposal will also ensure ongoing protection of groundwater that may be used as drinking water.

The proposal will be measured as follows:

- Use of financial assurance to finance landfill operation or cleanup.
- Permit applicant satisfaction with implementation of this proposal.

Technology Funding Detail

- This is not a technology funding proposal.

Statutory Change: M.S. 116.07.

POLLUTION CONTROL AGENCY

Program: **LAND**

Change Item: Metropolitan Solid Waste Landfill Fee

Fiscal Impact (\$000s)	FY 2012	FY 2013	FY 2014	FY 2015
Environmental Fund				
Expenditures (Metro Landfill Abatement Account)	\$1,115	\$1,131	\$1,148	\$1,166
Revenues (Metro Landfill Abatement Account)	1,115	1,131	1,148	1,166
Remediation Fund				
Revenues (Metro Landfill Contingency Action Trust Account)	372	377	383	389
Net Fiscal Impact	\$(372)	\$(377)	\$(383)	\$(389)

Recommendation

The Governor recommends amending M. S. 115A to extend the Metropolitan Solid Waste Landfill Fee (Fee) for mixed municipal solid waste generated in the metropolitan area but is accepted at land disposal facilities outside the metropolitan area. The fee would be deposited to the Metropolitan Landfill Abatement Account (MLAA) and the Metropolitan Landfill Contingency Action Trust Fund (MLCAT), in accordance with the disposition of proceeds described in M.S. § 473.843 Subd. 2. This change would allow the additional funds to be used for landfill abatement (waste reduction, recycling, composting, and processing) in the metropolitan area as well as reserving funds to manage the post-closure expenses for landfills located in the metropolitan area.

Rationale

Over the last 10 years, solid waste haulers have increasingly used land disposal to manage solid waste generated in the metropolitan area while recycling rates have remained flat. Importantly, the metro-generated solid waste managed at landfills located outside of the metro area avoids the fee required under M. S. § 473.843. Further, waste processing in the metro area decreased during this time, and the area is in danger of losing this component of the waste management system. Ensuring that all solid waste generated in the metro area, regardless of where it is landfilled, is charged the Fee ensures that funding for landfill abatement in the metro area is collected and that sufficient funds are generated for the ongoing care of land disposal facilities in the metro area. When the Fee was created most, if not all, of the waste generated in the metropolitan area was being disposed of in landfills located in the metropolitan area. Today, approximately 33 percent of solid waste generated in the metropolitan area is disposed of primarily at two landfills in greater Minnesota, located in Sherburne and McLeod Counties. This represents a loss of revenues to the metropolitan area of approximately \$1.5 million, which would otherwise be spent primarily on landfill abatement.

Because it will represent a change for fees at greater Minnesota landfills, new statutory language will be included in M.S. 115A that mirrors and complements the current metropolitan statute. If implemented, this change will increase revenues deposited to the MLAA. This money will continue to be statutorily appropriated under M. S. §473.844 and under the new proposed section in M.S.115A to be spent only in the metropolitan area for the following purposes:

- (1) *assistance to any person for resource recovery projects funded under subdivision 4 or projects to develop and coordinate markets for reusable or recyclable waste materials, including related public education, planning, and technical assistance;*
- (2) *grants to counties under M.S. 473.8441;*
- (3) *program administration;*
- (4) *public education on solid waste reduction and recycling;*
- (5) *solid waste research; and*
- (6) *grants to multicounty groups for region wide planning for solid waste management system operations and use of management capacity.*

POLLUTION CONTROL AGENCY

Program: **LAND**

Change Item: Metropolitan Solid Waste Landfill Fee

This statute specifies that the MPCA shall allocate at least 50 percent of the annual revenue received by the account for grants to Metro counties under the Local Recycling Development Grant Program (LRDG). Therefore, LRDG grants to counties will increase.

The extension of the Fee to non-metropolitan landfills receiving waste generated in the metropolitan area would be implemented in FY 2012. Non-metropolitan landfills would be required to monitor origins of waste by obtaining this information from waste haulers, individuals and businesses dropping off waste; collect the Fee, and remit it to the Department of Revenue. The Fee is \$6.66 per ton or \$2 per cubic yard of waste accepted at the facility. The exemptions indicated in M. S. §473.843, subd 1 (c) would still apply.

The MPCA's 2010 Metropolitan Solid Waste Management Policy Plan sets specific and quantifiable objectives for abating landfilling in the metropolitan area, and this change would support the goals, policies, and objectives in the Plan by funding programs that move the region toward the objectives.

Key Goals

This change supports the original intent of M. S. § 473.843. Additionally, with the funds, the Metro counties would be supported in their efforts to meet the multiple goals for solid waste and recycling under Minnesota Milestones, the MPCA's strategic goals, and the 2010 Metropolitan Solid Waste Policy Plan.

Minnesota Milestones goal:

Indicator 61: Solid waste and recycling

Goal: *Minnesotans will conserve natural resources to give future generations a healthy environment and a strong economy.* Continued prosperity and community well-being depend on conserving and maintaining the natural systems that are the base for economic activity.

The MPCA supports waste management's role in greenhouse gas reduction, as stated in the Minnesota Climate Change Advisory Group's goals and reflected in the MPCA's Strategic Plan Goal:

Goal L.1 Ensure solid waste is managed to conserve materials, resources, and energy.

Objective L1a) By January 1, 2025, achieve a total reduction of 75 million metric tons of greenhouse gas attributed to changes in waste generation, materials conservation, and resource management practices.

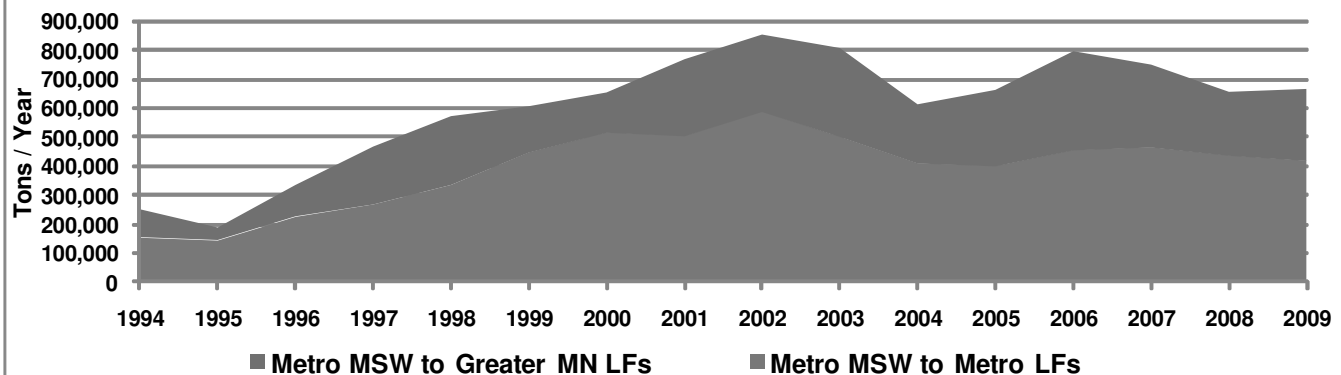
The 2010 Metropolitan Solid Waste Policy Plan (Plan) sets solid waste policy for the metropolitan area. The Plan includes goals and policies that place an emphasis on the waste management hierarchy and support the mandatory processing law (M.S. § 473.848), which requires that all waste in the metropolitan area be processed before disposal. The Plan sets a ceiling on landfilling of 11 percent by 2030 and sets additional numerical objectives for source reduction, recycling, organics recovery, and resource recovery that support landfill abatement. Currently, the metropolitan area is landfilling 28 percent of its waste. Table 1 shows the amount of waste generated in the metropolitan area but disposed of outside of the area.

POLLUTION CONTROL AGENCY

Program: **LAND**

Change Item: Metropolitan Solid Waste Landfill Fee

Table 1. Metro-Area MSW to Metro-Area Landfills and to Greater MN Landfills



Key Measures

This change can be measured using data that is collected by counties and reported to the MPCA, under a 1989 law commonly referred to as SCORE (Select Committee on Recycling and the Environment), which tracks recycling, composting, resource recovery and land disposal rates for each county. From this information, the MPCA has determined that recycling rates have remained flat for the last 10 years, while resource recovery has declined and landfilling has increased. The increase in available funds for metropolitan county landfill abatement is expected to raise recycling, composting, and resource recovery, and reduce waste generation.

Statutory Change: M. S. 115A.930.

POLLUTION CONTROL AGENCY

Program: AIR

Change Item: Air Appropriation Increased

Fiscal Impact (\$000s)	FY 2012	FY 2013	FY 2014	FY 2015
Environmental Fund				
Expenditures	\$166	\$335	\$335	\$335
Revenues	0	0	0	0
Net Fiscal Impact	\$166	\$335	\$335	\$335

Recommendation

The Governor recommends an increase of \$166,000 in FY 2012 and \$335,000 in FY 2013 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.

Rationale

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 2012-13.

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 2010-11 levels. With program costs increasing by an estimated 1.5% per fiscal year, appropriations capped at the FY 2010-11 level would force the MPCA to reduce program service levels in FY 2012-13 to fit existing funding.

Key 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.

Statutory Change: Not applicable

POLLUTION CONTROL AGENCY

Program: ENVIRONMENTAL ASST CROSSMEDIA

Change Item: Env. Quality Board Transfer to MPCA

Fiscal Impact (\$000s)	FY 2011	FY 2012	FY 2013	FY 2014
General Fund Expenditures	\$151	\$151	\$151	\$151
Environmental Fund Expenditures	75	75	75	75
Net Fiscal Impact	\$226	\$226	\$226	\$226

Recommendation

The Governor recommends moving the technical and administrative support of the Environmental Quality Board (EQB) to the Minnesota Pollution Control Agency (MPCA) from the Department of Administration. The recommended annual general fund appropriation of \$151,000 per year will go to MPCA's Environmental Assistance and Cross-Media program. The Governor also recommends that the MPCA increase its environmental fund appropriation to its Environmental Assistance and Cross-Media program by \$75 thousand to ensure the necessary operating funds are available to support EQB activities.

Rationale

Transfer of the technical and administrative support of the EQB to the MPCA enhances state government's ability to protect, conserve and enhance Minnesota's environment. The transfer of existing EQB staff to the MPCA will provide the EQB with improved availability to environmental expertise, rulemaking, and strategy development resulting in greater transparency, accountability and accessibility. Bringing together the staffs eliminates a duplication of service to local government units relating to environmental review, strengthens the technical expertise water-related policy and plan development, and provides legislators and citizens access to EQB Board members, environmental data, technical reports and information.

The executive and legislative branches of government continually seek ways to create forums that focus on strategic discussions of the environment. The EQB has long been of part of that process. However, the EQB's current organizational location within the IT office in the Department of Administration obscures this role. The EQB can be a more effective entity if supported by the MPCA, an agency that focuses on the environment as its mission and has a proactive, involved Citizens' Board. The MPCA maintains a large meeting room for use by its Citizens' Board and the public for meetings regarding a number of issues. The EQB already utilizes this room for its meetings and thus, no re-orienting will be required for citizens interested in participating with the Board.

The MPCA and EQB staff will continue to work with other state agencies, local governmental units, environmental organizations and concerned citizens. The EQB staff will transfer to the MPCA effective in FY2012. The EQB staff bring valuable expertise, understanding, and relationships to the MPCA. The MPCA will fully incorporate the work of the EQB and provide staff with enhanced resources, tools, leadership and connections to achieve the goals common to the State, the EQB, and the MPCA. The MPCA remains committed to the ensuring that ongoing assistance and advice is offered to local governmental units as EQB staff currently do.

Key Goals and Measures

This change item will result in a continued focus on the water quality of Minnesota's lakes, rivers and streams, and groundwater. With its experience working with multiple state agencies on water initiatives, the EQB will:

- ◆ allow for heightened activity to keep these issues at the forefront of the environment agenda;
- ◆ engage more state citizens in developing strategies related to state water resources; and
- ◆ lead discussions needed to determine future environmental policy.

Additionally, as the EQB is more fully integrated into the MPCA, other environmental issues of concern will likely encompass its focus.

Statutory Change: M.S. 116C.03

POLLUTION CONTROL AGENCY

Program: **LAND**

Change Item: Petroleum Remediation Program

Fiscal Impact (\$000s)	FY 2012	FY 2013	FY 2014	FY 2015
General Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Other Fund				
Expenditures	0	\$9,416	\$9,416	\$9,416
Revenues	0	0	0	0
Net Fiscal Impact	0	\$9,416	\$9,416	\$9,416

Recommendation

The Governor recommends amending the repealer date (i.e. "sunset date") in M. S. §115C.13 from June 30, 2012 to June 30, 2017. This legislation would result in a five-year extension of the Petroleum Tank Release Cleanup Fund (Petrofund) program at the Department of Commerce, as well as provide funding for Minnesota Pollution Control Agency and the Department of Employment and Economic Development Petrofund programs (separate *Change Item* documents will be submitted by named agencies). Because all current and proposed expenditures are fully covered by the Petrofund fee, there would be no effect on the General Fund.

Rationale

Federal financial responsibility regulations require that petroleum storage tank owners have at least \$1 million of coverage to address contamination from leaking tanks and to pay third-party liability claims. The "sunset" of the Petrofund, which has served as the tank owners' financial assurance mechanism since 1987, would negatively impact their ability to comply with federal law and would likely result in financial hardships for those tank owners who could not obtain alternative coverage and were obligated to incur the costs related to investigating and cleaning up petroleum contamination on their own.

The PRP objective is to ensure clean drinking water and air supplies, and safety from explosive vapors. The program does this by eliminating pathways linking contaminant sources to receptors. A response is required if there are verifiably detectable impacts of petroleum contaminants in drinking water, petroleum vapors in living spaces, or petroleum vapors causing explosive potential in confined spaces. Free product recovery to the extent practicable is required.

In general, the PRP implements a risk-based approach to corrective action at petroleum release sites. Where pathways linking contaminant sources to receptors exist, risk removal efforts might include: replacement of the water supply wells or providing municipal water; long-term point-of-use treatment of contaminated ground water; or active remediation of petroleum contaminated soil and ground water. Water supply replacement is frequently chosen because it provides the surest means of breaking the pathway linking contaminant sources to receptors. Where risks to receptors are low and contamination plumes are stable, contamination is left in place to degrade naturally over time.

The effective implementation date would be the first day of the extension: July 1, 2012.

Key Goals and Measures

The key goal of the Petrofund program is to provide timely assistance to those who are cleaning up contaminated soil and groundwater from leaking petroleum storage tanks, with the ultimate goal of helping to protect the public health and welfare and the environment. These objectives go hand-in-hand with the Minnesota Milestones statewide goal regarding water use, which states, in part, "A clean and abundant water supply is essential to economic and human health."

The principal measures for the program include:

- The prompt investigation, cleanup, and closure of petroleum tank release sites.
- Ensuring that these investigations, cleanups, and closures occur as quickly as possible without compromising our mandate to protect human health and the environment.

POLLUTION CONTROL AGENCY

Program: **LAND**

Change Item: Petroleum Remediation Program

- Coordinating with the responsible parties and the Department of Commerce to ensure prompt and proper reimbursement of eligible expenses incurred during investigation and cleanup of petroleum releases.

Statutory Change: M. S. §115C.13.

POLLUTION CONTROL AGENCY

Program: **LAND**

Change Item: VIC Appropriation Reduction

Fiscal Impact (\$000s)	FY 2012	FY 2013	FY 2014	FY 2015
Remediation Fund				
Expenditures	\$(590)	\$(590)	\$(590)	\$(590)
Revenues	0	0	0	0
Net Fiscal Impact	\$(590)	\$(590)	\$(590)	\$(590)

Recommendation

The Governor recommends an appropriation reduction to the Land Program of \$590,000 in each of FY 2012 and FY 2013 from the remediation fund. The reduction decreases the direct appropriation to the Voluntary Investigation and Cleanup (VIC) program implemented through the Agency's Remediation Division.

Rationale

In its base budget, the Land Program receives for the VIC program a direct appropriation of \$1.590 million in each of FY 2012 and FY 2013 from the remediation fund. For the past several fiscal years a portion of the appropriation has gone unneeded and unused. This budget initiative seeks to reduce the annual direct appropriation by more than a third. The Agency is not reducing its support for brownfield redevelopment. Rather, the MPCA is utilizing its existing authority to generate fees to reimburse the staff time devoted to this effort. The direct fee revenue will provide a portion of the funding needed for this program.

The slowdown of the state and national economy has had a direct impact on the number of properties where redevelopment is occurring. As a result, fewer staff are needed to provide support and oversight to business and government organization conducting brownfield redevelopment projects and, thus, fewer dollars are required.

However, as the state's economy improves and more properties with environmental contamination undergo redevelopment, the Agency has determined this program can operate through direct appropriated funding from the Remediation Fund and the fee revenues generated by the program. This funding mechanism has been in existence and is appropriate to fund the ongoing VIC program delivery.

Key Goals and Measures

The goals and measures of the VIC program remain unchanged. This budget initiative recognizes the Agency's ability to employ a different funding model for the delivery of services through the VIC program.

The MPCA will monitor its ability to meet the needs of business and government organizations conducting brownfield redevelopment. The combination of a direct appropriation and fee revenues will enable the Agency to provide a stable level of staffing as well as a flexible staffing component that corresponds to peaks and valleys in the workload under this program effort.

Statutory Change: None required.

POLLUTION CONTROL AGENCY

Program: **WATER**

Change Item: Clean Water Funding

Fiscal Impact (\$000s)	FY 2012	FY 2013	FY 2014	FY 2015
Clean Water Fund				
Expenditures	\$28,040	\$24,625	0	0
Net Fiscal Impact	\$28,040	\$24,625	0	0

Recommendation

The Governor recommends appropriations to the MPCA of \$28.040 million in FY 2012 and \$24.625 million in FY 2013 from the clean water fund to meet the requirements of M.S. 114D, 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 (watershed restoration and protection strategies) to identify measures and extent for restoring and protecting water quality; complete research on alternatives and allow for regulatory work needed to implement the watershed strategies; assess groundwater 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.

Rationale

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 moving forward with restoration:

- Increases the ability of the state to address key requirements of Section 303(d) of the federal CWA;
- Allows for the continuing assessment of Minnesota watersheds on a 10-year cycle as expressed in the CWLA;
- 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 watershed restoration and protection strategies for restoring and protecting waters to meet and maintain state water quality standards;
- Protects groundwater resources by supporting a robust county-inspection and corrective action program related to subsurface soil treatment systems; and
- Initiates 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 MPCA's request for \$28,040 million in FY 2012 and \$24,625 million in FY 2013 from the Clean Water Fund includes the following components:

- \$7.5 million in FY 2012 and \$7.5 million in FY 2013 for surface water assessment and monitoring;
- \$9.5 million in FY2012 and \$9.6 million in FY 2013 for watershed restoration and protection strategy development (including TMDLs);
- \$2.0 million over the two years for continued development of an enhanced database to manage and track progress on watershed strategy and TMDL development;
- \$300,000 over the two years for Civic Engagement technical assistance;
- \$3.75 million in FY 2012 and \$3.75 million in FY 2013 for protecting groundwater through enhancing the local delivery system of county inspection and corrective action regarding subsurface soil treatment systems;
- \$1.125 million in FY 2012 and \$1.125 million in FY 2013 for groundwater assessment as an essential element of drinking water protection;
- \$750,000 in FY 2012 and \$750,000 in FY 2013 to leverage available non-state dollars (at least \$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;
- \$2.5 million in FY 2012 for the Clean Water Partnership program;
- \$825,000 over the two years for stormwater research and guidance development; and
- \$940,000 in FY 2012 and \$750,000 in FY 2013 for National Pollutant Discharge Elimination System (NPDES)/stormwater and wastewater TMDL implementation activities.

POLLUTION CONTROL AGENCY

Program: **WATER**

Change Item: Clean Water Funding

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:

- Increase the cumulative number of watersheds intensively monitored for biological integrity and water chemistry from 30% to 52%, thereby keeping pace with the 10-year cycle;
- Continue operation of the major watershed load monitoring network determining water quality conditions at the mouths of the state's major watersheds;
- Provide grants to local units of government and volunteers for stream and lake monitoring;
- Continue monitoring surface waters for contaminants of emerging concern (including endocrine disrupting compounds) to establish a baseline for identifying trends over time;
- Continue to enhance groundwater ambient monitoring network, including chemicals of emerging concern analysis; and
- Completion of 4-5 groundwater models each year for TMDL and watershed plans.

Key measures for TMDL report development:

- Support completion of watershed protection and restoration strategies for 30% of the 81 major watersheds;
- Meet the 2012-13 EPA targets of an estimated 100 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;
- Leverage federal resources to restore a significant natural resource and drinking water source (i.e., St. Louis River and Lake Superior's Duluth harbor); and
- Manage data to ensure transparency and usefulness to track projected outcomes.

Key measures for TMDL Implementation:

- Issue and enforce NPDES permits that require TMDL load reductions through effluent limits or best management practices (BMPs);
- Develop watershed permitting strategies to match with the watershed approach for TMDLs and protection strategies;
- 117 municipal and industrial permit actions will be taken to implement TMDL wasteload allocations through FY2013;
- Municipal stormwater permittees will address approximately 2,400 wasteload Allocations arising from 45 TMDL reports approved or scheduled to be completed in FY2011;
- Enhance aging guidance on selection, installation, and maintenance of BMPs needed to meet requirements for sediment and erosion control and for permanent stormwater management; and
- Develop BMPs and crediting for road/highway projects; urban landscape management (trees/turf); expansion of minimal impact design site credits and calculators for municipality-wide crediting; and the reuse of harvested stormwater.

Key measures for Groundwater Protection:

- Develop and implement a statewide inventory and inspection program for subsurface soil treatment systems (SSTS);
- Support county efforts to find and fix imminent health threat systems and failing to protect groundwater systems; and
- Complete SSTS rulemaking by April 4, 2011, and adoption of the new rules by County Ordinance by February 4, 2012.

Statutory Change: None required.

POLLUTION CONTROL AGENCY

Program: **WATER**

Change Item: Wastewater Certification and Exam

Fiscal Impact (\$000s)	FY 2012	FY 2013	FY 2014	FY 2015
State Gov Special Revenue Fund				
Expenditures	\$27	\$27	\$27	\$27
Revenues	27	27	27	27
Net Fiscal Impact	\$0	\$0	\$0	\$0

Recommendation

The Governor recommends an increase of \$27,000 in FY 2012 and \$27,000 in FY 2013 in the appropriation to the Water Program from the state government special revenue fund (Fund 170). The increased appropriation will cover the MPCA's costs to administer an examination and certify the qualifications of wastewater treatment operators at facilities around the state.

Rationale

The goal of the Wastewater Operator Training and Certification program is to protect public health and the environment. One dimension of meeting this goal is ensuring the competency and qualifications of wastewater treatment operators to run the public facilities that properly treat sewage. Under the provisions of M.S. 116.41 the MPCA is required to certify the credentials of sewage treatment plant operators. The Water Program has developed the curriculum for the wastewater operator certification program, including the necessary training, an examination to test the competence of applicants, and certification.

Under M.S. 115.77 the MPCA has the authority to charge fees for the wastewater training and certification program. The language under M.S. 116.641, subd 2, directs the MPCA to set fees to cover the program costs of the training, examination and certification. Currently, the fee for the wastewater operator exam is \$32 and the certification fee is \$23. The MPCA intends to increase the exam fee to \$55 and the certification fee to \$45.

Key Measures

To meet the statutory directive by setting the wastewater program fees to cover the costs of delivering the training, examination and certification. From the perspective of environmental protection, to ensure the competence of the wastewater facility operators, which in turn results in the successful operation of wastewater facilities.

Statutory Change: None required.

POLLUTION CONTROL AGENCY

Program: **WATER**

Change Item: Wild Rice Sulfate Toxicity Testing

Fiscal Impact (\$000s)	FY 2012	FY 2013	FY 2014	FY 2015
General Fund				
Expenditures	\$1,500	0	0	0
Revenues	0	0	0	0
Other Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact	\$1,500	0	0	0

Recommendation

The Governor recommends an appropriation to the MPCA from the general fund in the amount of \$1.5 million to complete wild rice plant toxicity studies to inform a potential revision to the existing Minnesota sulfate standard and identify other standards that may need to be developed or adjusted to address wild rice plant toxicity. The existing standard was established in 1973 and has come under increased questioning as to whether the current science would support the existing 10 milligram per liter sulfate standard. Stakeholders on both sides of the issue have asked that the MPCA review and clarify the appropriateness of the standard. The requested appropriation is for one time funding.

Rationale

The current 10 milligram per liter sulfate standard was adopted into Minnesota Rules in 1973 to protect “water used for production of wild rice during periods when the rice may be susceptible to damage by high sulfate levels” (Minn. R. 7050.0224, subp. 2). According to public hearing testimony during the adoption of this standard, it was intended to apply to waters with natural wild rice stands and waters used for paddy wild rice production. Recent implementation of the standard has become more high-profile, contentious and open to varied interpretation. The MPCA desires to clarify current and future implementation of the wild rice sulfate water quality standard.

Based on a review of available studies and information, the MPCA believes that additional wild rice plant toxicity studies are needed before a revision to the numeric sulfate standard may be considered. The MPCA is working cooperatively with U.S. Environmental Protection Agency toxicologists, Minnesota Department of Natural Resources and Tribal wild rice/plant specialists, and other researchers to establish a plant toxicity testing protocol to investigate the effects of sulfate and other variables on wild rice. The MPCA will consult with and consider recommendations from interested parties before finalizing the testing protocol by June 30, 2011. However, funding is needed to undertake the necessary toxicity studies once the protocol is completed.

Key Goals and Measures

- The MPCA will clarify the definition of “water used for production of wild rice” during the current triennial standard review, which is expected to be complete by summer 2012.
- The MPCA will conduct a field (ambient) study of water quality and sediment chemistry associated with existing natural wild rice stands, beginning in the summer of 2011.
- The MPCA studies will evaluate the toxicity of sulfate to wild rice across the full life-cycle of the plant, including investigating the multiple mechanisms by which elevated sulfate or other variables might result in reduced populations of wild rice in Minnesota surface waters.
- The MPCA would assemble and support a stakeholder group to ensure communication amongst interested parties is maintained.
- The MPCA will consult with the Tribal Community with regard to the testing protocol, testing efforts, and results from the studies.
- The MPCA will undertake rulemaking upon completion of the toxicity testing to adjust the sulfate standard, based on the results of the two-year study funded by this initiative.

Statutory Change: Not Applicable.

Program at a Glance

- Monitor surface water quality on a watershed basis, including citizen monitoring.
- Monitor groundwater quality and prepare trend analysis.
- Develop water quality standards.
- Provide municipal and industrial wastewater permitting inspections, and enforcement.
- Stormwater program development, permitting, compliance determination, and enforcement.
- Write permits, conduct inspections, and enforce regulations related to feedlots.
- Implement new and developing federal regulatory programs such as ballast permitting and the new pesticide permit program under the National Pollutant Discharge and Elimination System (NPDES)
- Regulate Subsurface Sewage Treatment Systems (SSTS).
- Provide grants through Clean Water Partnership, Clean Water Legacy, and federal Clean Water Act Section 319 grants to local units of government to improve water quality,
- Develop watershed restoration and protection strategies for all the state's major watersheds.

Program Description

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

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

The MPCA evaluates the condition of the state's water resources and uses that information to develop plans to restore waters identified as impaired and to protect those that are unimpaired. This is accomplished by regulating municipal and industrial discharges and 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 inform social, financial, technical, and environmental management decisions.

The MPCA and our partners are on track to monitor the water quality of 100% of the state's major watersheds on a

10-year cycle. Lake monitoring focuses on the state's larger recreational lakes, and is on track to monitor 100% of lakes 500 acres and larger and at least half of the lakes between 100 and 500 acres. Watershed outlet river monitoring is conducted through the MPCA's Major Watershed Load Monitoring (MWLM) network, in partnership with other agencies. The MWLM network will include monitoring data, computed pollutant loads, and trends for water quality at 82 river sites across the State. Baseline data will be assembled in late 2010. Ongoing biological and chemical monitoring is also being conducted in all of the State's major watersheds on a 10-year cycle. Using the watershed monitoring and analysis, watershed protection and restoration strategies will be developed and implemented for the 81 major watersheds across the state.

The strategic goals for the Water Program are:

- Assessing the condition of Minnesota's groundwater systems and providing information on the effectiveness of best management practices in preventing and reducing degradation of groundwater and supporting groundwater conservation.
- Assessing the chemical, physical and biological integrity of Minnesota's lakes, streams and wetlands to identify if designated uses are being met, and providing information on the condition of waters.
- Protecting and improving the chemical, physical and biological integrity of Minnesota's lakes, streams and wetlands.
- Achieving excellence through appropriate application of tools and best practices.
- Providing a reliable information management system that supports the agency and its partners in effective and efficient environmental work.
- Maintaining its capacity to recognize and address emerging issues that fall within the agency's authority.

Population Served

This Program serves all citizens of the state by protecting Minnesota's lakes, streams, wetlands, and groundwater from many kinds of pollution. The goal is to maintain the ability of Minnesotans and visitors to drink, fish, and recreate in Minnesota's abundant water resources. The MPCA works closely with several entities by:

- 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 and feedlot runoff, and failing septic systems;
- Supporting watershed management groups who receive financial and technical assistance from MPCA, and
- Providing information regarding water quality and quantity in relation to economics, health, and recreation for consideration in decisionmaking.

Services Provided**Monitor/Assess:**

- Monitor watersheds to characterize river, lake, and wetland water quality and identify trends through a combination of state and local projects, remote sensing, and our volunteer monitoring network.
- Assess monitoring data to understand water resource conditions and determine impairment status as required by the CWA.
- Monitor those waters that are not meeting their designated uses to identify the stressor(s) causing the problem.
- Monitor ambient groundwater quality of vulnerable aquifers, to serve as an “early warning system” of pollution problems, working closely with the Minnesota Departments of Agriculture and Health.

Management:

- Establish water quality standards to protect Minnesota's waters, set treatment priorities and discharge limits.
- Issue permits, conduct inspections, and complete enforcement follow-up, as necessary, for 926 industrial and 816 domestic wastewater facilities.
- Implement the stormwater program that includes permitting, technical assistance, inspections, and enforcement for ~240 municipalities, ~1,650 industrial facilities, and 1,500-2,500 construction projects per year.
- The MPCA completed the review, public notice, and approval of detailed stormwater pollution prevention programs from 233 municipal stormwater permittees in 2009.
- The MPCA is also developing Minimal Impact Design Standards, as directed in 2009 legislation, to set performance goals and establish methods to credit the pollutant reductions in urban stormwater runoff.
- Develop and implement a pesticide permit program under the CWA that includes permitting, technical assistance, inspections, and enforcement follow-up as necessary for ~4000 potential permittees, including municipalities, industrial facilities, mosquito control districts, and lake management associations.
- Issue permits, conduct inspections and enforcement for over 1,100 animal feedlots, and in conjunction with county governments administer the program for ~25,000 feedlots registered under state law.
- Develop watershed protection and management strategies for 81 major watersheds. The most recent inventory of impaired waters, currently at EPA for approval, identifies 3,049 impairments affecting 1,636 lakes and streams. Slightly less than 47% of the impairments are attributable to mercury.
- The MPCA assesses waters and lists the impaired waters every two years in accordance with the CWA.
- Complete protection and restoration management plans for watersheds including developing the total maximum daily loading (TMDL) for impaired surface waters. As of August 13, 2010, the MPCA has completed 35 TMDLs addressing 188 conventional impairments that have led to clean-up efforts. The MPCA has additional TMDLs underway to determine the sources of 500 additional impairments. The MPCA approved a TMDL that addresses 998 mercury impairments.
- Issued ~300 ballast water permit for ships entering Minnesota ports from the Great Lakes and co-leading the Great Lakes Ballast Water Collaborative to obtain protective federal ballast water discharge standards.

Protection/Restoration:

- Provide grant and loan funds to clean up pollution from urban and agricultural runoff, individual sewage treatment systems, and feedlot upgrades.
- Develop strategies to address degradation of surface- and ground-waters by upgrading small community wastewater treatment facilities.
- Develop watershed restoration strategies for impaired waters, protection strategies for those waters not impaired, and implement required reductions at NPDES permitted facilities.

Historical Perspective

In the past, the 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. Recent emphasis was 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. New emphasis is on addressing contaminants of emerging concern and addressing additional pollutant reductions at regulated wastewater and stormwater facilities based on impaired water (TMDL) studies. Another focus is addressing the small unsewered or under-sewered communities, with the priority placed on community straight-pipe discharges.

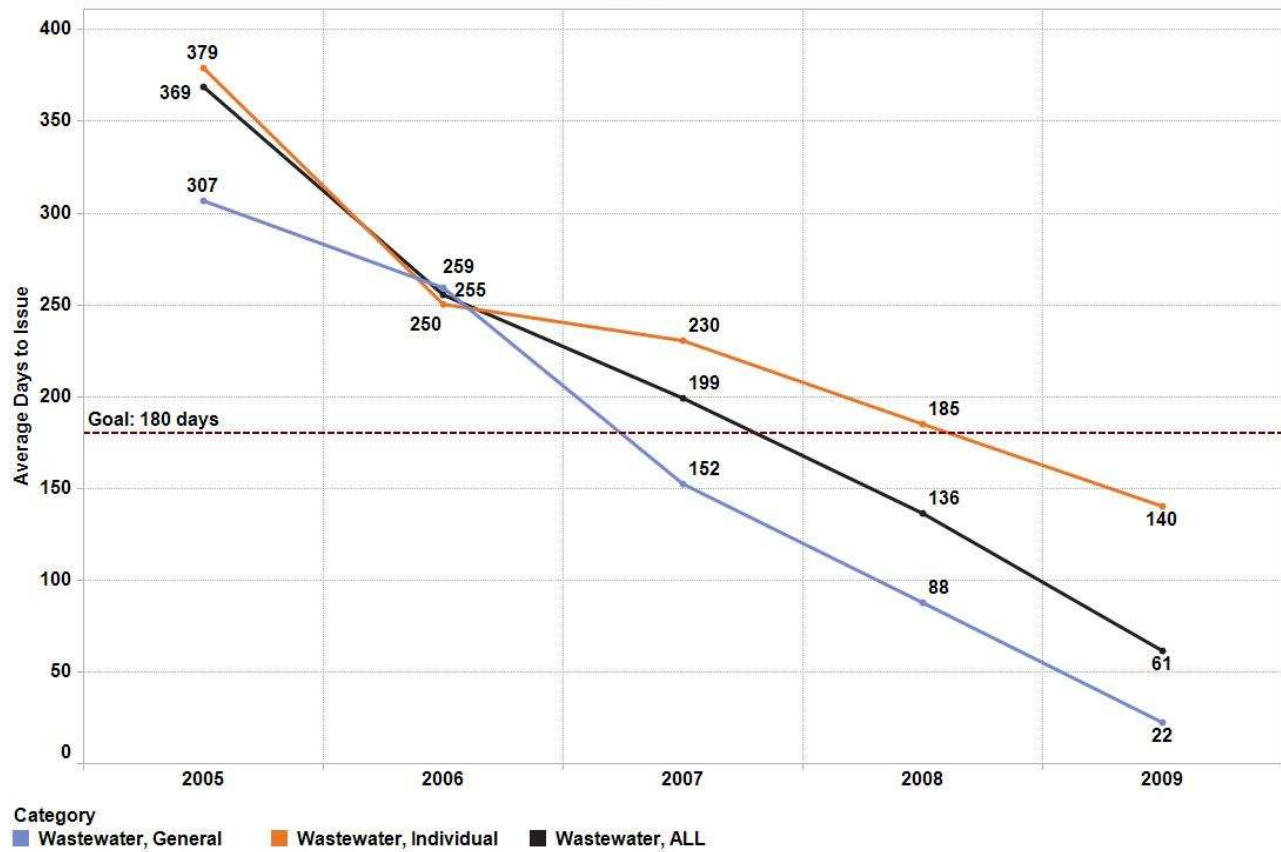
The MPCA continues to address dispersed sources of pollutants, with construction stormwater runoff, agricultural land and drainage systems, individual septic systems, feedlots, and forestry as examples. More emphasis and funding have been directed to these sources of pollutants reaching our waters. Although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

The 2010 Industrial Stormwater General Permit requires best management practices and benchmark monitoring for facilities in 29 industrial sectors. Outreach by the MPCA is increasing the number of facilities that apply for permit coverage or no-exposure exclusion above the 1,650 previously regulated facilities.

The Federal Clean Water Act requires states to list impaired waters, and to develop and implement clean-up plans. The 2006 Minnesota 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 2009 Legislature appropriated Clean Water funds from the Clean Water, Land, and Legacy Constitutional Amendment of 2008 for the 2010-11 biennium.

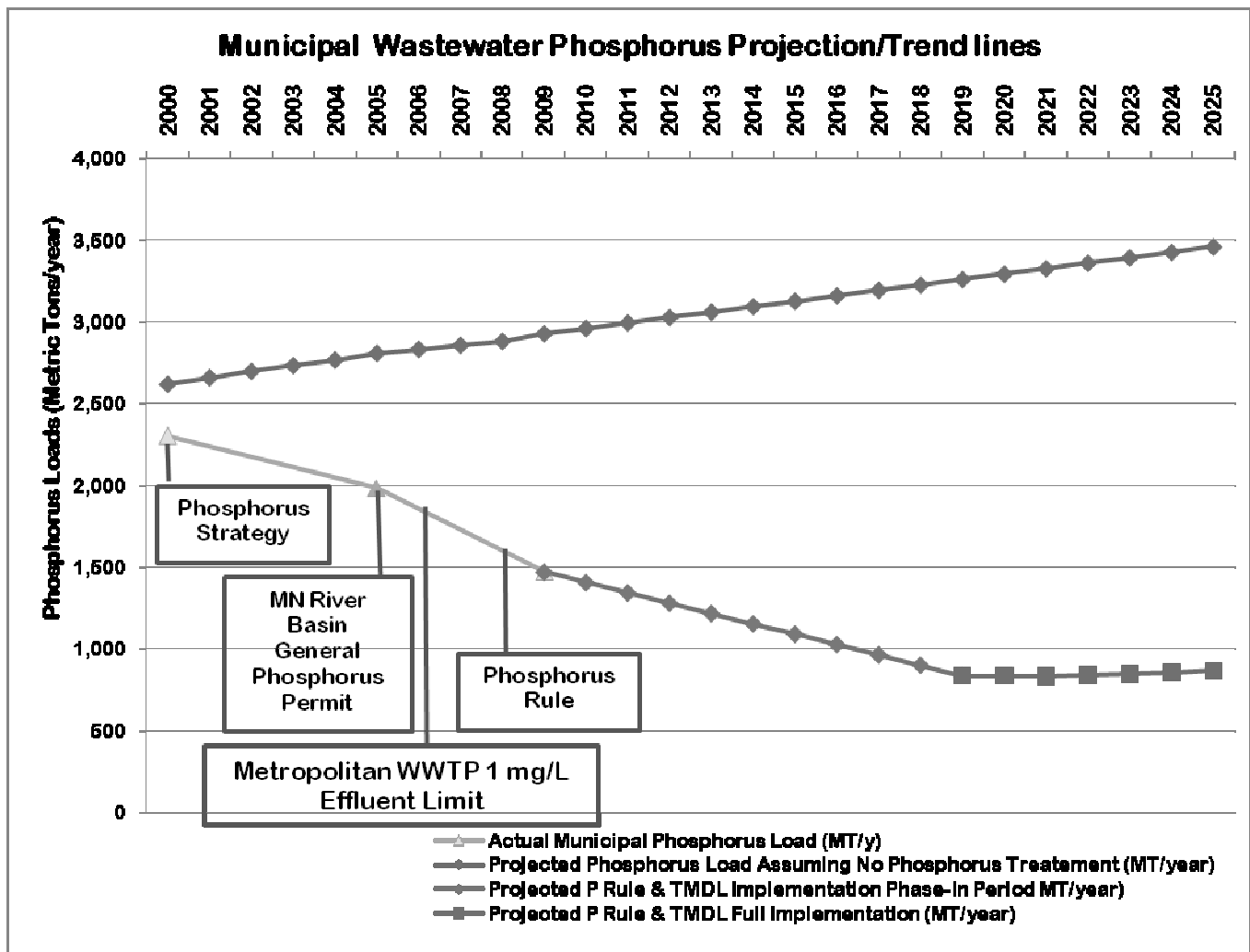
Key Program Goals & Measures

MPCA Permitting, WASTEWATER



* General Permits - Permits that are designed to cover more than one facility; that are similar in design or discharge.

* Individual permits - Permits that are designed to cover a single facility with discharge/emission limits and requirements specific to each facility.



Program Funding

Authorized appropriations for the Water Program in FY2010-11 total \$121.7 million. The funding mix: 36% Clean Water Fund, 30% Environmental Fund, 12% federal, 12% General Fund and 10% other sources.

Contact

For more information, contact Fiscal – Operational Support at (651) 296-6300 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."

POLLUTION CONTROL AGENCY

Program: WATER

Program Summary

Dollars in Thousands					
	Current		Governor Recomm.		Biennium
	FY2010	FY2011	FY2012	FY2013	2012-13
<u>Direct Appropriations by Fund</u>					
Environment & Natural Resource					
Current Appropriation	425	0	0	0	0
Subtotal - Forecast Base	425	0	0	0	0
Total	425	0	0	0	0
General					
Current Appropriation	7,764	6,597	6,597	6,597	13,194
Technical Adjustments					
Biennial Appropriations			21	21	42
One-time Appropriations			(450)	(450)	(900)
Subtotal - Forecast Base	7,764	6,597	6,168	6,168	12,336
Governor's Recommendations					
General Fund Reduction		0	(504)	(504)	(1,008)
Wild Rice Sulfate Toxicity Testing		0	1,500	0	1,500
Total	7,764	6,597	7,164	5,664	12,828
State Government Spec Revenue					
Current Appropriation	48	48	48	48	96
Subtotal - Forecast Base	48	48	48	48	96
Governor's Recommendations					
Wastewater Certification and Exam		0	27	27	54
Total	48	48	75	75	150
Environmental					
Current Appropriation	18,131	18,666	18,666	18,666	37,332
Technical Adjustments					
One-time Appropriations			(50)	(50)	(100)
Subtotal - Forecast Base	18,131	18,666	18,616	18,616	37,232
Total	18,131	18,666	18,616	18,616	37,232
Clean Water					
Current Appropriation	23,976	23,130	23,130	23,130	46,260
Technical Adjustments					
One-time Appropriations			(23,130)	(23,130)	(46,260)
Subtotal - Forecast Base	23,976	23,130	0	0	0
Governor's Recommendations					
Clean Water Funding		0	28,040	24,625	52,665
Total	23,976	23,130	28,040	24,625	52,665

POLLUTION CONTROL AGENCY

Program: WATER

Program Summary

Dollars in Thousands					
	Current		Governor Recomm.		Biennium
	FY2010	FY2011	FY2012	FY2013	2012-13
<u>Expenditures by Fund</u>					
Direct Appropriations					
General	6,908	7,453	7,164	5,664	12,828
State Government Spec Revenue	44	52	75	75	150
Environmental	17,701	17,407	16,520	16,555	33,075
Clean Water	15,407	31,699	28,040	24,625	52,665
Statutory Appropriations					
Environment & Natural Resource	425	0	0	0	0
Clean Water Revolving Fund	8,742	3,516	4,073	4,073	8,146
Miscellaneous Special Revenue	173	51	25	0	25
Federal	4,203	10,176	6,349	5,269	11,618
Federal Stimulus	2,485	960	148	0	148
Environmental	0	7	0	0	0
Total	56,088	71,321	62,394	56,261	118,655
<u>Expenditures by Category</u>					
Total Compensation	22,909	22,162	23,279	22,668	45,947
Other Operating Expenses	16,586	26,456	22,224	19,007	41,231
Local Assistance	7,851	20,173	14,361	12,056	26,417
Other Financial Transactions	8,742	2,530	2,530	2,530	5,060
Total	56,088	71,321	62,394	56,261	118,655
<u>Expenditures by Activity</u>					
Water	56,088	71,321	62,394	56,261	118,655
Total	56,088	71,321	62,394	56,261	118,655
Full-Time Equivalents (FTE)	302.4	285.5	296.7	296.7	

Program at a Glance

- Develops and implements strategies to reduce air pollution from small sources of air pollution, including mobile sources
- Monitors air quality, tracks 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
- Implements air quality point source permitting, compliance determination, and enforcement
- Issues air emission permits to over 4,000 facilities in the state (350 are major source federal permits)

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 has necessitated continuing changes to the air program in Minnesota and nationwide through the assessment of air emission fees, new permit and compliance requirements, adoption of more restrictive air quality standards and activities to control emissions of hazardous air pollutants. The 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 problems.

In the past decade, the EPA has delegated additional programs to the MPCA. For example, the MPCA has developed strategies for reducing regional haze and fine particulate matter. The MPCA is implementing new initiatives to reduce emissions of mercury, a pollutant of particular concern regarding human health and the environment. 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. As a national leader in mercury reductions, Minnesota lawmakers and the Governor enacted legislation in 2007 that further banned the use of mercury-containing products to restrict mercury from the environment. The MPCA completed a plan to achieve mercury emission reductions from a variety of sources, which includes including improved mercury emission reporting and addressing mercury emissions from new or expanding sources.

EPA has recently adopted or proposed a variety of new ambient air quality standards aimed at better protection of public health. Implementation of these standards will require new and significant efforts on the part of the MPCA, including monitoring, planning, environmental review and permitting.

Finally, policymakers, scientists and citizens are evaluating the impacts of climate change on the Minnesota environment and economy. Greenhouse gas policy and regulation has evolved rapidly over the past 2 years. In 2009, the EPA created a greenhouse gas reporting rule that applied to larger emitters of greenhouse gases. The Minnesota Legislature also passed a law requiring the MPCA to collect greenhouse gas emissions from facilities with a federal air quality permit and larger sources in Minnesota. In 2010, EPA finalized the Greenhouse Gas Tailoring rule, which will ultimately regulate greenhouse gasses under the CAA and require permitting for some facilities beginning in 2011. In accordance with federal mandates, the MPCA has initiated exempt rulemaking to ensure state thresholds for GHGs are in alignment with federal regulations.

The MPCA's strategic goals for the air program are:

- Ensure Minnesota's outdoor air will meet or improve upon all environmental and human health-related federal and state ambient air quality standards.
- Ensure Minnesota's outdoor air quality will meet environmental and human health benchmarks for toxic and other air pollutants.
- Ensure Minnesota reduces its contribution to regional, national and global air pollution.
- MPCA leads the way to minimize its environmental footprint and assist other public entities to do the same.

Population Served

The Air Program serves all citizens and industrial operations of the state to facilitate protection of public health, the environment, and welfare through regulatory programs that provide standards for the 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. 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. Many facilities necessitate minor source or registration permits from the state, while larger industries may need major source federal air permits. The MPCA issues joint federal and state permits to these larger facilities. As the new federal Greenhouse Gas tailoring rule is implemented, the MPCA anticipates that approximately 200 additional facilities will need air permits and that approximately 15-25 of those will need major source permits.

Services Provided**Assessment:**

- Monitor for the air quality index and compliance with ambient air quality standards using 140 monitors located in 54 sites statewide.
- Monitor for compliance with air permits at seven sites and provide assistance at four sites.
- Monitor for toxic air pollutants at 20 locations.
- Develop annual emission inventories for 2,300 companies.
- Conduct air emission risk analysis for about 20 point sources each year.

Management:

- Issue 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 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 Minnesota Legislation to control utility mercury emissions.
- Implement the Total Maximum Daily Load (TMDL) plan for mercury.
- Implement a process for capping or controlling new sources of mercury.

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.
- Reduce emissions that contribute to greenhouse gases.

Historical

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. The MPCA issues joint construction and operating permits for existing facility expansions and for new facilities. Permits must be renewed on a 5-year cycle. Detailed rules and regulations, and a more engaged public, have increased the complexity and time required to issue air permits.

Over the past five years, the MPCA has taken considerable efforts to streamline the air permitting process through the use of process improvement tools such as Six Sigma and Lean. Improvements have included the development of standardized forms to minimize application mistakes; the development of external training; and the development of a computerized permit tracking system.

Past efforts by the 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. Under the tighter standards, Minnesota air quality is occasionally unhealthy due to elevated ozone (smog) and fine particulate matter. The Twin Cities will likely exceed new federal daily standards for fine particulates and ozone. The MPCA issues air quality alerts when levels exceed health advisory thresholds. Daily air quality readings are available on the MPCA website at <http://aqi.pca.state.mn.us/hourly/>.

Key Program Goals & Measures

Figure 1 below shows the average time to issue air permits over a five year period. Figures 2 shows trends in key air pollutants in the Twin Cities area.

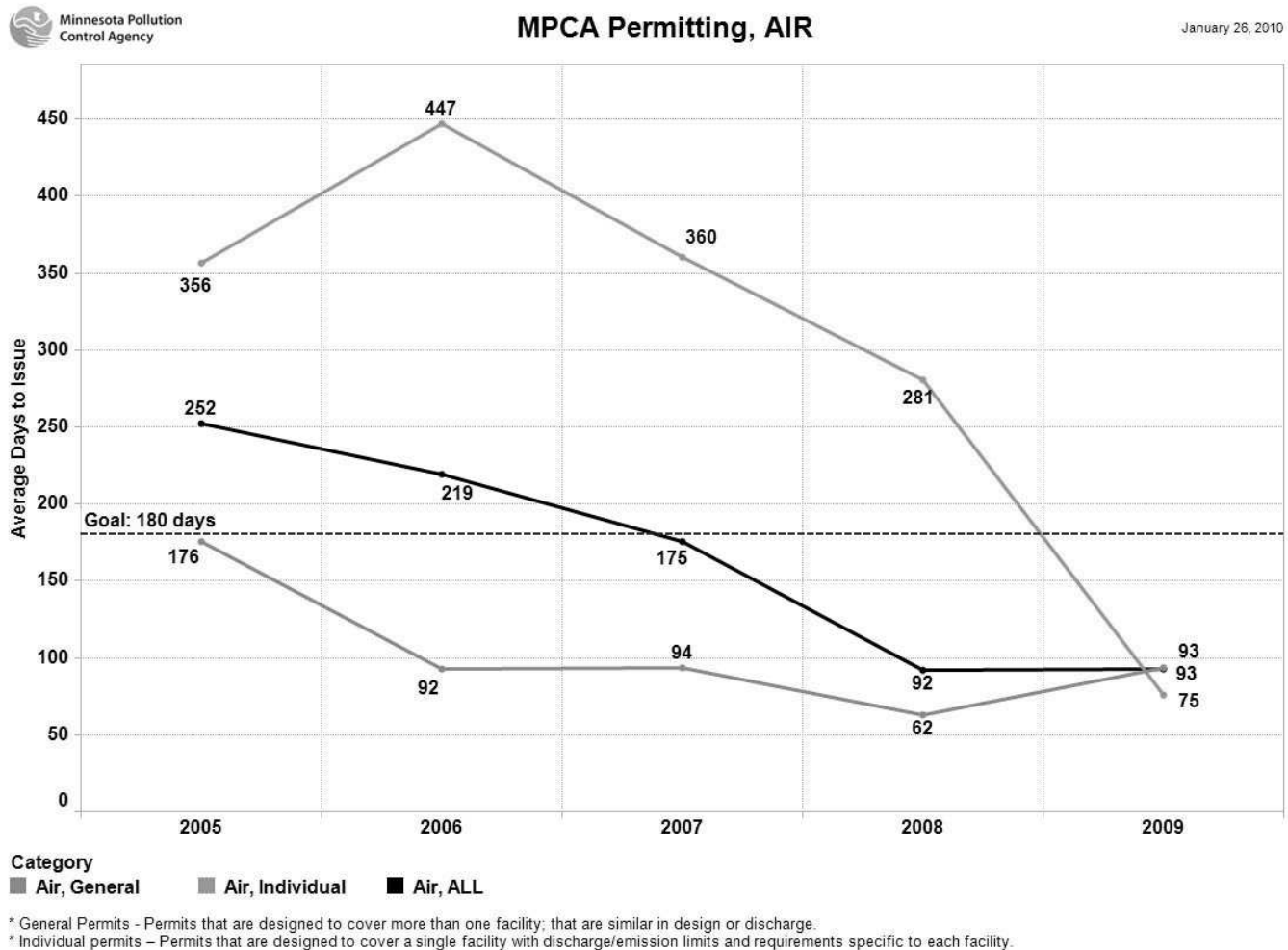


Figure 1

Trends in Key Air Pollutants in the Twin Cities Metro Area:1979-2009

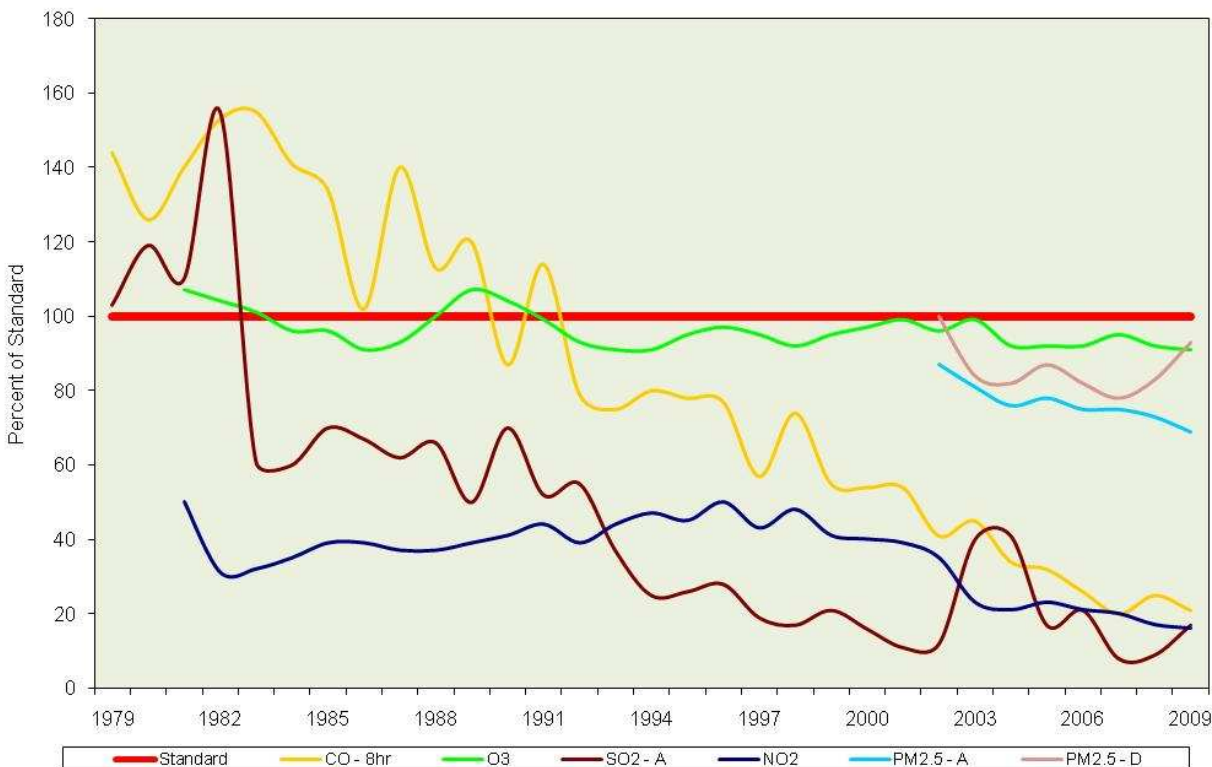


Figure 2

Program Funding

Authorized appropriations in FY2010-11 for the MPCA's Air program totaled \$28.7 million. The mix of funding: 86% Environmental Fund, 10% federal and 4% other sources.

Contact

For more information, contact Fiscal – Operational Support at (651) 296-6300 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, 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

<i>Dollars in Thousands</i>					
	Current		Governor Recomm.		Biennium
	FY2010	FY2011	FY2012	FY2013	2012-13
<u>Direct Appropriations by Fund</u>					
Environmental					
Current Appropriation	11,871	12,131	12,131	12,131	24,262
Subtotal - Forecast Base	11,871	12,131	12,131	12,131	24,262
Governor's Recommendations					
Air Appropriation Increased		0	166	335	501
Total	11,871	12,131	12,297	12,466	24,763
<u>Expenditures by Fund</u>					
Direct Appropriations					
Environmental	11,133	11,612	11,708	11,862	23,570
Statutory Appropriations					
Miscellaneous Special Revenue	457	755	161	161	322
Federal	1,377	1,552	1,552	1,552	3,104
Environmental	4	75	100	217	317
Total	12,971	13,994	13,521	13,792	27,313
<u>Expenditures by Category</u>					
Total Compensation	8,835	8,629	8,670	9,023	17,693
Other Operating Expenses	4,132	5,292	4,753	4,554	9,307
Other Financial Transactions	4	73	98	215	313
Total	12,971	13,994	13,521	13,792	27,313
<u>Expenditures by Activity</u>					
Air	12,971	13,994	13,521	13,792	27,313
Total	12,971	13,994	13,521	13,792	27,313
Full-Time Equivalents (FTE)	112.3	110.7	108.5	108.5	

Program at a Glance

- Permitting
 - 21 Mixed 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
 - 243 hazardous waste large quantity generators
 - 90 large petroleum storage tank facilities (> 1M gallons)
- 2000 Petroleum tank inspections/year
- Investigations and Cleanups at contaminated sites
 - 95 active superfund sites
 - 1100 active petroleum release sites
 - 400 brownfield voluntary cleanup actions/year
 - 2500 emergency responses to pollutant spills/year
- Remediation construction projects and maintenance at 112 closed landfills
- Waste-as-a-Resource
 - Recycling 41% of the state's solid waste
 - Burning 19% of solid waste for energy
 - Contributing \$2.98 billion to the state's economy

Program Description

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

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

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

Population Served

The Land Program serves all the citizens of the state. The MPCA works directly with a large and diverse array of Minnesota businesses and industries. These consist of any facility or entity that creates, treats, stores, uses, manages, or disposes of solid or hazardous wastes or petroleum products. An important aspect of this program is managing

waste-as-a-resource because of the substantial bottom line benefits.

Services Provided

Assessment:

- License hazardous waste handlers and monitor hazardous waste via a computerized system developed in cooperation with the seven-county metropolitan counties.
- Develop with local government waste management partners a solid waste policy report every two years that summarizes the current status of solid waste management.

Management:

- Achieve Minnesota Climate Change Advisory Group (MCCAG) goals and Green House Gas (GHG) reductions through integrated solid waste management (ISWM) activities in the most densely populated areas of the state.
- MPCA must devote increased staff time on the project management of sites that are now the responsibility of the Petroleum Remediation Program (PRP) program. The number of these sites has also increased because responsible parties are unwilling or unable to do the cleanup.
- Distribute grant funds to counties to operate recycling and waste reduction programs and to manage programs for problem materials and household hazardous wastes.
- The preparation of land use plans becomes more urgent as communities seek information to ensure responsible development occurs near closed landfills. Opportunities are also emerging for developing productive uses of the landfill itself, including renewable energy production.

- Partner with counties, businesses, and industries to reduce waste generation, improve the cost effectiveness of recycling, composting and recovery systems, and build stronger regional waste management systems.
- Conduct regulatory and training programs to prevent the release of petroleum, solid waste, and hazardous waste into Minnesota's soil, groundwater, and surface water.
- Issue permits to and inspect solid waste, hazardous waste, and large above ground storage tank facilities, and complete follow-up to ensure compliance as necessary.
- Oversee disposal of debris from natural and man-made disasters.

Restoration/Improvement:

- Oversee investigations and corrective actions conducted at contaminated sites by responsible parties; or perform these activities on behalf of the state using contractors when responsible parties do not exist or are unable or unwilling to do such work themselves. Recover costs from responsible parties when possible, reasonable, and appropriate.
- Assist developers in returning contaminated sites to productive use through its Brownfield Programs.
- Retain contractors to conduct cleanups at 112 closed landfills.
- Maintain/manage post-closure care at closed landfill sites.
- Assist industry and local fire and police to develop response action plans focused on preventing spills, 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.
- Utilize funding awarded under the American Recovery and Reinvestment Act of 2009 to accelerate storage tank site investigations and cleanups.

Historical Perspective

In the past, thousands of locations across the state posed acute or potential risks to human health, land, groundwater, and surface water due to spilling, dumping, or poor management of wastes and petroleum products. The U.S. Congress and the Minnesota Legislature provided legal authorities to the MPCA to ensure risks to the environment and citizens were eliminated or controlled, and established a philosophy to reduce the amount and toxicity of waste and recover materials and energy to reduce dependence on waste disposal facilities.

The Closed Landfill program activity continues to plan for project construction and on-going maintenance at the 112 closed landfills, sites that are the state's responsibility. In addition, the MPCA is directed by statute to prepare a land use plan for the closed landfill sites.

Key Program Goals & Measures

A vision for Land Program has been guided by the MPCA's strategic plan, with three primary goals:

- Ensure solid waste is managed to conserve materials, resources, and energy;
- Minimize or reduce the release of contaminants to or from the land; and
- Restore land to productive use by managing risk from contaminated sites.

The Land Program also assists in:

- Assessing the condition of Minnesota's groundwater systems;
- Preventing or reducing the degradation and depletion of groundwater;
- Reducing Minnesota's contribution to regional air pollution; and
- Utilizing and demonstrating green remediation.

The MPCA's Petroleum Remediation Program (PRP) has reduced the number of active sites from over 2,900 in 2000 to less than 1,100 in 2010. Site investigations and closures result in reduction of risk to the population in the vicinity of these sites, protection of drinking water supplies, reduction of risk to groundwater and surface water, and return of contaminated land to the highest value and most productive use. Much of this work was done cooperatively with responsible parties who follow MPCA's site cleanup guidance to secure reimbursement through the state Petroleum Fund. The MPCA's PRP 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 approximately zero in 2000 to over 200 in 2010. Funding from the Petroleum Tank Fund for this program ends 6/30/2012.

POLLUTION CONTROL AGENCY

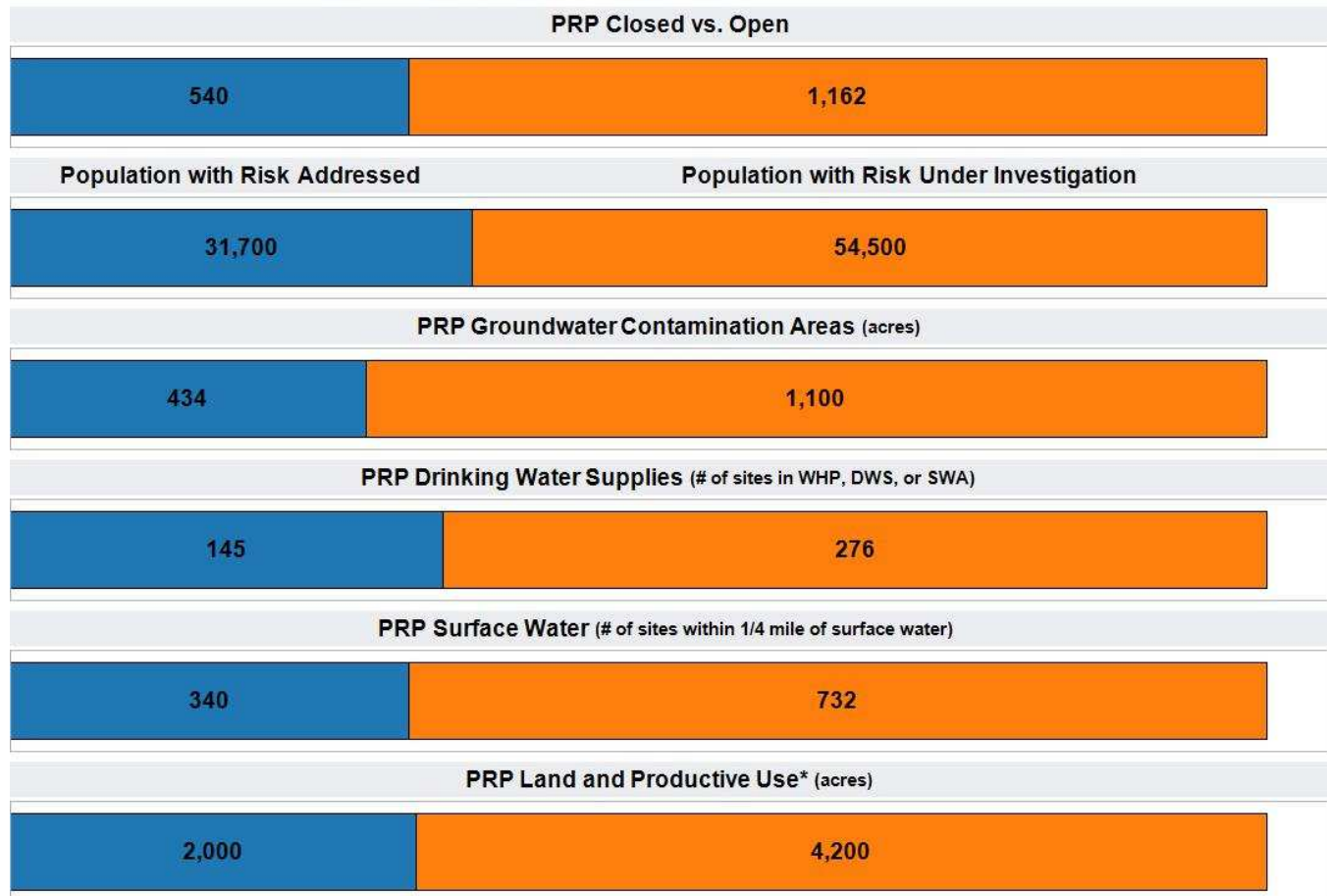
Program: LAND

Narrative

Key environmental outcomes reported at the end of FY 2010 are displayed below for the PRP, using the reference framework of sites where the completion of investigation and cleanup activities resulted in regulatory file closure (closed sites) and sites where activities were still ongoing at the end of the FY (open sites).

Goal: L.3 Restore land to productive use by managing risk from contaminated sites.

SiteType Closed (no longer at risk) Open (at risk)

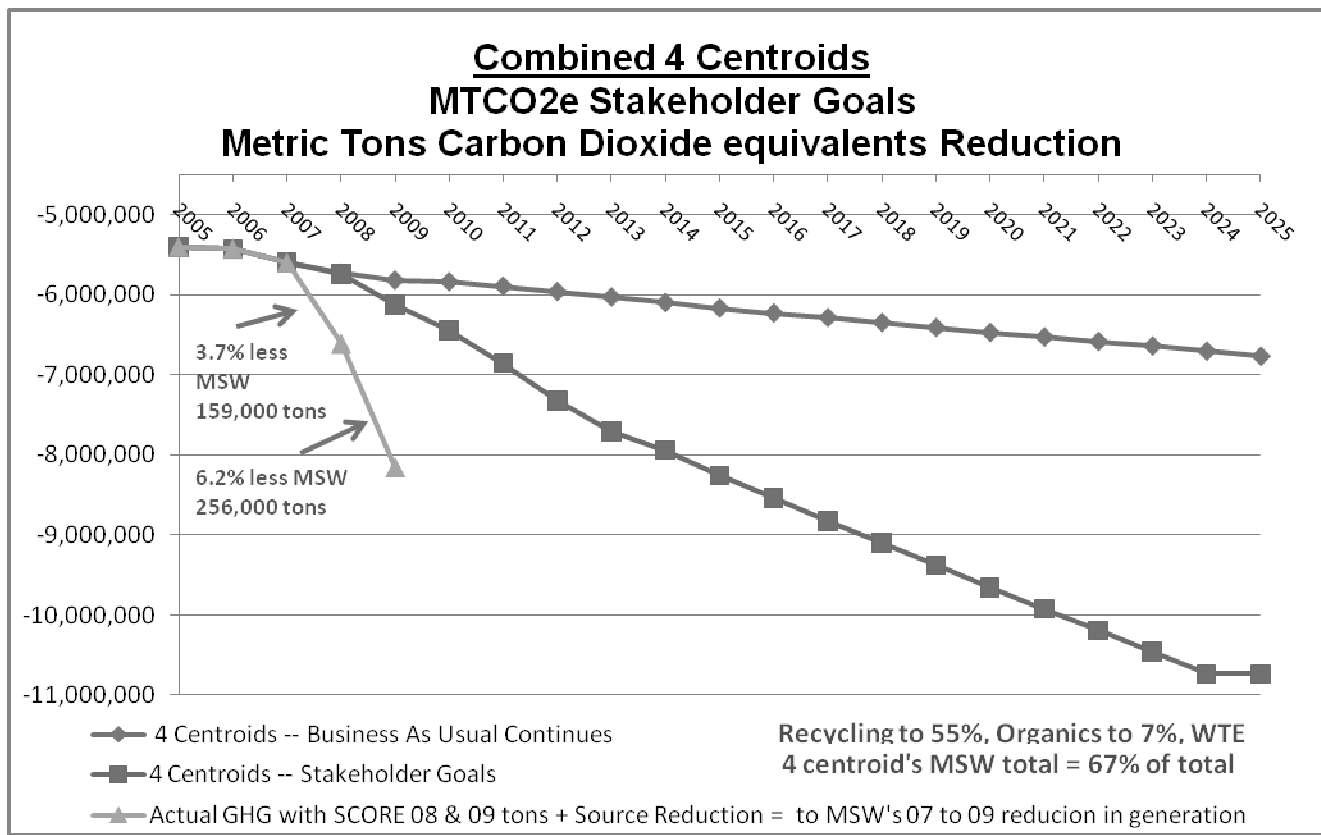


* Closed sites represent where Site Acreage was returned to productive use. Open sites represent where Productive Use had been Precluded.

The goal of the MPCA's ISWM activities are to achieve a total reduction of 75 million metric tons of GHG attributed to changes in waste generation, materials conservation, and resource management practices by January 2025. Municipal solid waste (MSW) waste disposal is down by 10 percent. Generators are buying less; manufacturers are using fewer resources. Source reduction has the greatest impact on GHG reduction. Because we are producing less waste, we are also producing less GHG. This decrease is not sustainable because it's tied to the general economic downturn.

A key focus of ISWM activities is on four centroids, where 70 percent of the state's MSW is generated:

- 1) Metro centroid – Metro Solid Waste Policy Plan; Governance
- 2) Duluth, Rochester, St. Cloud centroids – Project Development (recycling, composting)



Program Funding

Authorized appropriations in FY2010-11 for the Land Program total \$109.4 million. The mix of funding: 70% Remediation Fund, 13% Environmental Fund, 11% federal and 6% other sources.

Contact

For more information, contact Fiscal – Operational Support at (651) 296-6300 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, and 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: LAND

Program Summary

Dollars in Thousands					
	Current		Governor Recomm.		Biennium
	FY2010	FY2011	FY2012	FY2013	2012-13
<u>Direct Appropriations by Fund</u>					
General					
Current Appropriation	465	435	435	435	870
Subtotal - Forecast Base	465	435	435	435	870
Total	465	435	435	435	870
Environmental					
Current Appropriation	6,916	6,916	6,916	6,916	13,832
Subtotal - Forecast Base	6,916	6,916	6,916	6,916	13,832
Total	6,916	6,916	6,916	6,916	13,832
Remediation Fund					
Current Appropriation	11,086	11,086	11,086	7,470	18,556
Subtotal - Forecast Base	11,086	11,086	11,086	7,470	18,556
Governor's Recommendations					
VIC Appropriation Reduction		0	(590)	(590)	(1,180)
Petroleum Remediation Program		0	0	3,616	3,616
Total	11,086	11,086	10,496	10,496	20,992
<u>Expenditures by Fund</u>					
Direct Appropriations					
General	0	0	435	435	870
Environmental	6,818	6,715	6,693	6,689	13,382
Remediation Fund	9,234	10,507	10,378	10,377	20,755
Statutory Appropriations					
Miscellaneous Special Revenue	750	779	463	463	926
Federal	3,803	4,050	3,939	3,776	7,715
Federal Stimulus	1,716	2,540	500	0	500
Remediation Fund	27,578	31,402	22,698	23,217	45,915
Gift	1,725	1,054	0	0	0
Total	51,624	57,047	45,106	44,957	90,063
<u>Expenditures by Category</u>					
Total Compensation	15,359	15,686	15,049	12,156	27,205
Other Operating Expenses	35,858	39,561	29,070	22,398	51,468
Capital Outlay & Real Property	46	0	0	0	0
Local Assistance	361	1,800	300	300	600
Transfers	0	0	687	10,103	10,790
Total	51,624	57,047	45,106	44,957	90,063
<u>Expenditures by Activity</u>					
Land	51,624	57,047	45,106	44,957	90,063
Total	51,624	57,047	45,106	44,957	90,063
<u>Full-Time Equivalents (FTE)</u>					
	188.8	190.2	184.2	144.0	

Program at a Glance

- Develop and implement policies that address cross-media issues (e.g. e-waste management and PFCs).
- Review environmental impact of proposed projects.
- Offer technical assistance, training and certification to the regulated community.
- Assess environmental impact of the MPCA's regulatory and cleanup project decisions through monitoring oversight, discharge standards, effluent limits, air quality modeling review, risk assessment, fishkill investigations.
- Promote the use of technology and fuels that reduce air pollution and greenhouse gas emissions.
- Provide grants and loans to promote environmentally-innovative projects
- Through the Minnesota Technical Assistance Program (MnTAP), enable Minnesota companies to save \$4.1 million in operating costs, prevent 6.2 million pounds of waste through reduction or reuse, and conserve 92.2 million gallons of water in the past two years. Every \$1 granted to MnTAP results in approximately \$3 of annual savings for Minnesota businesses.

Program Description

The MPCA's Environmental Assistance and Cross-media Program provides services that include environmental condition monitoring and assessment; pollution prevention; waste and toxicity reduction; grants and loans; sustainable development; business assistance and training; environmental impact statements; 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 assess the impact of pollutants on all media – water, air, and land – rather than one media in isolation. The program staff collect data on environmental conditions and present the data in a form useful to the MPCA Citizens' Board and Senior management, policymakers, and the public. This data enables the MPCA to protect natural resources, regulate pollution sources and effectively clean up contaminated sites. Additionally, Program staff provide direct technical assistance to other MPCA programs and assist in achieving environmental outcomes.

Program staff focus their efforts 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 expertise and financial incentives for the implementation of activities, system ideas, approaches and technologies to conserve resources, prevent pollution and protect the environment.

The partnerships also include voluntary assessment of our air and water. With these approaches and resultant data, the program promotes environmentally-sound business development, community development, waste-as-a-resource, clean energy and provides educational and technical support to MPCA staff and its direct customers.

In addition to the strategic goals supported in the specific programs of water, land and air, the MPCA's strategic goals for the Environmental Assistance and Cross-media Program are:

- Minnesotans buy green products and services.
- Minnesota businesses produce green products and provide green services by reducing or eliminating the use of environmentally harmful substances.
- Minnesotans act on their environmental knowledge to support healthy ecosystems.
- MPCA leads the way to minimize its environmental footprint and assist other public entities to do the same.

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.
- Citizens benefit from waste and pollution prevention, and toxicity reduction activities.
- Partnerships with businesses, institutions, local governments, schools, community organizations, and individuals through assistance (financial and technical).
- 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.
- All permitting agencies gain benefits from the MPCA's environmental review activities.

Services Provided**Assessment:**

- Analyze data on the condition of the environment, describing trends and stressors. This activity processes and makes available valuable data to MPCA, policymakers and citizens.
- Currently 148 air quality monitors at 56 statewide locations monitor a variety of parameters including ozone, carbon monoxide, sulfur dioxide, oxides of nitrogen, lead, particulates, hydrogen sulfide, 56 volatile organic compounds, 7 carbonyl compounds, 15 metals, acid and mercury deposition, and visibility.
- With regard to water quality assessments, the MPCA and its partners have developed a 10 year schedule to monitor surface waters by major watershed. As of 2010, 30% of Minnesota's 81 watersheds have been monitored.
- Complete environmental reviews that allow permittees, including local governments, to initiate requested projects.
- Collection of Toxic Release Inventory data from Minnesota businesses indicates progress in manufacturing sectors.

Management:

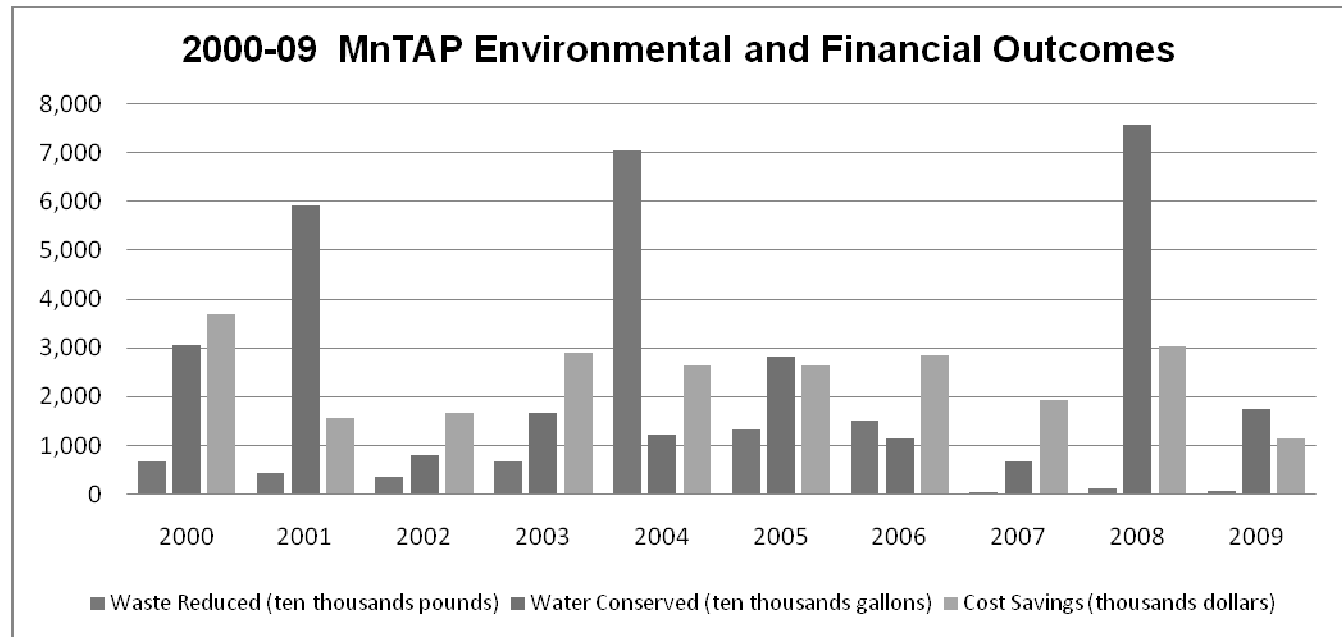
- Use data to set standards and remediation criteria to protect water, air and land resources.
- Conduct risk evaluations and provide technical support to regulatory activities.
- Provide data analysis, and develop reduction and pollution prevention strategies.
- Develop administrative and technical rules.
- The MPCA partners with others to host the Eco-Experience at the Minnesota State Fair. The Eco-Experience building allows visitors to experience environmentally-friendly products and technologies, including the latest in clean energy, transportation alternatives, storm-water best practices through rain gardens, green buildings and composting.
- The major redesign of the MPCA's website included the incorporation of the Living Green webpage, providing information to the public, businesses and government on ways to make a positive difference both in their lives and in their communities to live better, healthier lives with less impact on the environment.
- Assist Minnesota businesses using a multi-faceted approach to pollution prevention, including providing financial assistance for businesses and institutions seeking ways to reduce waste as well as offering technical assistance directly through our Small Business Assistance Program and our technical assistance partnerships. For 2008 and 2009, pollution prevention technical assistance efforts resulted in 6.8 million pounds of waste reduced, 1.3 million pounds of materials reused, 104 million gallons of water saved.
- Maintain current resources on the agency's web site 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.
- Implement 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.
- In collaboration with the Department of Commerce and other partners, the MPCA promotes development of clean energy, energy efficiency and the reduction in greenhouse gas emissions. Minnesota's Green Power Campaign encourages Minnesotans to buy wind power from their local utilities.
- Investigate wind and solar power opportunities at closed landfills, and install gas-to-energy systems at closed state-owned landfills to mitigate the impacts of gas generated at those sites.

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 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.

Key Program Goals & Measures

The MPCA partners with the University of Minnesota in the operation of MnTAP, a technical assistance program. Since 2000, MnTAP staff and interns worked with Minnesota business to reduce over 122 million pounds of waste, conserve over 266 million gallons of water and save over \$24 million in business operating costs. In 2009, MnTAP staff and intern work also achieved 13,363 pounds in air emission reductions and conserved 1,743,142 KWH of energy with Minnesota companies.



Program Funding

Authorized appropriations in FY2010-11 total \$84.9 million. The funding mix: 64% Environmental Fund, 31% federal, 2% General Fund, and 3% other sources.

Contact

For more information, contact Fiscal – Operational Support at (651) 296-6300 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, 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: ENVIRONMENTAL ASST CROSSMEDIA

Program Summary

Dollars in Thousands					
	Current		Governor Recomm.		Biennium
	FY2010	FY2011	FY2012	FY2013	2012-13
<u>Direct Appropriations by Fund</u>					
General					
Current Appropriation	776	680	680	680	1,360
Technical Adjustments					
Biennial Appropriations			9	9	18
Subtotal - Forecast Base	776	680	689	689	1,378
Governor's Recommendations					
General Fund Reduction		0	(350)	(350)	(700)
Env. Quality Board Transfer to MPCA		0	151	151	302
Total	776	680	490	490	980
Environmental					
Current Appropriation	24,606	24,470	24,413	24,413	48,826
Subtotal - Forecast Base	24,606	24,470	24,413	24,413	48,826
Governor's Recommendations					
Env. Quality Board Transfer to MPCA		0	75	75	150
E-Waste- Direct Appropriation		0	315	315	630
Total	24,606	24,470	24,803	24,803	49,606
<u>Expenditures by Fund</u>					
Direct Appropriations					
Environment & Natural Resource	375	11	0	0	0
General	731	725	490	490	980
Environmental	23,792	23,739	24,196	24,180	48,376
Statutory Appropriations					
Miscellaneous Special Revenue	951	1,403	1,051	1,051	2,102
Federal	12,008	15,981	15,125	15,125	30,250
Federal Stimulus	690	1,040	0	0	0
Environmental	2,379	2,980	3,244	3,260	6,504
Total	40,926	45,879	44,106	44,106	88,212
<u>Expenditures by Category</u>					
Total Compensation	16,792	17,185	16,969	17,143	34,112
Other Operating Expenses	5,407	8,427	7,900	7,710	15,610
Local Assistance	18,573	19,948	19,005	19,021	38,026
Other Financial Transactions	154	319	232	232	464
Total	40,926	45,879	44,106	44,106	88,212
<u>Expenditures by Activity</u>					
Ea And Cross-Media	40,926	45,879	44,106	44,106	88,212
Total	40,926	45,879	44,106	44,106	88,212
<u>Full-Time Equivalents (FTE)</u>					
	197.5	213.7	212.9	212.9	

Program at a Glance

- The MPCA Citizens' Board resolves certain controversial matters in the MPCA's regulatory work.
- The Commissioner's Office sets the strategic direction for the MPCA.
- Financial management, human resources, education and development, information management, communication, and business systems support all MPCA environmental programs.

Program Description

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

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

- Providing a safe and healthy workplace for all employees, volunteers and visitors.
- Managing agency operations to support the agency's environmental work and core operations in effective and efficient manner.
- Achieving excellence through application of appropriate tools and best practices.
- Providing a reliable information management system that supports the agency and its partners in effective and efficient environmental work.
- Maintaining the agency's capacity to recognize and address emerging issues that fall within the agency's authority.

Population Served

Administrative Support directly serves the 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 through the MPCA website providing information and transactions, and making public data available for review and use. The MPCA's information and communication serves citizens through the webcasting of board meetings, rule hearings and training events, environmental publications, events and public involvement processes. Providing environmental information directly enables citizens to conduct business electronically, and ensures access to the many programs managed by the MPCA. The MPCA Citizens' Board makes important environmental decisions that ultimately affect individuals, citizen and environmental groups, local governments, business and industry.

Services Provided

- The MPCA 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 the MPCA.
- The Administrative Support section maintains a process-improvement emphasis through the integration of continuous improvement tools and methodology to reduce costs and improve service delivery efficiency.
- The Communication section leads strategic communications planning; award winning events; media relations; risk and crisis communications; developing multi-media tools; and community relations.
- The Learning Resource Center and Library responds to thousands of information requests each year.
- The Information Systems section maintains large volumes of data and ensures data security, usability and accessibility to MPCA staff and the public through the website.
- The MPCA also enables direct communication with the public via video conferencing and web broadcasts of MPCA Citizens' Board meetings, rule hearings, and training events.
- The Business Systems staff coordinate cost-effective and environmentally-sound business practices, which include using recycled office supplies, implementing agency-wide recycling efforts, reducing energy use in buildings, using environmentally-preferred products (i.e., recycled carpet, chemically-free cleaning products, low VOC paint), reducing travel for meetings through technology, and reducing fleet size.
- Financial Assistance and Budgeting ensures that funds are spent for authorized purposes and managed according to accepted-government accounting practices.

- The Human Resource Office provides guidance and transactional support related to human resource management issues.

Historical Perspective

The Administrative Support structure for the MPCA has changed over time from a decentralized system housed separately in divisions to one of thoughtful centralization of key functions. Examples of centralized services include contracts, information services, records and document management, fleet management and supply purchasing. From an efficiency perspective combining these functions has provided improved access and response timeliness to the public through backup file management, development of electronic document management, managed websites. To the rest of the MPCA, centralized services have offered the administrative efficiencies inherent in combining separate computer, financial and business systems structures and consequently, reduced the overall administrative charges to the other programs.

Key Program Goals & Measures

MPCA manages its fiscal resources and business systems. In FY 2010:

- The MPCA provided budget information, with quarterly updates on its webpage for access by all citizens
- The MPCA met its federal financial deadlines 100% of the time.
- The Financial Assistance and Budgeting Section established annual operating budgets and ensured MPCA's spending adheres to all authorizing state appropriation language and federal grant requirements.
- The MPCA issued more than 1,000 contracts and work orders valued at more than \$106 million.
- The MPCA reduced its business miles driven by 16 percent.

MPCA provides environmental information to citizens. In FY2010:

- The MPCA reached out to thousands of citizens through its *Minnesota Environment* magazine, a variety of subject-specific electronic newsletters, webcasting its Citizens' Board meetings (12 times per year) and potentially reached millions of Minnesotans with its proactive news releases on environmental topics.
- More than 122,000 pages on the MPCA website were viewed and over 31,000 files were downloaded from MPCA's web-based environmental data portals.
- The MPCA's EcoExperience, hosted in its own building at the state fair, reached more than 350,000 visitors with environmental messages.

MPCA provides secure information systems and a well received and widely used website. In FY2010:

- The MPCA updated its website to improve accessibility for citizens, consolidated websites and refreshed the content provided.
- The MPCA responded to more than 900 requests for information through its weblink "Ask MPCA," answered more than 2,500 data practices requests, and addressed numerous general inquiries from the media and other interested parties.
- More than 7,000 regulated parties used the MPCA's website to apply for permits, submit notifications, or download and print environmental licenses.
- Additionally, web applications for conducting electronic business allow users to 1) apply and pay for a construction and industrial stormwater permits; 2) submit no exposure notifications for industrial sites; and 3) submit petroleum remediation field work notifications.

MPCA manages its human resources:

- In the first two quarters of CY 2010, MPCA lost only eight hours due to qualifying injuries.
- MPCA enjoys a new-hire turnover rate of less than ten percent within the first two years of employment.
- Workforce planning and safety training are supported from this part of the organization.

Program Funding

Authorized appropriations for Administrative Support program in FY2010-11 totaled \$43.1 million. Funding sources: 92% Special Revenue Fund, 6% General Fund and 2% other sources.

POLLUTION CONTROL AGENCY

Program: ADMINISTRATIVE SUPPORT

Narrative

Contact

For more information, contact Fiscal – Operational Support at (651) 296-6300 or toll-free at (800) 657-3864.

The MPCA, at <http://www.pca.state.mn.us>, provides useful information about Minnesota's environment. The information includes regulatory news and updates, rules, public notices, details about environmental quality, and guidance on doable individual activities to protect the environment.

For information on how the MPCA 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

Dollars in Thousands					
	Current		Governor Recomm.		Biennium
	FY2010	FY2011	FY2012	FY2013	2012-13
<u>Direct Appropriations by Fund</u>					
General					
Current Appropriation	1,295	1,205	1,205	1,205	2,410
Technical Adjustments					
Biennial Appropriations			11	11	22
Subtotal - Forecast Base	1,295	1,205	1,216	1,216	2,432
Total	1,295	1,205	1,216	1,216	2,432
<u>Expenditures by Fund</u>					
Direct Appropriations					
General	1,281	1,205	1,216	1,216	2,432
Statutory Appropriations					
State Government Spec Revenue	1	2	2	2	4
Miscellaneous Special Revenue	17,952	21,365	20,079	20,079	40,158
Environmental	306	304	306	306	612
Remediation Fund	117	117	129	129	258
Total	19,657	22,993	21,732	21,732	43,464
<u>Expenditures by Category</u>					
Total Compensation	10,348	10,620	10,660	10,770	21,430
Other Operating Expenses	9,309	12,373	11,072	10,962	22,034
Total	19,657	22,993	21,732	21,732	43,464
<u>Expenditures by Activity</u>					
Administrative Support	19,657	22,993	21,732	21,732	43,464
Total	19,657	22,993	21,732	21,732	43,464
Full-Time Equivalents (FTE)	120.9	119.9	118.0	118.0	

In the FY 2010-2011 biennium, the Pollution Control Agency (PCA) received \$63.5 million in the form of grants or cooperative agreements from the federal government. This amount is expected to drop by fourteen percent (14%) in the FY 2012-2013 biennium to \$53.3 million. Of this amount, \$0.6 million is from American Recovery and Reinvestment Act (ARRA) sources.

Federal funding provides the PCA with the means to carry out activities identified in our strategic plan that are essential to our mission to protect and improve the environment and enhance our quality of life. Ninety one percent (91%) of federal funding received by the PCA is directly from the U.S. Environmental Protection Agency (EPA). The remaining nine percent (9%) is from the Great Lakes National Program Office (a separate part of EPA), the Department of Defense and the U.S. Department of Homeland Security.

The PCA's largest federal award is the Performance Partnership Grant (PPG). The PPG is a unique mechanism that combines funding under one "umbrella" award for many continuing environmental programs and for some competitive environmental grants. Receiving funds under this method gives the PCA maximum flexibility in administering resources to meet goals and objectives across environmental program areas.

The PPG accounts for \$27.1 million or 43% of our federal resources for the FY 2010-2011 biennium. This amount is expected to increase in the FY 2012-2013 biennium to \$29.5 million or 55% of our federal resources. The PPG funds the following programs: Air Pollution Control; Water Pollution Control; Wetlands Monitoring, Hazardous Waste Management; Toxics Substances Monitoring; Nonpoint Source Technical Assistance; Pollution Prevention Program; and the National Environmental Information Exchange Network.

Increases to the PPG are primarily due to the Air and Water Pollution Control Programs. Air Pollution Control funds are expected to be \$4.8 million in FY 2010-2011 and increase to \$6.0 million in the FY 2012-2013 biennium. Water Pollution Control funds will be \$11.3 million in FY 2010-2011 and \$13.0 million in FY 2012-2013. Nonpoint Source Technical Assistance funds increased to \$7.1 million in both FY 2010-2011 and FY 2012-2013.

Air Pollution Research funds are \$0.9 million in FY 2010-2011 and will increase to \$1.1 million in the FY 2012-2013 biennium. Funding for diesel emission reduction technologies under the Midwest Clean Diesel Program are at \$0.9 million in FY 2010-2011 and will drop to \$0.7 million in FY 2012-2013.

Water Quality Management funding revenues for FY 2010-2011 and FY 2012-2013 are anticipated at \$0.6 million each biennium. Nonpoint Source Program Implementation funds are expected to drop to \$11 million in FY 2010-2011 and again in FY 2012-2013 to \$8 million. Water Pollution Control Program Support funds are decreasing to \$446 in FY 2010-2011 and to \$404 in FY 2012-2013. The Beach Act Monitoring and Implementation Program funding will be at previous funding levels through FY 2011, after which the program will be phased out by the end of FY 2012.

New funding under the Great Lakes Regional Initiative (GLRI) began in FY 2011. The PCA will receive funds for to expand an existing program, the Lake Area Management Plan/Remedial Action Plan and for three new project grants. The combined total of both types of GLRI funding is \$1.6 million for FY 2010-2011 and \$2.5 million for FY 2012-2013.

The Underground Storage Tank Program is anticipated to drop by \$0.2 million in FY 2012-2013 to \$1.5 million. The Leaking Underground Storage Tank and Brownfields Response Program funds will remain stable through FY 2012-2013. Increases to the Reimbursement of Technical Services through the Department of Defense funding are expected at \$0.9 million in FY 2010-2011 and \$1.1 million in FY 2012-2013. This reimbursement funding is contingent on federal sites needing PCA's technical assistance and may not be fully used if reimbursable work is not performed. Site-specific Superfund activities continued to decline from \$496 in FY 2010-2011 to \$457 in FY 2012-2013, as project sites decrease. Superfund Core funds are also decreasing from \$353 in FY 2010-2011 to \$324 in FY 2012-2013.

Federal Award Name + Brief Purpose	New grant	Required state match/MOE? Yes/No		SFY 2010 Revenues	SFY 2011 Revenues	Estimated SFY 2012 Revenues	Estimated SFY 2013 Revenues
		Match	MOE				
ARRA – MN Clean Diesel Program (CFDA 66.040) Decreases diesel emissions through grants for emission reduction technologies.		No	No	690	1,040	0	0
ARRA – Leaking Underground Storage Tanks (CFDA 66.805) Assessment and cleanup of abandoned sites contaminated by leaking underground tanks.	X	No	No	1,716	2,540	500	0
ARRA – Water Quality Management (CFDA 66.454) Water quality planning activities at state and local levels.	X	No	No	161	419	148	0
ARRA – Clean Water State Revolving Fund through the Public Facilities Authority (CFDA 66.458) Technical assistance work for wastewater construction projects.		No	No	2,324	1,527	0	0
Reimbursement of Technical Services DSMOA (CFDA 12.113) Environmental cleanup and site restoration on various federal Department of Defense installations.		No	No	333	542	512	500
Air Pollution Control – Research (PM 2.5 Monitoring, CFDA 66.034) Supports air quality fine particle monitoring and data gathering.		No	No	399	564	564	564
Midwest Clean Diesel Program (CFDA 66.040) Decreases diesel emissions through grants and loans for emission reduction technologies.		Yes	No	320	612	375	375
Water Pollution Control Program Support (CFDA 66.419) Two grants that support surface water monitoring program activities; expanding networks, biological monitoring and technology.		No	No	56	390	230	174
Water Quality Management Planning (CFDA 66.454) Measures for the prevention and control of surface and ground water pollution, includes monitoring coordination, water assessments and data management.		No	No	308	343	325	325
Non-Point Source Program Implementation (CFDA 66.460) Multi-year grants fund local watershed studies and implementation projects.		Yes	No	3,379	7,727	4,269	3,750
Great Lakes Program Lake Area Management/Remedial Action Plan (CFDA 66.469) To restore capacity and protect water quality in the Lake Superior Basin through coordinative efforts to reduce impairments and toxic chemicals.		No	No	234	850	868	873

		Required state match/MOE? Yes/No					
Great Lakes Program Lake Area GLRI Projects (CFDA 66.469) Watershed restoration and assessment activities such as sediment source reduction and nutrient loading and promotion of long-term environmental sustainability in the Duluth Harbor area.	X	No	No	0	501	606	147
Beach Act Monitoring and Implementation Program (CFDA 66.472) Lake quality sampling to reduce exposure and disease risks for users of Lake Superior beaches.		No	No	97	295	51	0
Performance Partnership Grants (CFDA 66.605) Multi-year funding for many ongoing environmental programs, including air quality, water quality and hazardous waste.		Yes	Yes	11,803	15,369	14,750	14,750
NPDES Data Quality (CFDA 66.709) Ensures pollutant source data is accurate and compatible with federal systems.		No	No	14	70	0	0
Superfund State Programs (CFDA 66.802) Investigation and remediation activities at specific Superfund hazardous waste sites.		No	No	244	252	233	224
Underground Storage Tank Program (CFDA 66.804) Permitting and compliance activities for regulated underground storage tanks, including, detection and identification of releases.		Yes	No	765	941	832	690
Leaking Underground Storage Tank Trust Fund (CFDA 66.805) Administration activities to clean up properties contaminated with petroleum from underground storage tanks.		Yes	No	1,598	1,463	1,500	1,500
Superfund Core Program Cooperative Agreements (CFDA 66.809) Administration of the Superfund hazardous waste cleanup program.		Yes	No	191	162	162	162
Brownfields Response Program (CFDA 66.817) Development and enhancement of the Voluntary Investigation and Cleanup Program and Petroleum Brownfields Programs.		No	No	672	690	700	700
BioWatch Program (CFDA 97.091) Metropolitan area air monitoring network.		No	No	978	988	988	988
Total				26,282	37,285	27,613	25,722

POLLUTION CONTROL AGENCY

Agency Revenue Summary

Dollars in Thousands

	Actual FY2010	Budgeted FY2011	Governor's Recomm. FY2012 FY2013		Biennium 2012-13
<u>Non Dedicated Revenue:</u>					
Departmental Earnings:					
General	8	8	8	8	16
Petroleum Tank Release Cleanup	5	5	5	5	10
State Government Spec Revenue	40	40	67	67	134
Environmental	23,383	24,684	25,103	25,272	50,375
Other Revenues:					
General	145	1	0	0	0
Environmental	2,294	1,651	1,632	1,595	3,227
Remediation Fund	2,301	2,038	1,722	1,722	3,444
Closed Landfill Investment	41	2	2	2	4
Total Non-Dedicated Receipts	28,217	28,429	28,539	28,671	57,210
<u>Dedicated Receipts:</u>					
Departmental Earnings:					
Miscellaneous Special Revenue	826	589	459	459	918
Environmental	290	160	0	0	0
Remediation Fund	547	665	640	640	1,280
Grants:					
Clean Water Revolving Fund	0	986	1,543	0	1,543
Miscellaneous Special Revenue	459	642	359	359	718
Federal	21,391	31,759	26,965	25,722	52,687
Federal Stimulus	2,567	3,999	648	0	648
Other Revenues:					
Clean Water Revolving Fund	398	230	230	230	460
Miscellaneous Special Revenue	21,266	20,038	20,933	20,908	41,841
Federal Stimulus	2,324	541	0	0	0
Environmental	51	60	53	53	106
Remediation Fund	3,098	69	55	55	110
Miscellaneous Agency	1	0	0	0	0
Gift	988	1,041	0	0	0
Other Sources:					
Clean Water Revolving Fund	2,684	2,300	2,300	2,300	4,600
Miscellaneous Special Revenue	5	28	28	28	56
Environmental	247	264	264	264	528
Taxes:					
Environmental	2,593	2,037	3,152	3,168	6,320
Remediation Fund	865	680	1,052	1,057	2,109
Total Dedicated Receipts	60,600	66,088	58,681	55,243	113,924
Agency Total Revenue	88,817	94,517	87,220	83,914	171,134

	PAGE
Small Agency Profile	2
Agency Fiscal Page (Gov Rec)	5
Agency Revenue Summary Fiscal Page	6

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 strives to protect the public through comprehensive licensing of these very visible, prevention and response services that support government provided public safety services. Business sustainability in these service industries can be seen in issuances of new licensees, along with the reissuance of well over 100 licenses annually. The increased use and visibility of these services contribute to the safety and protection of people and property. The Board monitors, educates and disciplines license holders, using its authority to ensure statute, rules and standards are being met. The Board identifies concerns regarding the changes in government public safety efforts and these privately provided services.

At a Glance

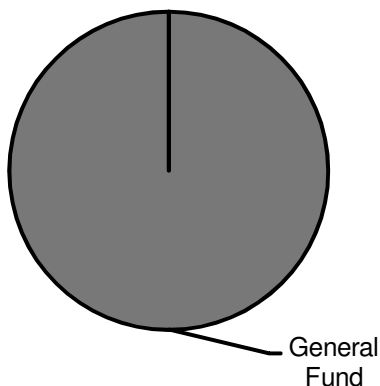
Two-Year State Budget:

- \$240,000 General Fund fee supported program.

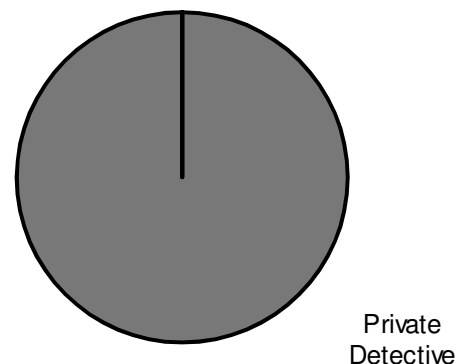
Annual Business Processes:

- Nearly 300 licenses for investigative and security services managed and monitored.
- Over 40 new investigative and protective licenses issued (in biennium).
- 260 investigative and protective licenses reissued, 28 changes to issued licenses (in biennium).
- Training programs of more than 80 providers are reviewed and approved. These providers supply 750 initial and continuing training courses, and more than 175 armed courses for license holders to choose from.

Est. FY 2010-11 Expenditures
by Fund



Est. FY 2010-11 Expenditures by
Program



Source: Consolidated Fund Statement.

Source: MAPS

Strategies

The Board's licensing and approved training programs directly serve the public through the support of public law enforcement, contributing to public safety efforts throughout the community. The Board works with license holders, law enforcement, businesses and the public to ensure the quality of investigative and security services in Minnesota.

Licensing for investigative and security services utilizes a well defined process using the requirements set forth in Minnesota statute for local practitioners, with sufficient latitude in process and requirements to open the fields to services based outside the state as well. Working with not only Minnesota companies, but others as well, increases business opportunities as well as further employment opportunities in these service industries.

Compliance processes for license holders is also well defined, with a biennial license renewal process that provides for license holder reporting continuing bonding and proof of financial responsibility, as well as employee compliance with training, criminal history record checks and the issuance of required identification. Outside the license renewal process, there are other areas of compliance subject to enforcement and discipline by the Board.

Training required by the Board for license holders and their employees serves a variety of safety and quality of service concerns. Introductory training provides information and techniques to support public safety efforts including communications, security incident assessment, legal authority and liability, and ethics. Additional annual training may continue in these general areas or be more focused on a particular practice or skill area. Armed license holders and their employees (those using firearms, batons, handcuffs, chemical spray, or tasers) must also take specialized training. Although these services are provided by private businesses, the required training is essential to their public safety support role.

Operations

The Private Detective and Protective Agent Services Board meets monthly to review new license applicants, candidates for license reissuance, training course recommendations, discipline recommendations, and other policy matters. The Board, as a regulatory agency works to ensure that these service industries are qualified, trained and compliant with requirements.

Key Activity Goals & Measures

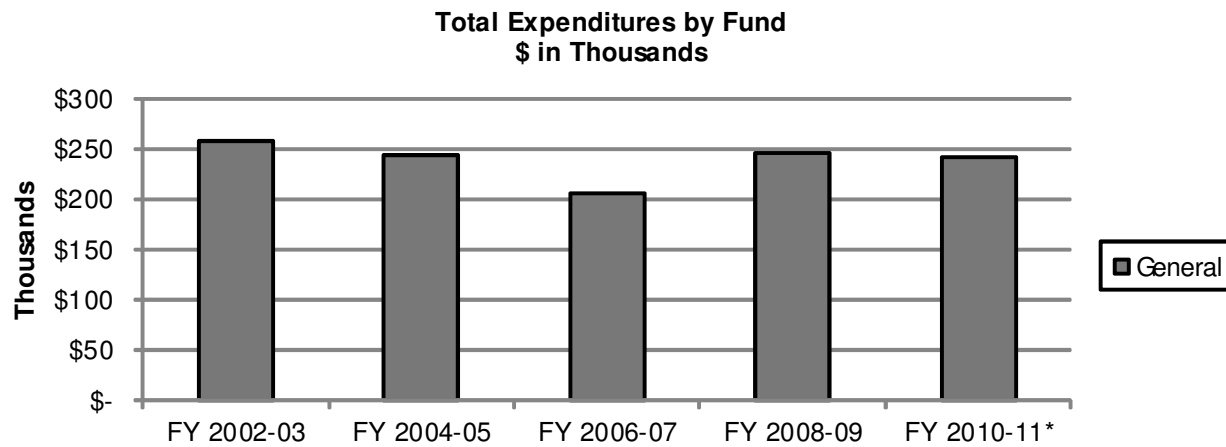
- Minnesota Milestones:
 - Community and Democracy: *Our communities will be safe, friendly and caring – Sense of Safety:* The Board will continue to work with the trends of industry growth, changing public law enforcement services and expectations of the public to maintain and enhance a quality licensing and training program, using comprehensive background investigations processes to ensure qualification, competency, character and integrity of those supplying services in Minnesota. The Board will monitor license holder compliance, and respond accordingly when violations occur.

Quality education, assessment, monitoring, and discipline of license holders. Growth in these service industries raises the potential for abuse, which requires training to increase the level of professionalism of license holders and employees.

- Economy: Minnesota's workforce will have the education and training to make the state a leader in the global economy. Initial and continuing training for these services are critical to the jobs performed in our communities. The Board will continue to work with the industry and training providers to ensure required training is safe, competent, and applicable to services provided.

Budget Trends

General Fund



** FY 2010-11 is estimated, not actual*

The Private Detective and Protective Agent Services Board believes that the use of private security and/or investigative services are critical to our society and economy. External factors that can impact the Board include the economy and the employment potential of the industry, changes in public safety needs, and the types, availability, and delivery methods of industry training.

Contact

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

Marie Ohman, Executive Director
Phone: (651) 793-2666
Email: mn.pdb@state.mn.us
www.pdpaboard.state.mn.us

PRIVATE DETECTIVE BOARD

Agency Overview

<i>Dollars in Thousands</i>					
	Current		Governor Recomm.		Biennium
	FY2010	FY2011	FY2012	FY2013	2012-13
<u>Direct Appropriations by Fund</u>					
General					
Current Appropriation	121	120	120	120	240
Recommended	121	120	120	120	240
Change		0	0	0	0
% Biennial Change from 2010-11					-0.4%
<u>Expenditures by Fund</u>					
Direct Appropriations					
General	90	151	120	120	240
Total	90	151	120	120	240
<u>Expenditures by Category</u>					
Total Compensation	84	144	111	111	222
Other Operating Expenses	6	7	9	9	18
Total	90	151	120	120	240
<u>Expenditures by Program</u>					
Priv Detect/Protect Agents Bd	90	151	120	120	240
Total	90	151	120	120	240
Full-Time Equivalents (FTE)	1.2	1.5	1.5	1.5	

PRIVATE DETECTIVE BOARD

Agency Revenue Summary

Dollars in Thousands

	Actual FY2010	Budgeted FY2011	Governor's Recomm. FY2012 FY2013		Biennium 2012-13
<u>Non Dedicated Revenue:</u>					
Departmental Earnings:					
General	119	138	138	138	276
Total Non-Dedicated Receipts	119	138	138	138	276
<u>Dedicated Receipts:</u>					
Total Dedicated Receipts	0	0	0	0	0
Agency Total Revenue	119	138	138	138	276

	PAGE
Agency Profile.....	2
Agency Fiscal Page (Gov Rec)	6
Change Summary	7
Agency Change Items	
⇒ Move To Dedicated Funding.....	8
Agency Revenue Summary Fiscal Page	9
⇒ Designates that this item is a change item	

Agency Purpose

Minnesota Statutes, sections 148.88-148.98 provides the Board of Psychology (Board) with authority to regulate the practice of psychology. Within this authority, the Board's mission is to protect the public from the practice of psychology by unqualified persons and from unethical or unprofessional conduct by persons licensed to practice psychology.

At a Glance

Licensure Services

- 3,475 Licensed Psychologists (LP) issued or renewed
- 70 Licensed Psychological Practitioners (LPP) issued or renewed
- Three Guest Licenses
- Nine Emeritus Registrations
- 115 LPP to LP Conversions
- 13 Education Upgrades
- 10,455 Licensure Verifications
- 23 Registered Psychological Firms
- Admit 270 applicants to the Professional Responsibility Examination (PRE)
- Admit 225 applicants to the national examination

Continuing Education Services

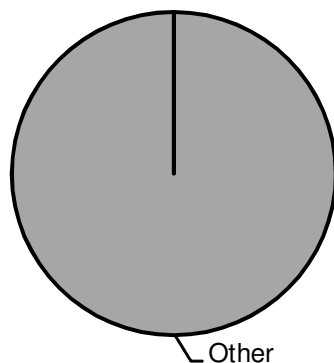
- Promote the health and well being of the residents of Minnesota receiving psychological services from licensees through mandatory continuing education
- Approve continuing education activities as requested by individuals or sponsors

Complaint Resolution Services

- Investigate 261 jurisdictional complaints on applicants, psychologists, or psychological practitioners alleged to have violated the Psychology Practice Act
- Resolve 20 complaints via disciplinary action
- Resolve five complaints via agreements for corrective action
- Remove four licensed psychologists from practice based on a potential increased risk to public safety
- Monitor compliance of 20 licensees under disciplinary order

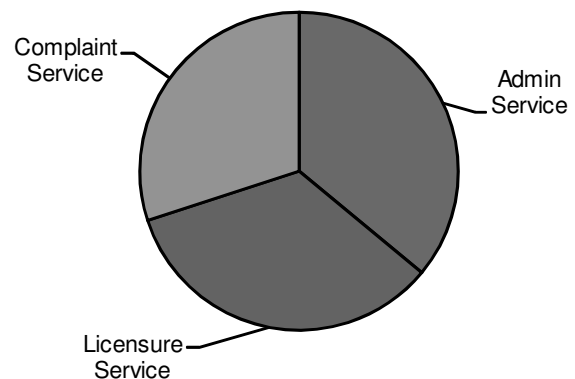
Staff: 10.88 full-time equivalent employees.

Est. FY 2010-11 Expenditures by Fund



Source: Consolidated Fund Statement.

Est. FY 2010-11 Expenditures by Service



Source: Board expenses allocated to the services provided by board staff.

Strategies

The Board accomplishes its mission by:

- Reviewing applicants' educational credentials and training experiences for compliance with Board requirements for licensure to assure the public that individuals who practice psychology in Minnesota have the requisite education, competence, and ethical character to practice psychology safely and effectively; and
- Investigating and resolving complaints against applicants, and licensees alleged to have violated the Psychology Practice Act, including removing licensees from practice who are a risk to client safety and monitoring licensees whose practice requires remediation and oversight to assure public safety.

Public safety is enhanced by providing public access to information regarding licensure, discipline status, individual license history, information on the complaint process, and how to obtain forms to file a complaint;

- Requiring, approving, and establishing mandatory continuing education for licensees; and
- Educating the public on the requirements for licensure and rules of conduct for applicants and licensees.

Operations

The Board is comprised of 11 members appointed by the Governor. The Board interacts with and provides services to consumers, applicants, licensees, attorneys, and other state agencies and health-related licensing boards. Information is disseminated by maintaining a web site, developing educational sessions for students in doctoral psychology programs, public presentations, and handouts and mailers developed by Board staff.

The Board operates with two distinct units, licensure and the complaint resolution unit. The Licensure Unit reviews all applications for admission to examination, licensure, and emeritus registration to ensure compliance with all statutory and administrative requirements for approval.

- Board staff 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, Board staff admit applicants to examination, or in the case of licensure applications, the Application Review Committee (ARC) recommends licensure to the full Board.
- Licenses are renewed biennially after licensees meet all renewal requirements, including providing documentation of the required number of continuing education hours.

The Complaint Resolution Unit triages all complaints received by the Board for appropriate jurisdiction, conducts limited investigations, and performs administrative functions to prepare complaints for Complaint Resolution Committee (CRC) review.

- Consumer complaints are investigated to establish whether a violation of the Psychology Practice Act has occurred and the Board adopts any necessary remedial or disciplinary action against an applicant's ability to be admitted to practice or a licensee's license to practice psychology.

Key Activity Goals & Measures

Goals:

- Maintain excellence in regulation over the practice of psychology;
- Increase quality of mental health services through high standards of licensure, practice, and regulation of psychological practice; and
- Advance the Minnesota Board of Psychology as a key partner in psychology and public policy.

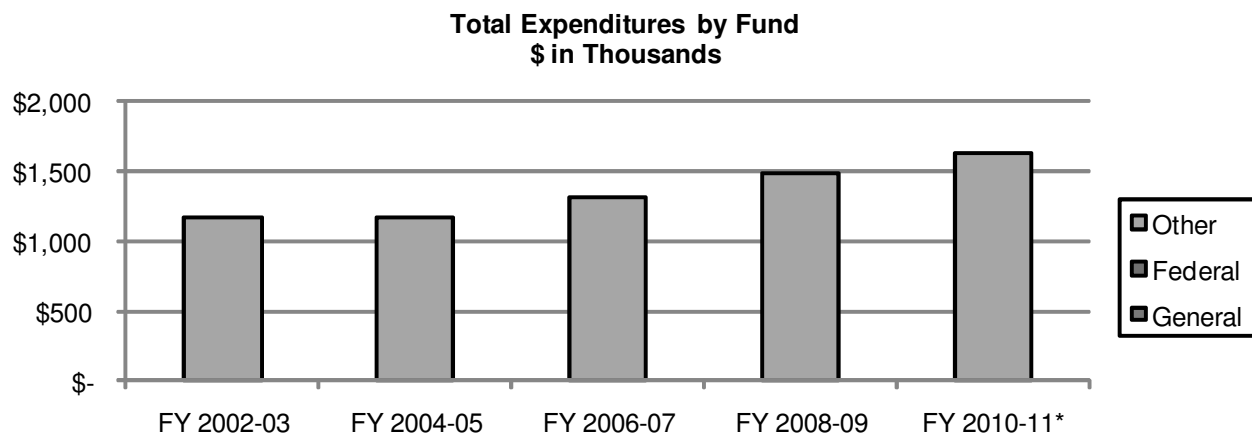
Measures:

- In FY 2010, the Board moved an online licensure renewal and verification project into final testing as an investment in technology and improvement in services offered for licensees and public users.
- The Board is in the final stages of completing a four part update to the administrative rules in the areas of licensure, definitions, continuing education, and rules of conduct to improve clarity of the regulatory language and to align Board rules with current trends in the field of psychology.
- In FY 2010, the Board implemented new statutory language in the areas of licensure to increase mobility for experienced psychologists wishing to practice in Minnesota, licensure for voluntary practice to promote the provision of pro bono psychological services, and guest licensure to allow applicants for licensure to obtain temporary permits.
- Board staff conducted an internal audit on the licensure process to ensure statutory compliance, improve efficiency, and to better serve applicants and the public. As a result of the internal audit, delegated authority was sought from the Board to Board staff to enable staff to complete ministerial functions such as admission to examination and approval of a limited number of applications. As a result of the delegated authority, the time it takes for admission to examination was decreased by 91%.
- Based on new application review procedures, Application Review Committee (ARC) processing efficiency increased and ARC meetings were shortened by approximately three hours per meeting for a cost savings of approximately \$135 per meeting.

Budget Trends

The board is responsible for collecting sufficient revenue to cover both direct and indirect expenditures. The board is estimated to collect \$2.299 million in FY 2010-11, which is deposited as non-dedicated revenue into the state government special revenue fund.

From this fund, the board receives a direct appropriation to pay for agency activities such as salaries, rent, costs for disciplinary/contested cases and operating expenditures. It also pays statewide indirect costs through an open appropriation. In FY 2010-11, total expenditures for these purposes are estimated at \$1.659 million. The chart below shows funding trends over the last five biennia for the direct and open appropriation.



** FY 2010-11 is estimated, not actual*

Source data for the previous chart is the Minnesota Accounting and Procurement System (MAPS) as of 07/31/10.

Board fees are also responsible for covering a prorated share of support functions provided outside of the Board itself. These include legal support (Attorney General), statewide e-licensing system development and operations (Office of Enterprise Technology), centralized administrative support (Health Boards Administrative Services Unit) and funding for services to health professionals (Health Professionals Services Program). In FY 2010-11, some of the health boards' reserves in the state government special revenue fund were also transferred to the general

fund. The table below displays direct and open appropriation expenditures, external support costs (prorated share), and the general fund transfers (prorated share) estimated in FY 2010-11.

	FY 2010-11 (in thousands)
Board's Direct and Open Appropriations	\$ 1,659
Board's External Support Costs and Transfers (prorated Share)	
• Attorney General support	412
• E-licensing support	109
• Central administrative service unit	77
• Health professional service program	16
• General fund transfer	689
Total	2,962
Fees Collected by Board	\$2,299
Prorated Surplus/(Deficit)	(663)

In most years, Board fee revenues exceed direct expenditures and external support costs, and as directed by law, the surplus is used to maintain a reserve in the state government special revenue fund. It should be noted here that the FY 2010-11 transfers to the General Fund, along with unanticipated increases in the support costs discussed above, have resulted in the Board's fee revenue not covering its prorated costs and transfers.

External Factors Impacting Agency Operations

The number of licensees regulated by the Board continues to rise, as do the number of complaints and the complexity of the cases.

Contact

Minnesota Board of Psychology
 2829 University Avenue Southeast, Suite 320
 Minneapolis, Minnesota 55414-3253
 Web site: <http://www.psychologyboard.state.mn.us>
 Email: psychologyboard@state.mn.us
 Phone: (612)-617-2230
 Fax: (612)-617-2240
 Angelina M. Barnes, Executive Director

<i>Dollars in Thousands</i>					
	Current		Governor Recomm.		Biennium
	FY2010	FY2011	FY2012	FY2013	2012-13
<u>Direct Appropriations by Fund</u>					
State Government Spec Revenue					
Current Appropriation	806	806	806	806	1,612
Recommended	806	806	0	0	0
Change		0	(806)	(806)	(1,612)
% Biennial Change from 2010-11					-100%
<u>Expenditures by Fund</u>					
Direct Appropriations					
State Government Spec Revenue	725	919	0	0	0
Open Appropriations					
State Government Spec Revenue	6	9	0	0	0
Statutory Appropriations					
State Government Spec Revenue	0	0	1,150	1,150	2,300
Total	731	928	1,150	1,150	2,300
<u>Expenditures by Category</u>					
Total Compensation	573	604	610	630	1,240
Other Operating Expenses	158	324	540	520	1,060
Total	731	928	1,150	1,150	2,300
<u>Expenditures by Program</u>					
Psychology, Board Of	731	928	1,150	1,150	2,300
Total	731	928	1,150	1,150	2,300
Full-Time Equivalents (FTE)	9.6	10.3	10.3	10.3	

PSYCHOLOGY BOARD

Change Summary

<i>Dollars in Thousands</i>				
	FY2011	Governor's Recomm.		Biennium
		FY2012	FY2013	2012-13
<i>Fund: STATE GOVERNMENT SPEC REVENUE</i>				
FY 2011 Appropriations	806	806	806	1,612
Subtotal - Forecast Base	806	806	806	1,612
Change Items				
Convert to Dedicated Funding	0	(806)	(806)	(1,612)
Total Governor's Recommendations	806	0	0	0
<i>Fund: STATE GOVERNMENT SPEC REVENUE</i>				
Planned Open Spending	9	12	12	24
Change Items				
Convert To Dedicated Funding	0	(12)	(12)	(24)
Total Governor's Recommendations	9	0	0	0
<i>Fund: STATE GOVERNMENT SPEC REVENUE</i>				
Planned Statutory Spending	0	0	0	0
Change Items				
Convert to Dedicated Funding	0	1,150	1,150	2,300
Total Governor's Recommendations	0	1,150	1,150	2,300

PSYCHOLOGY BOARD

Change Item: Convert to Dedicated Funding

Fiscal Impact (\$000s)	FY 2012	FY 2013	FY 2014	FY 2015
Health Related Boards Fund (171)				
Direct Appropriated Account				
Expenditures	\$(806)	\$(806)	\$(806)	\$(806)
Non-Dedicated Revenue	(1,150)	(1,150)	(1,150)	(1,150)
Open Appropriated Account				
Expenditures	(12)	(12)	(12)	(12)
Dedicated Account				
Expenditures	1,150	1,150	1,150	1,150
Dedicated Revenue	1,150	1,150	1,150	1,150
Transfer In	0	0	0	0
Net Fiscal Impact	\$332	\$332	\$332	\$332

Recommendation

The Governor recommends changing the way appropriations are made to the health related licensing boards that operate in the state government special revenue fund. Under this proposal, the boards' funding would be converted from direct appropriations to dedicated appropriations, giving each board spending authority equal to its fee revenue and any accumulated balance. The net effect of this change is the difference between the board's current base appropriations and projected revenues.

Rationale

This proposal places ownership in the boards' 183 appointed members to be efficient and cost effective in setting their spending levels, while providing continued legislative oversight in the setting of the boards' fees. It encourages the boards to find efficiencies and ensures the fees paid by each occupation are dedicated to the boards' mission to protect the public and ensure that Minnesota citizens receive quality care by qualified licensed health professionals. The establishment of the dedicated appropriation will improve the boards' management of resources and transparency for licensees.

The health related licensing boards are fee-supported organizations that receive no General Fund dollars. The boards currently collect and deposit fees as non-dedicated special revenue into the health related boards account in the state government special revenue fund (171). The legislature then provides a direct appropriation from these revenues to each board for its operating expenses. Unlike agencies that receive direct appropriations from the General Fund, the boards must ensure that licensing fees are collected to recover each board's direct and indirect expenditures to maintain the solvency of the state government special revenue fund. For this reason, the health boards already operate much like agencies with dedicated appropriations—except that they must seek appropriation authority to gain access to their existing fee revenue.

This proposal changes the boards' non-dedicated revenue to dedicated revenue within the same fund and provides each board with a dedicated appropriation from the board's revenue. Additionally, the current accumulated fund balance within the health related boards account will be transferred to individual boards based on each board's contribution to the balance. M.S. 16A.1283 requires that all fee increases be approved by the legislature, so even with a dedicated funding arrangement, the boards must still seek legislative action to increase spending beyond current law fee revenues.

Key Goals and Measures

Minnesota Milestone: Government in Minnesota will be cost-efficient, and services will be designed to meet the needs of the people who use them. Minnesotans expect their state and local governments to spend money carefully and effectively.

Measures:

- Transparency of fees and expenditures
- The level of service provided to licensees and Minnesota citizens.

Statutory Change: Minnesota Statutes Chapter 148

PSYCHOLOGY BOARD

Agency Revenue Summary

Dollars in Thousands

	Actual FY2010	Budgeted FY2011	Governor's Recomm. FY2012 FY2013		Biennium 2012-13
<u>Non Dedicated Revenue:</u>					
Departmental Earnings:					
State Government Spec Revenue	1,163	1,150	0	0	0
Other Revenues:					
State Government Spec Revenue	(100)	0	0	0	0
Total Non-Dedicated Receipts	1,063	1,150	0	0	0
<u>Dedicated Receipts:</u>					
Departmental Earnings:					
State Government Spec Revenue	0	0	1,150	1,150	2,300
Total Dedicated Receipts	0	0	1,150	1,150	2,300
Agency Total Revenue	1,063	1,150	1,150	1,150	2,300

	PAGE
Agency Profile	2
Agency Fiscal Page (Gov Rec)	5
Change Summary	6
Agency Change Items	
⇒ Funding Increase – 5%	7
Programs	
Appellate Office	8
Program Summary	10
Administrative Services Office	11
Program Summary	12
District Public Defense	13
Program Summary	15
Agency Revenue Summary Fiscal Page	16
Change Items	
⇒ Constitutionally Mandated Services	17
⇒ Criminal Justice Viability	18
⇒ Public Defense Corporation Maintenance	20

⇒ Designates that this item is a change item

Agency Purpose

The Board of Public Defense (BOPD) is a judicial branch agency whose purpose is to provide quality criminal defense services to indigent defendants in the state of Minnesota. Overall the BOPD 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 BOPD provides the legal services required by the Constitution and statutes. The BOPD is the largest user of the court system in Minnesota.

At a Glance

District Public Defense

- 170,000 cases including 85% of serious cases, and 90% of juvenile cases.
- \$1.4 million in grant funding.
- In the last three years the program has lost 15% of its attorney staff.

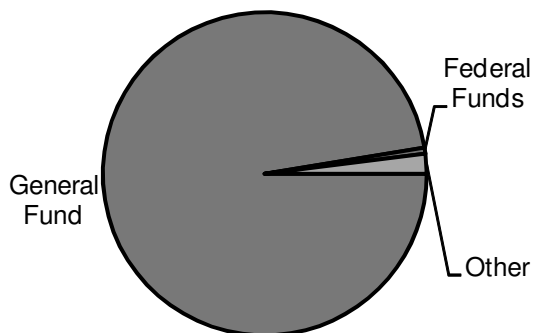
Appellate Office

- Over 4,000 cases annually.
- In the last three years the office has lost 14% of its attorney staff.

Administrative Services Office

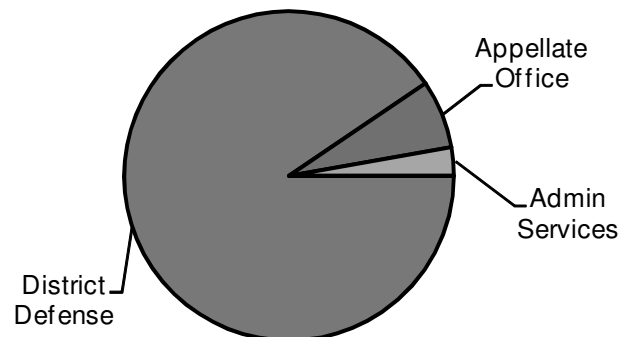
- In the last year the program has reduced staffing by 20%.

Est. FY 2010-11 Expenditures by Fund



Source: Consolidated Fund Statement.

Est. FY 2010-11 Expenditures by Program



Source: Board of Public Defense

Strategies

Due substantial loss of legal staff the BOPD has carried out a number of measures to save attorney time. These include withdrawing from first appearance calendars in half the counties in Minnesota. Although representation at these appearances likely is a constitutional right, it is very time consuming. Therefore unless there is a court ruling to the contrary we cannot be present.

While there is no substitution for the Sixth Amendment's right to counsel, the BOPD is committed to the use of volunteers and law students. We have increased the number of volunteers and law students to perform tasks previously performed by attorneys.

In many instances staff requests continuances on out-of-custody trials. In some counties the trial dates for out-of-custody misdemeanor cases are set a year from the entry of a not guilty plea. In its recent report on the public defender system, the Office of the Legislative Auditor (OLA) found that this is slowing down the justice system.

The BOPD emphasizes collaboration in handling serious matters, so that cost-effective support staff has a greater role in case preparation.

The BOPD is committed to maintaining vertical representation. Vertical representation (an attorney keeping a case from start to finish) is a key strategy that allows an attorney - client relationship to be formed like that between an accused person and a private lawyer. Repeated contact between the client, the public defender, as well as the public defender's staff, encourages the development of trust, a necessary ingredient, to the successful litigation of a case. This sort of meaningful, ongoing relationship would be impossible to develop without vertical representation, and as was noted in the OLA report is one of the keys to resolution of cases through plea agreements.

Finally, as cases become more complex as a result of forensics, "cold hits", enhanced penalties and mental illness issues just to name a few, it has become increasingly difficult for our attorneys to stay up with all of the advances and yet be prepared on all of the cases that are set for litigation. By co-counseling on these more serious matters, the attorneys are able to share their knowledge and expertise while the matter is being litigated. The clients are better served, the attorneys learn from their colleagues, the court is assured that the matter is being litigated correctly the first time, and having experienced co-counsel actually helps in resolution of matters. The experience of having litigated similar cases coupled with the fact of the credibility that is built in with more experienced counsel helps in discussing plea offers with the clients.

Operations

The ten Judicial District Public Defender Offices provide quality mandated criminal defense services to indigent persons in felony, gross misdemeanor, misdemeanor, juvenile delinquency, and children over ten years of age in Children In Need of Protective Services (CHIPS) cases. This program also includes partial funding for four nonprofit public defense corporations. The corporations provide independent criminal and juvenile defense services primarily to indigent minority clients, who otherwise would need public defender services.

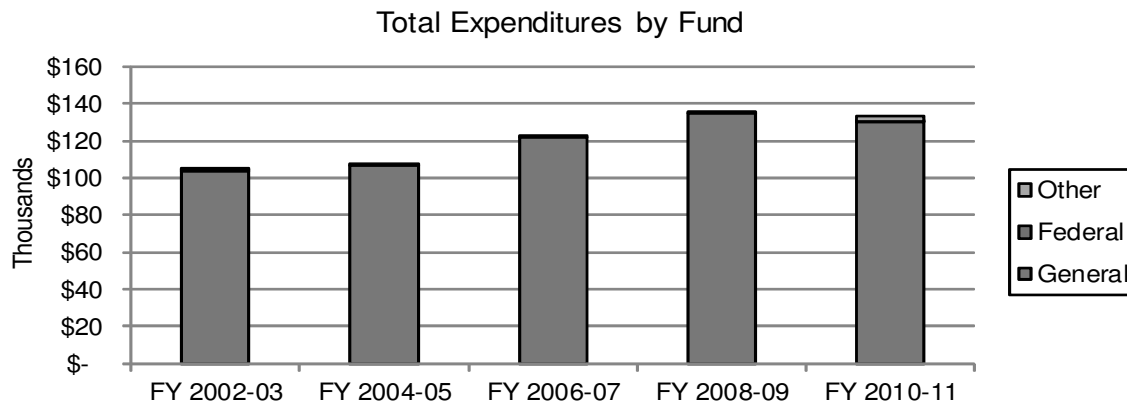
The Appellate Office provides mandated services to indigent clients in state prisons who appeal their criminal cases to the Minnesota Court of Appeals and Supreme Court; or who pursue post conviction proceedings in the District Courts throughout the state; to defendants in supervised release/parole revocation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

The BOPD's Administrative Services Office (ASO), 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.

The Board has been committed to a cost effective model of representation, namely a combination of full-time and part-time defenders, an approach long recommended by the American Bar Association (A.B.A.). By combining part-time and full-time workforces, the BOPD has been able to deliver services in a manner that is most cost-effective for each part of the state. Statewide, approximately one-half of the public defenders are part-time. Outside of Hennepin and Ramsey Counties the majority of public defenders are part-time.

The model takes into account a number of factors including cost, travel time, geography, conflicts, and what traditionally has been a group of experienced and dedicated part-time defenders. The model has allowed the BOPD to limit the number of full-time offices because the part-time defenders cover much of their own overhead. It has also limited the costs associated with conflicts in multiple defendant cases by having part-time defenders available to take these cases. Full-time offices have been established where caseloads, geography, client services, cost effectiveness and lack of availability of part-time defenders have warranted it.

Budget Trends



* FY 2010-11 is estimated, not actual.

**Other includes public defender client reimbursements which go directly to part-time defenders.

*** Other in 2010-2011 includes one-time funding from \$75 attorney registration fee imposed by the Supreme Court.

The BOPD cannot limit or control caseload. Eligible clients have both a statutory and a Constitutional right to public defender services. The Minnesota Supreme Court has ruled that a public defender “may not reject a client, but is obligated to represent whoever is assigned to her or him...” Dziubak v. Mott, 1993. At the same time, public defenders, appropriately, are required to meet the same ethical standards of professional conduct as any private attorney.

The criminal justice system is a core function of government driven largely by local decisions. The justice system is often pictured as a funnel. Public defense and in many cases the court itself have no control over who comes in at the top of the funnel. The control is exercised largely on the local level by police and prosecutors. In addition, the Legislature may create new crimes or penalties. The Judicial branch may re-organize its courts. The federal government may provide incentives for more of any or all of these activities to occur. All these decisions may have great merit, but they all come with a cost. The public defenders provide mandated services to those individuals whom these other entities put in the funnel.

- From 1987-2005, the Legislature created 86 sentencing enhancements.
- A 2008 survey showed that county/ city-funded prosecutors statewide outnumber public defenders 2-1.
- From 1998-2008, 26 new judgeships were created, each with a calendar needing services.
- From the 1990's-present, 33 drug courts created: good for public safety, beneficial to the clients—also very labor-intensive for judges, lawyers, and probation.
- Recently the Department of Public Safety awarded the Stearns County Domestic Violence Partnership \$300,000 for services in Domestic Violence Court.
- Recently the Hennepin County Sheriff's Office was awarded a federal grant for DNA testing to help reduce a backlog of “thousands” of cold cases.

Contact

Kevin Kajer, Chief Administrator: (612) 279-3508
Email: Kevin.kajer@state.mn.us

Dollars in Thousands					
	Current		Governor Recomm.		Biennium
	FY2010	FY2011	FY2012	FY2013	2012-13
<u>Direct Appropriations by Fund</u>					
General					
Current Appropriation	65,437	64,726	64,726	64,726	129,452
Recommended	65,437	64,726	67,962	67,962	135,924
Change		0	3,236	3,236	6,472
% Biennial Change from 2010-11					4.4%
<u>Expenditures by Fund</u>					
Direct Appropriations					
General	64,232	65,931	67,962	67,962	135,924
Miscellaneous Special Revenue	806	1,867	408	0	408
Federal	92	17	0	0	0
Federal Stimulus	228	8	0	0	0
Gift	42	0	0	0	0
Statutory Appropriations					
General	396	569	450	450	900
Gift	140	2	0	0	0
Total	65,936	68,394	68,820	68,412	137,232
<u>Expenditures by Category</u>					
Total Compensation	46,409	47,140	49,765	49,765	99,530
Other Operating Expenses	5,911	8,522	6,222	5,814	12,036
Local Assistance	13,616	12,732	12,833	12,833	25,666
Total	65,936	68,394	68,820	68,412	137,232
<u>Expenditures by Program</u>					
Appellate Office	4,875	4,527	4,500	4,500	9,000
Administrative Services Office	1,814	2,040	1,910	1,910	3,820
District Public Defense	59,247	61,827	62,410	62,002	124,412
Total	65,936	68,394	68,820	68,412	137,232
Full-Time Equivalents (FTE)	569.7	556.8	571.6	571.6	

PUBLIC DEFENSE BOARD

Change Summary

<i>Dollars in Thousands</i>				
	FY2011	Governor's Recomm.		Biennium
		FY2012	FY2013	2012-13
Fund: GENERAL				
FY 2011 Appropriations	64,726	64,726	64,726	129,452
Subtotal - Forecast Base	64,726	64,726	64,726	129,452
Change Items				
Funding Increase - 5%	0	3,236	3,236	6,472
Total Governor's Recommendations	64,726	67,962	67,962	135,924
Fund: GENERAL				
Planned Statutory Spending	569	450	450	900
Total Governor's Recommendations	569	450	450	900
Fund: GIFT				
Planned Statutory Spending	2	0	0	0
Total Governor's Recommendations	2	0	0	0

PUBLIC DEFENSE BOARD

Change Item: Funding Increase - 5%

Fiscal Impact (\$000s)	FY 2012	FY 2013	FY 2014	FY 2015
General Fund				
Expenditures	\$3,236	\$3,236	\$3,236	\$3,236
Revenues	0	0	0	0
Other Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact	\$3,236	\$3,236	\$3,236	\$3,236

Recommendation

The Governor recommends a 5% increase of \$3.236 million each year in the FY 2012-13 biennium for the Board of Public Defense. This additional funding is intended to assist the Board with maintaining services necessary to serve its clients and to help the courts operate more efficiently.

Rationale

This recommendation for a funding increase to the Board recognizes the increased constitutional and legal requirements placed on public defender representation, the funding reductions and loss of public defense staffing experienced by the Board, and the combined impact of all these factors on the operation of the court system in Minnesota. Without adequate public defender staffing, clients may not receive constitutionally required representation, court calendars are disrupted, speedy trials may not take place, and appeals are delayed. Other court operations are also disrupted, impacting civil functions.

The Governor intends that the Board be given the flexibility to use the additional funding in a manner that most efficiently and effectively serves its clients and judicial system.

Key Goals and Measures

The Governor expects that the primary impact of the additional funding will be to reduce the caseloads of public defenders across the state.

Statutory Change: Not Applicable.

Program at a Glance

- 756 Appellate cases opened in FY 2010
- 3,691 Parole revocation hearings FY 2010
- 444 Briefs filed in appellate cases FY 2010

Program Description

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

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 1-1-10 there were 9,619 inmates in the state's correctional facilities. This population is the majority of the client base for the Appellate Office.

Supervised release/parole revocations have increased on average more than 8% per year in the last five years. After years of growth the number of appellate files opened returned to 2004 levels, only to increase by 11% between FY 2008 and FY 2009. Due to the Supreme Court decision in Deegan v. State, 711 N.W.2d 89 (Minn. 2006), the appellate office now is required to provide representation in all guilty plea cases on appeal or by post-conviction, without discretion, thus increasing the number of pleadings and appellate briefs filed in these cases.

In 1996, the Legislature enacted the community notification law for sex offenders. The law requires an end of confinement review process for classifying sex offenders. In the past, attorneys from the Appellate Office represented individuals at the end of confinement review hearings (ECRC) and in appeals (ECAR) of these reviews. Having an attorney present at the ECRC was more efficient for the entire system and cut down on the number of appeals in these cases. Due to budget constraints the office is no longer able to provide the non-mandated service at the ECRC. Since 2004 the number of ECAR cases has almost doubled. The number of contested evidentiary hearings in these cases has increased from 85 in FY09 to 115 in FY10. The increase in numbers overall is also due to the increased number of assigned level II and III offenders being released from custody.

Services Provided

The Appellate Office provides mandated 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 who appeal their designation in end of confinement reviews in sex offender cases.

Key Program Goals & Measures

The goals for the Appellate Office are to provide excellent client-centered 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 to meet court imposed deadlines for filing of appeals and other case matters.

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

Faced with ongoing budget issues the office has lost four FTE attorney positions in the last three years or approximately 13% of its staff. This will mean that in fiscal year 2011, as many as 98 (13% of 756) tried cases may not be assigned to a lawyer but instead be placed on a waiting list. The office will request that the appellate court extend the time for filing the notice of appeal in all waiting list cases from 90 to 120 days. A motion will then be made to stay further appellate proceedings until counsel can be assigned. At some point, the delay in appellate services could lead the courts to release prisoners who have been on the waiting list too long or who cannot get an appellate decision before their sentence is served.

Delays will also occur in the post-conviction unit. This group handles all appeals in cases that were not tried (guilty plea withdrawal, sentencing, restitution, probation revocation, conditional release issues). The Supreme Court's decision in Deegan has significantly increased the workload for the post-conviction unit. This increase plus the reductions in staff will delay the processing of these cases the same as tried cases. Because some of these cases require immediate action to protect the client, the office will need to prioritize these cases and put some clients seeking appeals or post-conviction review on a waiting list.

The post-conviction unit also handles all the parole/supervised release hearings in the state, at which defendants have a constitutional right to counsel. Parole revocation hearings have increased on average more than 8% per year in the last five years. This increase and the reduction in staff will seriously hamper the unit's ability to meet its statewide obligations in these cases because it will no longer be possible to cover all hearings scheduled by the DOC.

The post-conviction unit also provides representation to offenders in community notification cases for sex offenders. There is a statutory obligation to provide representation of individuals who seek review of an ECRC decision if the individual wishes to challenge being ranked as a level two or three sex offender. The challenge is filed in the administrative court before a judge. Because these challenges require formal evidentiary hearings, each case requires a substantial amount of staff time. The office anticipates a significant increase in the number of offenders seeking administrative review, and in fact had an increase from 85 hearings in FY2009 to 115 hearings in FY2010. The reductions in staff and anticipated increase in these hearings also will reduce the post-conviction unit's ability to provide statutorily required representation in all community notification cases and will eventually result in motions to stay notification to the community of the offender's release because of a lack of representation and delay in the appeal process.

Program Funding

The annual budget for the Appellate Office is approximately \$4.5 million, or about 7% of the agency total. This includes approximately \$300,000 for trial transcripts, which is less than half the amount actually expended for transcripts last fiscal year. Clients have a constitutional right to obtain a transcript, the review of which is the basis for any appeal. The Appellate Office is required to obtain and pay the court reporters for the transcripts.

Contact

Chief Administrator, Board of Public Defense

Phone: (612) 279-3508.

Web site: <http://www.pubdef.state.mn.us>

PUBLIC DEFENSE BOARD

Program: APPELLATE OFFICE

Program Summary

<i>Dollars in Thousands</i>					
	Current		Governor Recomm.		Biennium
	FY2010	FY2011	FY2012	FY2013	2012-13
<u>Expenditures by Fund</u>					
Direct Appropriations					
General	4,555	4,502	4,500	4,500	9,000
Federal	92	17	0	0	0
Federal Stimulus	228	8	0	0	0
Total	4,875	4,527	4,500	4,500	9,000
<u>Expenditures by Category</u>					
Total Compensation	3,816	3,570	3,561	3,561	7,122
Other Operating Expenses	1,059	957	939	939	1,878
Total	4,875	4,527	4,500	4,500	9,000
<u>Expenditures by Activity</u>					
State Public Defender	4,875	4,527	4,500	4,500	9,000
Total	4,875	4,527	4,500	4,500	9,000
Full-Time Equivalents (FTE)	43.4	43.9	43.9	43.9	

Program at a Glance

- Budget, information systems, policy and human resources work for 400+ state employees and 100 + county employees.
- Sets standards and policies for provision of public defense services statewide.
- Information system support for 28 regional offices around the state.
- Budget and administrative support for 10 district offices, appellate office and four public defense corporations.

Program Description

The Board's Administrative Services Office (ASO) provides policy implementation for the agency's programs, and overall management of its activities.

Population Served

The ASO provides staff support to all public defender units.

Services Provided

The ASO provides staff support to all public defender units and implements BOPD 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.

Key Program Goals & Measures

The BOPD provides the district public defenders and appellate defenders with the resources they need to provide high quality legal assistance to indigent Minnesotans.

The BOPD has developed and implemented policies covering personnel, compensation, budgeting, training, conflict cases, and management information systems. Caseload standards have also been adopted. The BOPD is working with District Chief Public Defenders to develop quality standards and best practices for public defenders, as well as updating its long term plan. The BOPD is also working with District Chief Public Defenders and county attorneys to develop a systematic approach to the use of electronic disclosure in criminal cases.

The Information Systems Office (ISO) 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. The system was developed in house avoiding costs in the hundreds of thousands of dollars if developed using outside contractors. The system, which integrates with the Minnesota Court Information System (MNCIS), is expected to be implemented statewide by March of 2011.

Program Funding

The ASO operates on approximately 3% of the agency's budget.

Contact

Chief Administrator, Board of Public Defense

Phone: (612) 279-3508.

Web site: <http://www.pubdef.state.mn.us>

PUBLIC DEFENSE BOARD

Program: ADMINISTRATIVE SERVICES OFFICE

Program Summary

<i>Dollars in Thousands</i>					
	Current		Governor Recomm.		Biennium
	FY2010	FY2011	FY2012	FY2013	2012-13
<u>Expenditures by Fund</u>					
Direct Appropriations					
General	1,814	2,040	1,910	1,910	3,820
Total	1,814	2,040	1,910	1,910	3,820
<u>Expenditures by Category</u>					
Total Compensation	1,414	1,443	1,315	1,315	2,630
Other Operating Expenses	400	597	595	595	1,190
Total	1,814	2,040	1,910	1,910	3,820
<u>Expenditures by Activity</u>					
Administrative Services Office	1,814	2,040	1,910	1,910	3,820
Total	1,814	2,040	1,910	1,910	3,820
Full-Time Equivalents (FTE)	12.8	9.0	9.0	9.0	

Program at a Glance

- 170,000 cases opened in 2009
- Largest user of the court system
- Caseloads nearly double American Bar Association Standards.
- 40,000 uncompensated part-time public defender hours

Program Description

The ten Judicial District Public Defender Offices provide quality mandated 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.

Population Served

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

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 quality, independent criminal and juvenile defense services primarily to minority indigent defendants, 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 (serving Leech Lake and White Earth).

Historical Perspective

Over the last several years budget challenges, increased enforcement of complicated felony cases, statutory changes and changes in court proceedings, have all combined to push the public defender system to the brink.

In order to address the budget shortfalls among other measures, the BOPD was forced to reduce staffing for fiscal year 2009 by fifty (50) full time equivalent attorney positions on the district level. This is approximately 100,000 hours of attorney time. Faced with a loss of more than 10% of its attorney staff, caseloads are nearly double ABA standards, and with part-time defenders providing 40,000 uncompensated part-time public defender hours, the Board implemented a service reduction plan that included the elimination of non-mandated services such as representation of parents in child protection cases (CHIPS), and appearances at post-adjudication drug courts.

Facing budget reductions for 2010-2011, attorney staffing again was reduced. This was the third round of staff reductions in the last 18 months. From 2008 to 2010 the district offices have lost 15% of their FTE attorney positions. Cases assigned to the attorneys who leave remain pending while new cases continue to be charged.

Key Program Goals & Measures

It is estimated that public defenders represent about 85% of persons accused of felonies in Minnesota, and about 95% of juveniles accused of acts of delinquency, among their other cases. A public defender may not reject a case, but must accept all the clients assigned to her or him (*Dziubak v. Mott*, 503 N.W.2nd 771 (Minn.1993.)). This means that neither the BOPD, nor its Chief Public Defenders, nor the staff attorneys can control their caseloads.

The Board of Public Defense has set caseload standards, in compliance with Minn. Stat. 611.215, subd. 2 (c) (2). Following a weighted caseload study, the Board determined to adhere to caseload standards recognized by the A.B.A. since 1975, attempting to limit one year's work for an attorney to: 150 felony cases, or 275 gross misdemeanor cases, or 400 misdemeanor cases, or 175 juvenile delinquency cases, or 80 CHIPS/TPR (Termination of Parental Rights) cases, or 200 other cases, or some proportional combined number of cases of these types. To achieve proportionality the Board designated a misdemeanor as a "case unit" so that, for example, a felony would count as 2 and 2/3 "units." Thus the Board/A.B.A. Standard would be 400 "units" of mixed caseload. With the loss of staff as of June 2010, the individual public defender average caseload is 758 units, or nearly double the A.B.A. standards.

PUBLIC DEFENSE BOARD

Program: DISTRICT PUBLIC DEFENSE

Narrative

In February of 2010, the Office of the Legislative Auditor (OLA) released a program evaluation of the public defense system in Minnesota. During their site visits OLA staff observed that due to time pressures public defenders often had about ten minutes to meet each client for the first time to evaluate the case, explain the client's options and the consequences of a conviction or plea, discuss a possible deal with the prosecuting attorney, and allow the client to make a decision on how to proceed. Among the OLA's other findings: High public defender workloads have created significant challenges for Minnesota's criminal justice system; Heavy workloads have hurt public defenders' ability to represent clients and court efficiency.

In a survey of public defenders, 67% of public defenders responding to the survey disagreed or strongly disagreed with the statement that they had "sufficient time with clients"; 42% of public defenders disagreed or strongly disagreed that they were well prepared for each of their cases". Spending time with clients builds trust. Client trust is essential in providing quality representation and ensuring efficient resolution of cases. In the OLA surveys, public defenders and judges said that when clients trust their attorney, they can trust the attorney's advice on how to resolve the case, thereby leading to a more efficient disposition of the case.

Consequences of high workloads and demands of the court include: an increase in the complaints to the Lawyers Professional Responsibility Board; increased work related health issues among public defenders; and a grievance filed by several defenders over work load conditions. Besides the obvious detriment to indigent accused Minnesotans, and the obvious distress to public defender staff, there are several predictable hardships to the administration of justice which have resulted from this history of budget hardships: Inability to handle certain case types in anything like a timely manner; aggravation of jail overcrowding, which was reported as a statewide aggregate of 105% of capacity a year ago; postponement of trial settings, which are already far enough out to impinge on the right to a speedy trial; deterioration in the quality of fact-finding, as witnesses become unavailable; and increased strain on all the other participants in the justice system.

A consequence of uncontrollable public defender caseloads for the entire criminal justice system is that frequently courtrooms- each with a presiding judge, court staff, prosecutors, probation officers, victim/witness assistants, victims, witnesses, family members and the public- are unable to conduct business in a timely manner because the public defenders needed for the resolution of cases are tied up elsewhere. In a survey of judges the OLA found that 60% of judges responding to the OLA survey disagreed or strongly disagreed with the statement that public defenders spent enough time with their clients. In addition, judges and court administrators responding to the survey reported that "problems with scheduling public defenders for hearings and trials" was the most significant cause of delays. In the survey, 72% of the judges responding to the survey cited difficulty in scheduling public defenders as a moderate or significant cause of delays.

It is now questionable whether the BOPD is even meeting constitutional standards. Chief District Public Defenders report that due to insufficient resources in approximately one-half of the counties in Minnesota, clients go unrepresented at first appearance in out-of-custody misdemeanor cases. Chief District Public Defenders report that due to insufficient resources, in just under one-half of the counties in Minnesota clients who are in custody are not represented by public defenders at first appearance in gross misdemeanor and felony cases.

Program Funding

This program accounts for 90% of the budget. It is funded by general fund, special revenue from a one-time attorney registration fee of \$75 and one time federal funding.

If the \$75 registration fee increase is not continued, or this funding is not made up by the legislature, this cut would necessitate a staff reduction of roughly 20-25 lawyers.

Contact:

Chief Administrator, Board of Public Defense Phone: (612) 279-3508. Web site: <http://www.pubdef.state.mn.us>

PUBLIC DEFENSE BOARD

Program: DISTRICT PUBLIC DEFENSE

Program Summary

<i>Dollars in Thousands</i>					
	Current		Governor Recomm.		Biennium
	FY2010	FY2011	FY2012	FY2013	2012-13
<u>Expenditures by Fund</u>					
Direct Appropriations					
General	57,863	59,389	61,552	61,552	123,104
Miscellaneous Special Revenue	806	1,867	408	0	408
Gift	42	0	0	0	0
Statutory Appropriations					
General	396	569	450	450	900
Gift	140	2	0	0	0
Total	59,247	61,827	62,410	62,002	124,412
<u>Expenditures by Category</u>					
Total Compensation	41,179	42,127	44,889	44,889	89,778
Other Operating Expenses	4,452	6,968	4,688	4,280	8,968
Local Assistance	13,616	12,732	12,833	12,833	25,666
Total	59,247	61,827	62,410	62,002	124,412
<u>Expenditures by Activity</u>					
District Public Defense	59,247	61,827	62,410	62,002	124,412
Total	59,247	61,827	62,410	62,002	124,412
Full-Time Equivalents (FTE)	513.5	503.9	518.7	518.7	

PUBLIC DEFENSE BOARD

Agency Revenue Summary

Dollars in Thousands

	Actual FY2010	Budgeted FY2011	Governor's Recomm. FY2012 FY2013		Biennium 2012-13
<u>Non Dedicated Revenue:</u>					
Total Non-Dedicated Receipts	0	0	0	0	0
<u>Dedicated Receipts:</u>					
Grants:					
Federal	109	0	0	0	0
Federal Stimulus	236	0	0	0	0
Gift	159	0	0	0	0
Total Dedicated Receipts	504	0	0	0	0
Agency Total Revenue	504	0	0	0	0

PUBLIC DEFENSE BOARD

Change Item: Constitutionally Mandated Services

Fiscal Impact (\$000s)	FY 2012	FY 2013	FY 2014	FY 2015
General Fund				
Expenditures	\$700	\$700	\$700	\$700
Revenues	0	0	0	0
Other Fund				
Expenditures				
Revenues	0	0	0	0
Net Fiscal Impact	\$700	\$700	\$700	\$700

Request

The Board of Public Defense requests \$700,000 in FY 2012 and \$700,000 in FY 2013 to pay for constitutionally mandated services in the public defender system.

Background

This spring the U.S. Supreme Court decided *Padilla v. Kentucky*, ruling that defenders have to give clients accurate advice on the possible immigration consequences of their cases, or be found to be ineffective. This is a whole new area of highly specialized law that public defenders will now be held accountable for and if not addressed may result in convictions being overturned. Funding would provide for immigration consultations and training for public defenders (\$150,000).

During the 2010-2011 biennium the office again ran out of funding to pay for transcripts. This is a direct result of the number of cases that the office is handling, and longer sentences. In Fiscal year 2010, the actual expenditures for transcripts exceeded \$600,000. The request would increase the transcript budget to the level of the average annual expenditure over the last four years (\$300,000).

The last several years has seen a significant increase in prosecutors' use of expert witnesses. This includes forensics, and especially DNA. Often time's prosecution budgets are enhanced by outside funding either through the use of other state and federal agencies (BCA, FBI), or grant funding. With this expansion the need for defense experts is great and will continue to increase. Over the last several years agencies have received hundreds of thousands dollars to prosecute these cases. This spring the Hennepin County Sheriff's Office alone received over \$1 million in federal funding to nearly double the number of employees assigned to DNA testing. This becomes even more crucial in cases where prosecuting agencies and police are using DNA on old "cold hit" cases.

A significant part of raising an effective defense in many of these cases is the use of expert witnesses (*Ake v. Oklahoma* 470 U.S. 68 (1985)). This is especially important in light of the recent report by the National Academy of Sciences which raises several questions on the validity of forensic evidence.

The current budget for expert witness fees statewide is \$87,000 (Excluding the Fourth Judicial District). This is woefully inadequate considering the increased use of experts by the prosecution often funded by the state or federal government, and the cost of individual experts. Expert fees in forensics or DNA related cases can easily reach \$20,000-\$25,000 per case. The request would provide for an additional \$250,000 annually for expert witness fees.

Relationship to Base Budget

The base budget for appellate transcripts is \$300,000, and for expert witness fees is \$87,000. There is no budget for immigration consequences.

Alternatives Considered

The items included in the request are constitutionally mandated.

Statutory Change: Not Applicable.

PUBLIC DEFENSE BOARD

Change Item: Criminal Justice Viability

Fiscal Impact (\$000s)	FY 2012	FY 2013	FY 2014	FY 2015
General Fund				
Expenditures	\$8,422	\$11,549	\$11,549	\$11,549
Revenues	0	0	0	0
Other Fund				
Expenditures				
Revenues	0	0	0	0
Net Fiscal Impact	\$8,422	\$11,549	\$11,549	\$11,549

Request

The Board of Public Defense requests \$8,422,000 in FY 2012 and \$11,549,000 in FY 2013 in an attempt to put the public defender system on financially solid ground for the biennium and to maintain the integrity of the criminal justice system. The request would fund: the loss of one time revenue, positions lost during fiscal years 2008-2010, and projected cost increases for 2012/2013 that if not funded would serve to reduce staffing.

Background

The board provides the legal services required by the Constitution and statutes. It is the largest user of the court system in Minnesota handling 85% of major criminal cases and 90% of juvenile cases. The board does not and cannot control its caseload. It 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...”

Without this funding the public defender system will fail and with it the criminal justice system. In order to address the budget shortfalls over the last three years, attorney staffing has been reduced by approximately 15%.

Caseloads are nearly double ABA standards, and part time defenders provide in excess of 40,000 uncompensated part-time public defender hours. Cases assigned to the attorneys who leave, remain pending while new cases continue to be charged.

It is questionable whether public defenders are currently meeting constitutional standards. Chief District Public Defenders report that due to insufficient resources in approximately one-half of the counties in Minnesota, clients go unrepresented at first appearance, including clients who are in jail and need an attorney to make a bail motion.

In February, 2010, the Legislative Auditor released a program evaluation of public defense. The findings include:

- high public defender caseloads are dragging down the justice system
- 72% of the state’s judges say a lack of defenders is causing delays
- courtrooms are idle because the public defender is tied up someplace else
- public defenders often have just 10 minutes to meet the client, evaluate the case, explain the consequences of various options, and get a decision from the client.
- public defender schedules require some counties to set out-of-custody trials a year out.

Meanwhile many factors have made service delivery more time-consuming, including scientific evidence issues (such as DNA); the Constitutional requirement to provide advice on immigration consequences; and the need for real-time listening to evidence that used to be transcribed, but now comes on disks.

On the appellate level, staff reductions have meant significant delays in the state’s appellate courts. In fiscal year 2010, as many as 98 tried cases were not assigned to a lawyer but were placed on a waiting list. This is roughly 13% of these cases. Delays have also occurred in the post-conviction unit. The effect of this has been delays in sentencing appeal cases and appeals of plea withdrawal and conditional release. It has also delayed cases the office brings to the district court involving these issues. At some point, the delay in appellate services could lead to the courts ordering the release of prisoners who have been on the waiting list too long, as happened in Florida.

Adding to the precarious situation of public defenders—and the courts that depend on them—currently the board is dependent on major sources of one-time funding that will expire during the biennium.

In 2009 the board petitioned the Minnesota Supreme Court to impose a \$75 fee on attorney registrations. The Court granted this request but, only through June 30, 2011. In fiscal year 2011 the board is expected to receive

approximately \$1.9 million in special revenue from the lawyer registration fee. The board was also successful in obtaining approximately \$800,000 in federal funding for this biennium. This funding is scheduled to end on June 30, 2011. Failure to make up funding from these sources will necessitate a staff reduction of approximately 30 attorney positions.

In recent years the board has not received funding for salary and benefit increases. According to the Minnesota Office of Management and Budget, insurance costs alone are expected to rise 23% over the next three calendar years. During the current contract period the board and Teamsters Local 320 agreed to contracts that included a salary freeze. It is not expected that state employees will settle contracts that do not include step increases. The budget request would fund step increases, cost of living increases, and insurance cost increases for the 2012-2013 biennium. If the board is forced to fund these increases without additional funding it could mean the loss of an additional 65-75 attorney positions.

A recent e-mail from a public defender sums up the current situation:

"It is literally now impossible for me to make scheduled appearances in Juvenile court in because I am occupied with felony trials in two other counties. It is directly conflicting with the right to a speedy trial and disposition for juveniles. Constitutional rights are being violated. My salary has been frozen for two years, between student loans and the mortgage, the money is gone before I get it. I never viewed this job as any sort of stepping stone. I wanted to make a career out of it, but that's easy to say before one has a house and kids. The idealism that motivates one to public service can be crushed by an onslaught of raw mathematics."

Relationship to Base Budget

The base budget for District and Appellate Defense is approximately \$65,000,000. This represents 97% of the board's budget.

Alternatives Considered

There is no substitution for the 6th amendment's right to counsel. However, the board has adopted several measures to increase efficiency:

- Where funding has allowed, added support staff to provide services in lieu of attorney time.
- Replacing the time and case management system to capture data that is already being entered in MNCIS. This will eliminate redundant entry of data.
- Working with prosecutors on projects related to electronic disclosure.
- Withdrawing from first appearance calendars in half the counties in Minnesota. Although representation at these appearances likely is a constitutional right, it is very time consuming. Therefore unless there is a court ruling to the contrary we cannot be present.
- Expanded use of volunteers and law students to perform tasks previously performed by attorneys.
- In many instances staff requests continuances on out-of-custody trials. In some counties the trial dates for out-of-custody misdemeanor cases are set a year from the entry of a not guilty plea
- Collaboration in handling serious matters, so that cost-effective support staff has a greater role in case prep.
- Co-counseling on more serious matters, where attorneys are able to share their knowledge and expertise while the matter is being litigated.
- Working with the Court and prosecutors to develop practical and fair uses for ITV

Even with these changes, it must be noted that these are not alternatives that can make up for the budget situation that the board is currently facing.

Statutory Change: Not Applicable.

PUBLIC DEFENSE BOARD

Change Item: Public Defense Corporation Maintenance

Fiscal Impact (\$000s)	FY 2012	FY 2013	FY 2014	FY 2015
General Fund				
Expenditures	\$101	\$101	\$101	\$101
Revenues	0	0	0	0
Other Fund				
Expenditures				
Revenues	0	0	0	0
Net Fiscal Impact	\$101	\$101	\$101	\$101

Request

The Board of Public Defense requests \$101,000 in FY 2012 and \$101,000 in FY 2012 in an attempt to maintain the public defense corporations.

Background

The four public defense corporations provide quality legal defense services primarily to the state's minority communities. These cases (4,000) would otherwise be public defender cases. The request would provide funding to maintain current staff, by providing an adjustment on the corporations' grant amounts to make up for a budget reduction in 2010/2011, and a small adjustment for 2012/2013.

Relationship to Base Budget

The base budget the public defense corporations is \$1.45 million.

Statutory Change: Not Applicable.

	PAGE
Small Agency Profile	2
Agency Fiscal Page (Gov Rec)	6
Agency Revenue Summary Fiscal Page	7

Agency Purpose

Established by legislative act in 1931, the Public Employees Retirement Association (PERA) of Minnesota administers four public employee retirement plans and one agency fund in accordance with Minnesota Statute (M.S.) sections 353, 353A, 353D, 353E, 353G and 356. PERA's membership includes employees and benefit annuitants from over 2,100 separate governmental entities including townships, cities, counties, schools, and other miscellaneous local governments as defined in M.S. 353.01 subd. 6. PERA's mission is to create opportunities for members to achieve a successful and secure retirement by providing the benefits and services of the highest quality that members will value and trust.

At a Glance

PERA is the administrator of three cost-sharing multiple-employer defined benefit plans, one agent multiple-employer defined benefit plan, and one multiple-employer defined contribution plan. PERA also administers Other Post Employment Benefit (OPEB) Trust Funds for governmental entities. The following statistics are from fiscal year 2010 unless otherwise indicated.

PERA General Employees Plan (FY 10 Statistics)

- Active Membership: 140,550
- Benefit Recipients: 72,811
- Deferred Members: 45,255
- Benefits Paid: \$1 Billion
- Refunds Paid: \$29 Million
- Net Assets: \$12.2 Billion

PERA Correctional Plan (FY 10 Statistics)

- Active Membership: 3,522
- Benefit Recipients: 441
- Deferred Members: 1,894
- Benefits Paid: \$3.3 Million
- Refunds Paid: \$714,000
- Net Assets: \$276 Million

PERA Police & Fire Plan (FY 10 Statistics)

- Active Membership: 11,003
- Benefit Recipients: 7,542
- Deferred Members: 1,315
- Benefits Paid: \$326 Million
- Refunds Paid: \$1.5 Million
- Net Assets: \$4.5 Billion

Statewide Volunteer Firefighter Plan (Began 1/1/10)

- Six fire departments
- 125 volunteer firefighters
- Net Assets: \$780,000

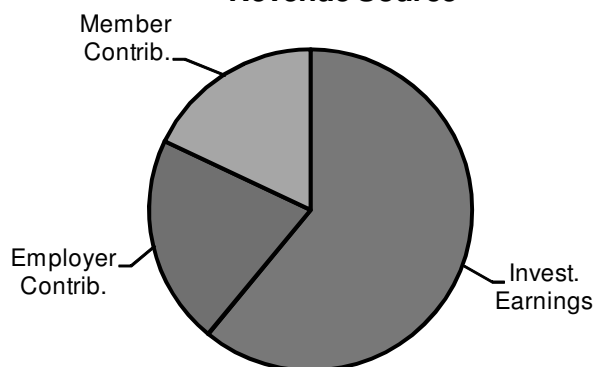
OPEB Trust Funds (As of 6/30/10)

- 19 governmental entities
- Net Assets: \$230 Million

Defined Contribution Plan (as of 6/30/10)

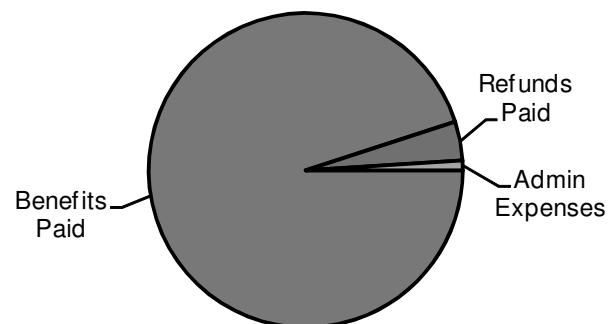
- 7,200 members
- Net Assets: \$30 Million

Est. FY 2010-11 Expenditures by Revenue Source



Source: Consolidated Fund Statement.

Est. FY 2010-11 Expenditures by Type



Source: Minnesota Accounting and Procurement System (MAPS) as of 09/15/10.

Strategies

PERA is under the direction of an Executive Director, who is 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 through counseling, workshops and publications.

Operations

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

- The General Employees Retirement Fund (GERF) includes the assets from three 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 third plan, the Minneapolis Employees Retirement Fund, was consolidated into the GERF on 6/30/10.
- The Public Employees Police and Fire Fund (PEPFF), established in 1959 for police officers and firefighters not covered by a local relief association, now covers 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.
- The Statewide Volunteer Firefighter Retirement Plan was created in 2009 and first made available 1/1/10 to fire departments interested in joining. The plan is a defined benefit lump sum plan.

PERA's staffing is organized around customer groups. The Account Information Management (AIM) division works with employers to collect information about active members and to collect contributions as members are paid. The Pension Services division works directly with members. Staff in that division counsel and educate members via phone, counseling sessions, workshops and publications; calculate and produce benefits and refunds; and keep member data up to date. PERA's Internal Services staff support the other two divisions by providing I.T., financial, document and mail services. Although most work is done out of the St. Paul office, PERA operates satellite offices in Duluth and Mankato.

Key Activity Goals & Measures

PERA's mission is to create opportunities for members to achieve a successful and secure retirement by providing the highest quality benefits and services. PERA's overarching goal is to ensure that contributions collected from members and employers and the investment earnings on those contributions will be sufficient to provide the promised benefits to benefit recipients. The two most important measures of the health of a defined benefit retirement system are (1) the level of funding and (2) whether contribution rates are sufficient to earn enough assets to cover pension liabilities over the life time of the members. The following charts show the funded ratio, by plan, and the contribution sufficiency/(deficiency) as a percent of payroll over the past eight years.

PERA General Plan	Funding Ratio	Sufficiency / (Deficiency)
Fiscal Year 2010	76.4%	0.79%
Fiscal Year 2009	70.0%	(2.67)%
Fiscal Year 2008	73.6%	(1.59)%
Fiscal Year 2007	73.3%	(1.06)%
Fiscal Year 2006	74.7%	(1.14)%
Fiscal Year 2005	74.5%	(1.67)%
Fiscal Year 2004	76.7%	(1.60)%
Fiscal Year 2003	81.3%	(1.24)%

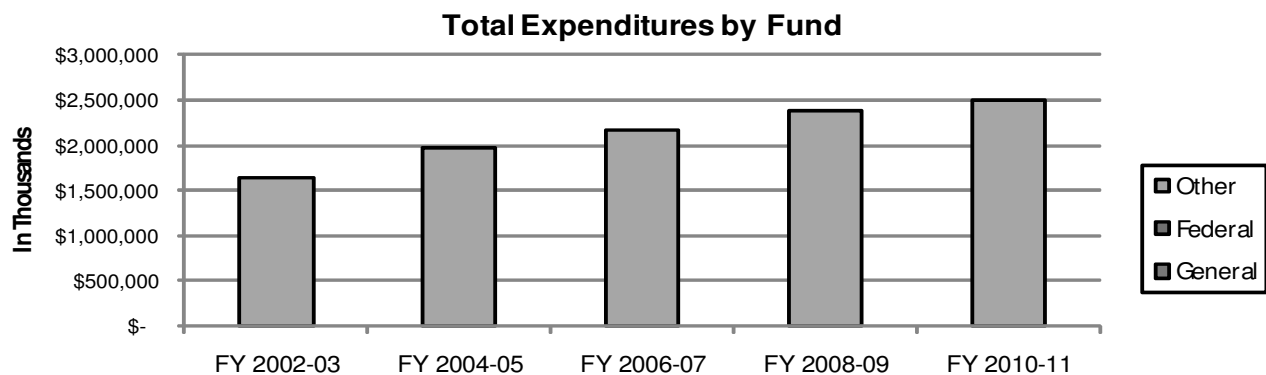
PERA Police & Fire Plan	Funding Ratio	Sufficiency / (Deficiency)
Fiscal Year 2010	87.0%	(1.77)%
Fiscal Year 2009	83.2%	(6.49)%
Fiscal Year 2008	88.4%	(5.91)%
Fiscal Year 2007	91.7%	(7.98)%
Fiscal Year 2006	95.4%	(7.07)%
Fiscal Year 2005	97.2%	(7.74)%
Fiscal Year 2004	101.2%	(6.55)%
Fiscal Year 2003	107.3%	(4.02)%
PERA Correctional Plan	Funding Ratio	Sufficiency / (Deficiency)
Fiscal Year 2010	97.2%	1.37%
Fiscal Year 2009	94.9%	0.55%
Fiscal Year 2008	100.2%	1.08%
Fiscal Year 2007	98.4%	2.22%
Fiscal Year 2006	94.4%	1.90%
Fiscal Year 2005	90.1%	1.53%
Fiscal Year 2004	88.1%	1.58%
Fiscal Year 2003	90.3%	0.45%

PERA's vision is to provide on-demand access to reliable pension information and superior customer service; the following are two goals that are being worked on this biennium:

- Extend PERA's ability to deliver core retirement planning services on-demand to members. PERA measures the number of members accessing My PERA via PERA's website, and continues to increase the number of services and calculations available on My PERA.
- Expand reporting options for employers to allow their agencies and PERA to more effectively and efficiently fulfill our shared administrative duties. PERA has increased the methods available to employers for reporting contribution and service credit information, and measures the number of employers taking advantage of the new technology, along with the time saved by PERA staff by doing so.

Budget Trends Section

PERA does not receive any direct appropriations from the State of Minnesota. PERA's revenue is derived from investment earnings and contributions from PERA's members and employers. 99% of PERA's expenditures are for benefits and refunds paid to members and their beneficiaries.



Source data for the previous chart is the Minnesota Accounting and Procurement System (MAPS) as of 9/21/2010. * FY 2010-11 is estimated, not actual MAPS data is adjusted for cancelled warrants.

External factors that affect PERA include demographics, the economy and public perception. Demographic changes are directly affecting PERA's work load. Baby boomers are reaching retirement age and are retiring in greater numbers. Both members and employers are asking for phased retirement provisions for this growing group of members eligible to retire. The economy drives investment returns, and investment returns drive the financial stability of PERA's funding structure. The economy also affects the ability of PERA's employers to hire workers and to pay the contributions required to support promised benefits for those workers. Public sentiment toward public sector pensions is growing more negative as the private sector sheds defined benefit plans in favor of defined contribution plans, threatening the existence of defined benefit plans altogether.

Contact

PERA Customer Information Service Center:

Phone: (651) 296-7460

Toll Free: (800) 652-9026

Website: <http://www.mnpera.org>

<i>Dollars in Thousands</i>					
	Current		Governor Recomm.		Biennium
	FY2010	FY2011	FY2012	FY2013	2012-13
<u>Expenditures by Fund</u>					
Open Appropriations					
Public Employees Retirement	947,708	912,680	980,000	1,000,000	1,980,000
Pera Correctional Plan	20,489	29,500	4,500	4,500	9,000
Minneapolis Employees Ret Fund	0	160,000	150,000	150,000	300,000
Volunteer Firefighter Ret Plan	26	1,000	500	500	1,000
Police And Fire	328,514	375,000	360,000	375,000	735,000
Statutory Appropriations					
Pera Defined Contribution Plan	4,930	1,600	2,000	2,000	4,000
Other Post Employment Benefit	45,171	6,000	6,000	6,000	12,000
Retirement System Building	759	1,353	1,353	1,353	2,706
Total	1,347,597	1,487,133	1,504,353	1,539,353	3,043,706
<u>Expenditures by Category</u>					
Total Compensation	7,060	7,545	7,604	7,604	15,208
Other Operating Expenses	4,248	6,598	6,599	6,599	13,198
Other Financial Transactions	1,336,289	1,472,990	1,490,150	1,525,150	3,015,300
Total	1,347,597	1,487,133	1,504,353	1,539,353	3,043,706
<u>Expenditures by Program</u>					
Public Empl Retr Asn	1,347,597	1,487,133	1,504,353	1,539,353	3,043,706
Total	1,347,597	1,487,133	1,504,353	1,539,353	3,043,706
Full-Time Equivalents (FTE)	93.5	93.5	93.5	93.5	

PUBLIC EMPLOYEES RETIRE ASSOC

Agency Revenue Summary

Dollars in Thousands

	Actual FY2010	Budgeted FY2011	Governor's Recomm. FY2012 FY2013		Biennium 2012-13
<u>Non Dedicated Revenue:</u>					
Other Revenues:					
Pera Defined Contribution Plan	3,062	4,000	4,000	4,000	8,000
Public Employees Retirement	646,949	660,000	680,000	700,000	1,380,000
Pera Correctional Plan	23,613	25,000	25,000	25,000	50,000
Minneapolis Employees Ret Fund	0	44,000	57,000	57,000	114,000
Volunteer Firefighter Ret Plan	790	1,000	1,000	1,000	2,000
Police And Fire	178,802	190,000	200,000	200,000	400,000
Total Non-Dedicated Receipts	853,216	924,000	967,000	987,000	1,954,000
<u>Dedicated Receipts:</u>					
Other Revenues:					
Other Post Employment Benefit	45,979	6,000	6,000	6,000	12,000
Retirement System Building	732	1,425	1,425	1,425	2,850
Total Dedicated Receipts	46,711	7,425	7,425	7,425	14,850
Agency Total Revenue	899,927	931,425	974,425	994,425	1,968,850

	PAGE
Agency Profile.....	2
Agency Fiscal Page (Gov Rec)	6
Change Summary	7
Agency Change Items	
⇒ Clean Water Fund Appropriations.....	8
Federal Funds Summary	10
Agency Revenue Summary Fiscal Page	11
⇒ Designates that this item is a change item	

Agency Purpose

The Minnesota Public Facilities Authority (PFA) is a multi-agency authority that provides municipal financing expertise and infrastructure financing programs to enhance the environmental and economic vitality of the state. The PFA manages three revolving loan funds and several other financing programs to help local governments upgrade and construct wastewater treatment and collection facilities, to upgrade and construct drinking water distribution and storage facilities, and to address transportation, public facilities and other high-cost infrastructure needs.

At a Glance

The PFA finances local government infrastructure, primarily clean water and drinking water systems, through low interest loans and grants. Since 1989, PFA has leveraged \$227 million in state funds and \$818 million in federal funds through its revolving loan funds to finance over \$2.8 billion in clean and drinking water projects.

Clean Water State Revolving Fund – FY 2010

- 30 loans for \$271 million made to local governments throughout the state, plus \$28 million granted as principal forgiveness
- \$47 million in interest savings to communities and their taxpayers

Wastewater Infrastructure Fund – FY 2010

- \$10.4 million awarded to projects in conjunction with CWRP loans to address affordability needs
- \$4.0 million awarded to six projects for matching grants with U.S. Department of Agriculture (USDA) Rural Development

Clean Water Fund – FY 2010

- Total Maximum Daily Load (TMDL) grants: five awarded for \$4.6 million
- Phosphorus Reduction grants: six awarded for \$2.4 million
- Small Community WWT Program:
 - TA grants: six awarded for \$146,500

Drinking Water State Revolving Fund – FY 2010

- 40 loans for \$90 million made to local governments and public water suppliers throughout the state, plus \$18 million granted as principal forgiveness
- \$18 million in interest savings to communities and their taxpayers

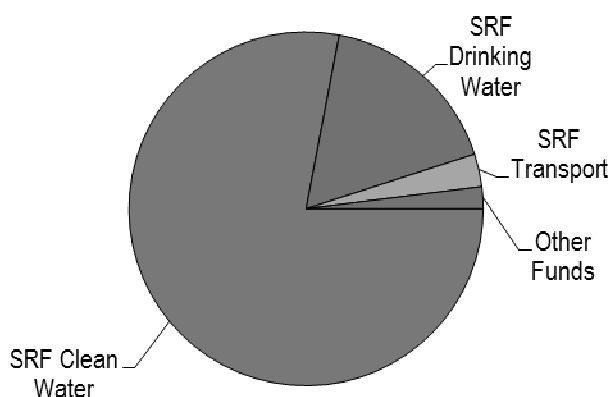
Transportation Revolving Loan Fund – FY 2010

- Two loans for \$2.8 million made to local governments for transportation improvements
- \$451,000 in interest savings to communities and their taxpayers

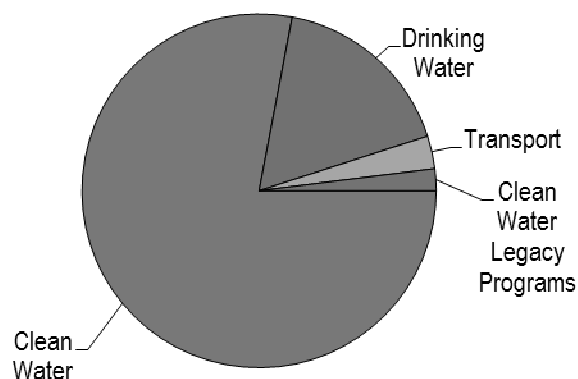
Credit Enhancement Program – FY 2010

- Provides limited state guarantee of general obligation bonds issued by counties (for law enforcement, social/human service facilities) and cities (for wastewater, stormwater, and drinking water facilities)
- FY 2010 participation: 25 bond issues for \$67 million

Est. FY 2010-11 Expenditures
by Fund



Est. FY 2010-11 Expenditures
by Program



Source: Minnesota Accounting and Procurement System (MAPS) 08/27/10. Note that federal grants are received and expended in the SRF Clean Water and SRF Drinking Water funds above.

Source: Minnesota Accounting and Procurement System (MAPS) 08/27/10 for BFY 2010 and Agency Spending Plan Certification for BFY 2011.

Strategies

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; and
- 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.

Operations

The PFA is governed by a board consisting of six state commissioners representing the departments of Employment and Economic Development (DEED), Management and Budget (MMB), Health (MDH), 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 staff of the PFA, 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 revenue bonds to raise capital to make loans.

The PFA operates infrastructure financing programs in cooperation with the departments and agencies represented on the PFA board, and closely coordinates project financing with other state and federal funding partners. For all direct financing programs the PFA reviews the financial status and creditworthiness of the applicants and determines that full project financing is in place and that dedicated revenues are established to pay debt service and operation and maintenance costs.

The PFA operates clean water financing programs in cooperation with the PCA, which is responsible for ranking eligible projects, conducting environmental and technical reviews, and certifying approved projects to the PFA for funding. All clean water financing programs follow the PCA's Project Priority List which ranks projects based on environmental and public health criteria. Based on the project priorities and readiness to proceed, the PFA prepares an annual Intended Use Plan to identify the projects eligible to apply for loans through the Clean Water Revolving Fund (CWRF). The Wastewater Infrastructure Funding (WIF) program provides grants in conjunction with CWRF loans or USDA Rural Development financing to address affordability needs. The PFA administers three programs funded by the Clean Water Fund (dedicated sales tax) to assist municipalities to meet requirements for additional treatment and address unmet needs in unsewered communities.

The PFA also allocates funds from the CWRF for nonpoint source loan programs administered by the PCA (Clean Water Partnership loan program) and the Department of Agriculture (Ag Best Management Practices loan program).

The PFA operates the Drinking Water Revolving Fund (DWRF) in cooperation with the Health Department, which is responsible for ranking eligible projects on the Project Priority List, conducting environmental and technical reviews, and certifying approved projects to the PFA for funding. Based on the project priorities and readiness to proceed, the PFA prepares an annual Intended Use Plan to identify the projects eligible to apply for loans through the DWRF.

The PFA operates the Transportation Revolving Loan Fund in cooperation with the Department of Transportation (MnDOT). The program provides low interest loans to governmental entities for eligible transportation projects, including road, bridge, and transit projects. MnDOT is responsible for soliciting project proposals as loan repayments become available for new loans and ranking them on a competitive basis.

The PFA manages the capital assets of the three revolving funds, including federal capitalization grants and state matching funds, loan repayments, investment interest, and proceeds of revenue bonds issued to generate additional capital to make loans. Communities issue their general obligation bonds to the PFA to secure the loans, which are pledged to the repayment of the PFA's bonds. 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 PFA receives no general funds for administration. PFA administrative expenses are paid from application fees, service fees on loan repayments, and allowable set-asides from federal capitalization grants. The PFA also 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. 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.

Key Activity Goals & Measures

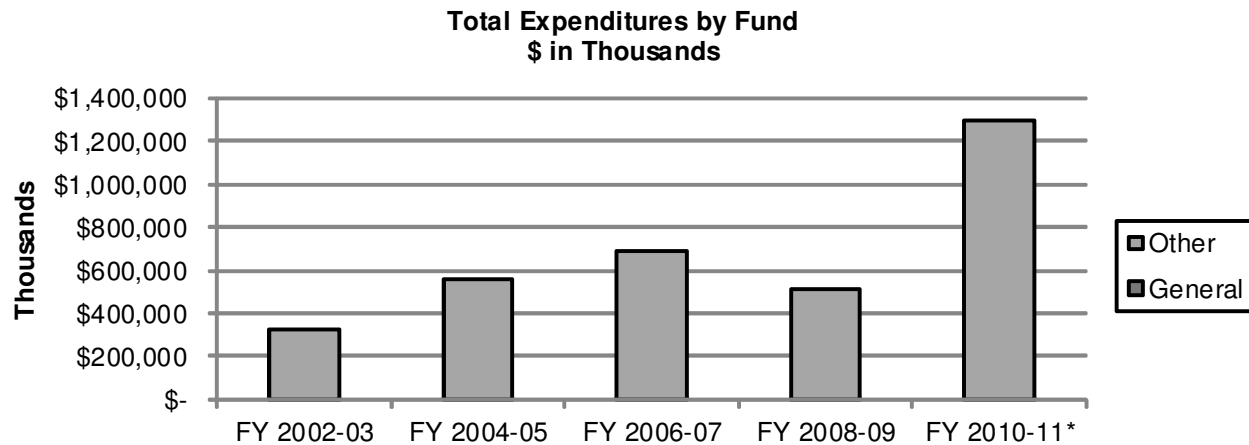
By providing for affordable basic infrastructure needs, PFA programs support the following specific *Minnesota Milestones* statewide goals:

- Economy: Minnesota will have sustainable, strong economic growth.
 - Goal 38: Growth in gross state product
 - Goal 39: Employment of working-age population
- Environment: Minnesota will improve the quality of the air, water, and earth.
 - Goal 64: Water quality in lakes and rivers
 - Goal 65: Nitrates in ground water
 - Goal 66: Erosion of cropland

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 another measure of program outcome.

Key measures		FY 2006	FY 2007	FY 2008	FY 2009	FY 2010
Grant Awards*:	Count	14	25	43	39	72
	Amount (\$ 000's)	16,121	14,783	20,831	39,886	69,101
Loans made:	Count	44	72	51	47	72
	Amount (\$ 000's)	74,068	254,652	182,373	200,881	363,465
	Interest savings to borrowers (\$ 000's)	12,817	65,344	40,529	39,712	76,129
<ul style="list-style-type: none"> • Includes principal forgiveness awarded from the CWRD and DWRF as provided under federal and state law. 						

Budget Trends



¹ FY 2010-11 is estimated, not actual.

² FY 2010 expenditures include \$343 million for refunding prior debt issuances.

Federal grants are received and expended in the SRF Clean Water and Drinking Water funds, shown above as "Other".

Source data for the previous chart is the Minnesota Accounting and Procurement System (MAPS) as of 08/27/10.

External Factors Impacting PFA- The large increase in estimated expenditures for FY 2010-11 is due in part to increased debt service payments from refunding bonds issued by PFA to take advantage of favorable interest rates. The increase is also driven by a significant increase in demand from local governments for financing for water infrastructure improvements. The economic slowdown has created a very favorable bidding climate for public infrastructure projects. Combined with historic low interest rates, local governments have seen this as a good time to make needed capital improvements. The PFA has been able to respond to this increase in demand with larger Intended Use Plan project lists due to recent increases in federal capitalization funds and state matching funds for the Clean Water and Drinking Water Revolving Funds. Another factor has been the additional subsidies available through grants from the WIF and dedicated Clean Water Fund programs and principal forgiveness through the CWRP and DWRP which have served as incentives to encourage local governments to move ahead with high priority projects.

Contact

Terry Kuhlman, Executive Director
 1st National Bank Building
 332 Minnesota Street, E200
 Saint Paul, Minnesota 55101-1351
 Phone: (651) 259-7468
 Email: terry.kuhlman@state.mn.us
<http://www.positivelyminnesota.com/pfa>

<i>Dollars in Thousands</i>					
	Current		Governor Recomm.		Biennium
	FY2010	FY2011	FY2012	FY2013	2012-13
<u>Direct Appropriations by Fund</u>					
General					
Current Appropriation	82	86	86	86	172
Recommended	82	86	86	86	172
Change		0	0	0	0
% Biennial Change from 2010-11					2.4%
Clean Water					
Current Appropriation	13,441	19,259	19,259	19,259	38,518
Recommended	13,441	19,259	16,200	16,200	32,400
Change		0	(3,059)	(3,059)	(6,118)
% Biennial Change from 2010-11					-0.9%
<u>Expenditures by Fund</u>					
Carry Forward					
Clean Water	0	0	13,741	0	13,741
Direct Appropriations					
General	82	86	86	86	172
Clean Water	4,700	14,259	16,200	16,200	32,400
Statutory Appropriations					
Clean Water Revolving Fund	585,762	364,547	314,012	312,525	626,537
Drinking Water Revolving Fund	57,227	127,037	110,514	109,989	220,503
General	4	0	0	0	0
Miscellaneous Special Revenue	12	142	54	54	108
Transportation Revolving Fund	15,101	26,434	22,779	21,343	44,122
Federal Stimulus	82,967	21,293	0	0	0
Total	745,855	553,798	477,386	460,197	937,583
<u>Expenditures by Category</u>					
Total Compensation	898	996	1,018	1,039	2,057
Other Operating Expenses	2,318	2,998	872	907	1,779
Local Assistance	63,557	33,565	43,604	30,593	74,197
Other Financial Transactions	679,082	516,239	431,892	427,658	859,550
Total	745,855	553,798	477,386	460,197	937,583
<u>Expenditures by Program</u>					
Public Facilities Authority	745,855	553,798	477,386	460,197	937,583
Total	745,855	553,798	477,386	460,197	937,583
<u>Full-Time Equivalents (FTE)</u>					
	10.9	10.9	11.3	11.3	

PUBLIC FACILITIES AUTHORITY

Change Summary

<i>Dollars in Thousands</i>				
	FY2011	Governor's Recomm.		Biennium
		FY2012	FY2013	2012-13
Fund: GENERAL				
FY 2011 Appropriations	86	86	86	172
Subtotal - Forecast Base	86	86	86	172
Total Governor's Recommendations	86	86	86	172
Fund: CLEAN WATER				
FY 2011 Appropriations	19,259	19,259	19,259	38,518
Technical Adjustments				
One-time Appropriations		(19,259)	(19,259)	(38,518)
Subtotal - Forecast Base	19,259	0	0	0
Change Items				
Clean Water Fund Appropriations	0	16,200	16,200	32,400
Total Governor's Recommendations	19,259	16,200	16,200	32,400
Fund: CLEAN WATER REVOLVING FUND				
Planned Statutory Spending	364,547	314,012	312,525	626,537
Total Governor's Recommendations	364,547	314,012	312,525	626,537
Fund: DRINKING WATER REVOLVING FUND				
Planned Statutory Spending	127,037	110,514	109,989	220,503
Total Governor's Recommendations	127,037	110,514	109,989	220,503
Fund: MISCELLANEOUS SPECIAL REVENUE				
Planned Statutory Spending	142	54	54	108
Total Governor's Recommendations	142	54	54	108
Fund: TRANSPORTATION REVOLVING FUND				
Planned Statutory Spending	26,434	22,779	21,343	44,122
Total Governor's Recommendations	26,434	22,779	21,343	44,122
Fund: FEDERAL STIMULUS				
Planned Statutory Spending	21,293	0	0	0
Total Governor's Recommendations	21,293	0	0	0
Fund: CLEAN WATER				
Planned Statutory Spending	0	13,741	0	13,741
Total Governor's Recommendations	0	13,741	0	13,741

PUBLIC FACILITIES AUTHORITY

Change Item: Clean Water Legacy Fund Appropriations

Fiscal Impact (\$000s)	FY 2012	FY 2013	FY 2014	FY 2015
Clean Water Fund				
Expenditures	\$16,200	\$16,200	0	0
Revenues	0	0	0	0
Net Fiscal Impact	\$16,200	\$16,200	0	0

Recommendation

The Governor recommends the following appropriations from the Clean Water Legacy Fund, for both fiscal years 2012 and 2013: \$11.2 million for Total Maximum Daily Load Grants (MS 446A.073), \$4 million for Phosphorus Reduction Grants (MS 446A.074), and \$1 million for the Small Community Wastewater Treatment Program (MS 446A.075).

Rationale

The Public Facilities Authority's (PFA's) Clean Water Legacy Fund point source implementation programs provide funds to assist municipalities to provide additional treatment and take other measures to address impaired waters and address unmet needs in unsewered communities. All PFA Clean Water Legacy Fund programs follow the Pollution Control Agency's Project Priority List which ranks projects based on environmental and public health criteria, and provide additional points to projects necessary to clean up impaired waters.

- The Total Maximum Daily Load (TMDL) grant program provides 50% grants up to \$3 million to assist municipalities to implement wastewater and stormwater projects to comply with wasteload reductions required under TMDL implementation plans. Eligible projects must be directly tied to specific wasteload reductions identified through the TMDL process as being critical to addressing particular water impairment.
- The Phosphorus Reduction grant program provides 50% grants up to \$500,000 to assist municipalities to meet additional capital costs to reduce the levels of phosphorus in their wastewater discharge to 1 milligram per liter or less. The Pollution Control Agency has identified phosphorus as a major contributor to water impairments.
- The Small Community Wastewater Treatment Program provides loans and grants to assist small communities to replace non-complying septic systems, in areas where private systems are not feasible, with new individual and cluster sub-surface sewage treatment systems (SSTS) that will be publicly owned and operated. The program provides technical assistance grants up to \$40,000 for site evaluations and feasibility studies, and construction financing up to \$500,000 per year through loans at 1%, with 50% grants if the community has below average median household income.

Under the TMDL and Phosphorus Reduction grant programs applications are accepted each fiscal year in July and funds are awarded to projects that submit as-bid costs and are approved and certified by June 30. Applications for the Small Community program are accepted year around. Small Community technical assistance grants are awarded as the communities are ready to proceed with feasibility studies. Small Community construction funds are awarded when they submit as-bid costs and are approved and certified by the Pollution Control Agency. Based on program eligibilities, funding from more than one program can be combined, and many projects also receive loans from the PFA's Clean Water Revolving Fund or other sources for the balance of the project funding.

PUBLIC FACILITIES AUTHORITY

Change Item: Clean Water Legacy Fund Appropriations

Key Goals and Measures

The Public Facilities Authority's Clean Water Fund programs contribute directly to water quality improvements in Minnesota lakes and rivers (Minnesota Milestones goal 64). The municipalities that build these projects are responsible for ensuring that the improvements to their wastewater and stormwater systems meet the pollutant load reductions and water quality standards required by the Pollution Control Agency. The Pollution Control Agency will monitor the load reductions achieved and the resulting water quality improvements.

In addition to the water quality improvements, the goal of the Public Facilities Authority through its water infrastructure financing programs is to help municipalities meet their water infrastructure needs to stay economically viable, and to do so at an affordable cost for their residents and businesses. (Minnesota Milestones economic goals: Minnesota will have sustainable, strong economic growth, goals 38 and 39.) In addition, the funding provided through these Clean Water Fund programs achieves significant leveraging of other funds while serving as an incentive to local governments to implement these high priority projects and achieve the specified wasteload reductions as soon as possible rather than waiting for enforcement deadlines.

Program output is measured by the volume of grants and loans made, the program eligible costs (to comply with the TMDL or phosphorus reduction requirements), and the total project costs leveraged by the Clean Water Fund program.

Key Measures		FY 2007	FY 2008	FY 2009	FY 2010
TMDL Grants	Count	3	9	2	5
	Grant Amount (\$000s)	1,564	3,969	523	4,645
	TMDL Eligible Cost (\$000s)	4,041	11,019	1,046	10,943
	Total Project Cost (leveraged funds, \$000s)	4,376	37,375	49,547	66,845
Phosphorus Reduction Grants	Count	4	3	-	6
	Grant Amount (\$000s)	1,305	1,005	-	2,394
	Phos. Eligible. Cost (\$000)	3,000	4,361	-	5,095
	Total Project Cost (leveraged funds, \$000s)	13,426	38,086	-	97,734
Small Community WWT Grants & Loans	Count	2	5	5	6
	Grant/Loan Amount (\$000s)	317	93	134	147
	Total Project Cost (leveraged funds, \$000s)	528	93	134	147

Statutory Change: Not Applicable.

Federal Funds Summary

Scope of Federal Funding for the MN Public Facilities Authority

The Authority receives federal capitalization grants from the US Environmental Protection Agency under the Clean Water State Revolving Fund (CWSRF) CFDA 66.458 and the Drinking Water State Revolving Fund (DWSRF) CFDA 66.468.

Federal requirements and state statutes for these programs mandated creation of unique funds to account for all receipts and expenditures under these programs. These funds are deposited in fund 050 for the CWSRF and fund 051 for the DWSRF.

Both programs received additional federal funding under the American Recovery and Reinvestment Act of 2009 (ARRA); \$82.6 million for the CWSRF and \$24.6 million for the DWSRF. \$2.9 million of the CWSRF award was budgeted for administrative costs of the MN Pollution Control Agency.

The CWSRF has received \$614.9 million total in annual federal grants since federal fiscal year 1989, the DWSRF \$263.2 million since 1997.

Purpose and use of federal funds

The federal capitalization grants are deposited into the revolving loan funds and are used, together with state match, fund revenues, and net proceeds of Authority revenue bond issuances, to provide financial assistance to local units of government to fund wastewater and drinking water infrastructure. The primary form of assistance is low interest rate loans. Loan repayments and all fund assets and revenues are pledged to Authority bondholders for payment of the revenue bond debt service. Annually, the excess revenues over the debt service requirements are used for making additional loans or debt service reserves.

Required state match

The state must provide a minimum 20% match to the capitalization grants, though this requirement did not apply to the ARRA awards.

Basis for estimates

Estimated revenues for 2011 thru 2013 are based on historical trends and information available at the time biennial budgets are prepared; actual awards may be less than estimated. Timing of federal grant awards can impact state fiscal year receipts totals because awards in any year may be before or after June 30th, and receipts will generally begin immediately.

Federal Award Name + Brief Purpose	New grant	Required state match/MOE? Yes/No		SFY 2010 Revenues	SFY 2011 Revenues	Estimated SFY 2012 Revenues	Estimated SFY 2013 Revenues
		Match	MOE				
Clean Water State Revolving Fund	No	Yes	No	77,055	52,585	37,499	37,449
Purpose: to provide a long term source of State financing for wastewater infrastructure.							
Drinking Water State Revolving Fund	No	Yes	No	30,439	25,905	23,200	23,200
Purpose: to provide a long term source of State financing for drinking water infrastructure.							
Total				107,494	78,490	60,649	60,649

PUBLIC FACILITIES AUTHORITY

Agency Revenue Summary

Dollars in Thousands

	Actual FY2010	Budgeted FY2011	Governor's Recomm. FY2012 FY2013		Biennium 2012-13
<u>Non Dedicated Revenue:</u>					
Other Revenues:					
General	1	1	1	1	2
Other Sources:					
General	6	3	3	3	6
Total Non-Dedicated Receipts	7	4	4	4	8
<u>Dedicated Receipts:</u>					
Departmental Earnings:					
Clean Water Revolving Fund	2,113	2,100	2,100	2,100	4,200
Drinking Water Revolving Fund	542	600	700	710	1,410
General	13	0	0	0	0
Miscellaneous Special Revenue	19	25	22	22	44
Transportation Revolving Fund	0	20	20	20	40
Grants:					
Clean Water Revolving Fund	12,507	37,449	37,449	37,449	74,898
Drinking Water Revolving Fund	12,020	19,748	23,200	23,200	46,400
Federal Stimulus	82,967	21,293	0	0	0
Other Revenues:					
Clean Water Revolving Fund	37,087	34,519	39,400	38,200	77,600
Drinking Water Revolving Fund	8,757	9,703	11,163	10,642	21,805
Miscellaneous Special Revenue	1	3	2	2	4
Transportation Revolving Fund	2,096	1,832	1,637	1,386	3,023
Other Sources:					
Clean Water Revolving Fund	454,787	286,250	233,010	239,010	472,020
Drinking Water Revolving Fund	32,304	110,474	75,010	75,010	150,020
Miscellaneous Special Revenue	17	13	13	13	26
Transportation Revolving Fund	11,099	16,583	15,180	14,597	29,777
Total Dedicated Receipts	656,329	540,612	438,906	442,361	881,267
Agency Total Revenue	656,336	540,616	438,910	442,365	881,275

	PAGE
Agency Profile.....	4
Agency Fiscal Page (Gov Rec)	7
Change Items	9
Agency Change Items	
⇒ Extension of Technology Surcharge Fee	11
⇒ ARMER Maintenance and Operation.....	13
⇒ Disaster Assistance Match	15
⇒ Fire Safety Account Transfer	16
⇒ Transfer Of Health Insurance Reimb.	17
⇒ Network for Better Futures.....	18
Programs	
Admin & Related Services	19
Program Summary	20
Budget Activities	
Office Of Communications.....	21
Budget Activity Summary	23
Public Safety – Support.....	24
Budget Activity Summary	25
Technology And Support Service	26
Budget Activity Summary	28
Homeland Security & Emerg Mgmt.....	29
Program Summary	30
Budget Activities	
Emerg Mgmt Performance Grants.....	32
Budget Activity Summary	34
Nuclear Plant Preparedness.....	35
Budget Activity Summary	37
Community Right To Know Act.....	38
Budget Activity Summary	40
Criminal Apprehension	41
Program Summary	42
Budget Activities	
Forensic Science Service	44
Budget Activity Summary	46
Mn Justice Information Service	47
Budget Activity Summary	50
Criminal Investigations	51
Budget Activity Summary	53
Police Training & Development	54
Budget Activity Summary	56

- CONTENTS (Continued)

	PAGE
Criminal Apprehension Support.....	57
Budget Activity Summary	59
Fire Marshal	60
Program Summary	61
Budget Activities	
Fire Prevention & Inspection	62
Budget Activity Summary	65
Fire Safety Account	66
Budget Activity Summary	67
State Patrol	68
Program Summary	69
Budget Activities	
Patrolling Highways	71
Budget Activity Summary	73
Commercial Vehicle Enforcement	74
Budget Activity Summary	76
Capitol Complex Security	77
Budget Activity Summary	79
Driver & Vehicle Services	80
Program Summary	81
Budget Activities	
Vehicle Services	82
Budget Activity Summary	85
Driver Services	86
Budget Activity Summary	89
Gambling & Alcohol Enforcement	90
Program Summary	91
Budget Activities	
Gambling Enforcement.....	92
Budget Activity Summary	94
Alcohol Enforcement	95
Budget Activity Summary	97
Traffic Safety.....	98
Program Summary	101
Pipeline Safety	102
Program Summary	104
Office Of Justice Programs.....	105
Program Summary	106
Budget Activities	
Crime Victims Services.....	107
Budget Activity Summary	108
Crime Victims Assistance Grant	109
Budget Activity Summary	110

- CONTENTS (Continued)

	PAGE
Battered Women	111
Budget Activity Summary	112
Law Enforcement & Comm. Grts.	113
Budget Activity Summary	114
Emergency Comm Networks	115
Program Summary	118
Mn Firefighters Trng. & Educ.....	119
Program Summary.	121
Federal Funds Summary	122
Agency Revenue Summary Summary.....	133

⇒ Designates that this item is a change item

Agency Purpose

The purpose of the Minnesota Department of Public Safety (DPS) is to protect the citizens and communities of Minnesota through a range of activities that promote and support prevention, preparedness, response, recovery, education and enforcement. These objectives are achieved through a focus on saving lives, providing efficient and effective services, maintaining public trust, and developing strong partnerships. DPS coordinates the functions of the state relating to the safety and convenience of its citizens through M.S. 299A.

At a Glance

Alcohol and Gambling Enforcement

- In FY 2010 conducted approximately 22,000 background checks and 8,400 fingerprint submissions;
- Provided services to 12,500 liquor licensees', 853 cities, and 87 counties; and
- Imposed \$20,000 in alcohol and gambling violations.

Bureau of Criminal Apprehension

- Examined 21,673 cases and served 548 law enforcement agencies;
- Conducted 338,000 background checks; and
- Maintained records on more than 22,500 registered predatory offenders.

Driver and Vehicle Services

- Processed over 4.6 million vehicle registration-related transactions;
- Collected \$910 million in revenue;
- Maintained 6,180,630 driver history records; and
- Issued 8,836,996 drivers licenses and ID cards since December 2004.

Emergency Communication Networks

- The ARMER system covers 85% of the state's population, utilizing over 35,000 radios by over 1,000 different emergency response agencies;
- The 9-1-1 system routes over two million calls annually; and
- 9-1-1 calls are answered at 105 local Public Safety Answering Points (PSAPs) and 10 regional State Patrol PSAPs.

Fire Marshal / Office of Pipeline Safety

- Conducted 424 fire investigations; 110 of those were determined to be arson;
- 35 fire deaths in CY 2009 is the lowest death total on record; and

- As agents for the U.S. DOT, pipeline inspectors inspect 9,459 miles of high-pressure interstate pipelines plus over 63,000 miles of intrastate pipelines.

Homeland Security and Emergency Management

- Over 500 state, federal, and local government and private-sector personnel participated in nuclear plant preparedness drills and exercises;
- There were 743 emergency management performance grants executed; and
- Since 2005 the governor has requested three emergency declarations and seven disaster declarations.

Office of Justice Programs

- Approximately 350 crime victim programs received \$13.5 million in funding. Programs provided services to 100,000 victims;
- Awarded \$2.4 million in reparations claims; and
- Collected \$382,705 in restitution; and
- Administered 200 law enforcement and community grants totaling over \$5.2 million in state funds and over \$10.3 million in federal funds.

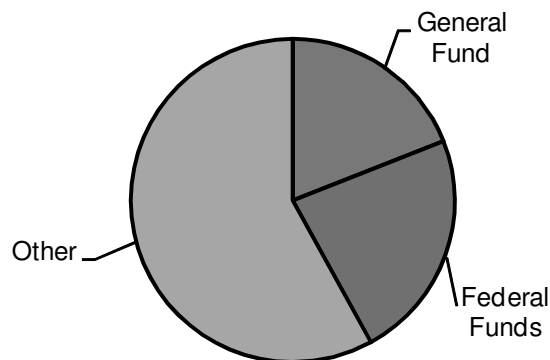
Office of Traffic Safety

- Seat belt usage has increased from 7% in 1977 to 90% in 2009; and
- Distributed 160 grants covering 280 local units of government and 75 counties, 50 statewide grants to other state agencies, other divisions of Public Safety, courts and nonprofits, and 30 contracts to organizations and individuals.

State Patrol

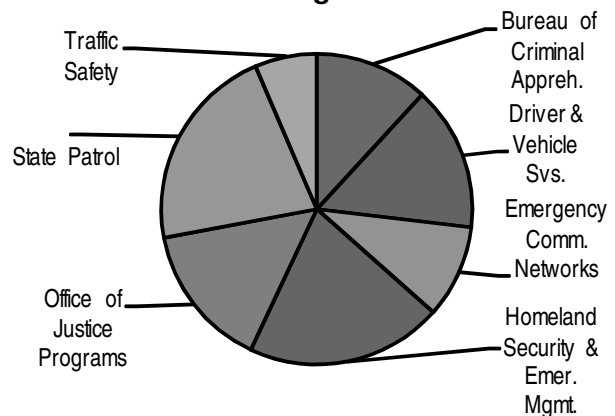
- Made 5,155 Driving While Impaired (DWI) arrests;
- Conducted 39,477 roadside inspections and 20,866 school bus inspections; and
- Capitol Security provides security to more than 14,000 judicial, legislative and state employees, and security to over one million citizens visiting the Capitol Complex annually.

Est. FY 2010-11 Expenditures by Fund



Source: Consolidated Fund Statement.

Est. FY 2010-11 Expenditures by Program



Source: Minnesota Accounting and Procurement System (MAPS)

Strategies

In order to protect the citizens and communities of Minnesota, DPS has three overarching functions:

- Enforcement
- Prevention
- Service

These three functions involve a wide range of strategies that promote and support our purpose of prevention, preparedness, response, recovery, education and enforcement. In order to support our major functions, our strategies include public education, media relations, enforcement of laws and support of programs conducted at the local level. The department also partners with community coalitions, fire and law enforcement agencies, advisory boards, school districts, health and safety organizations, and other state and federal agencies.

Operations

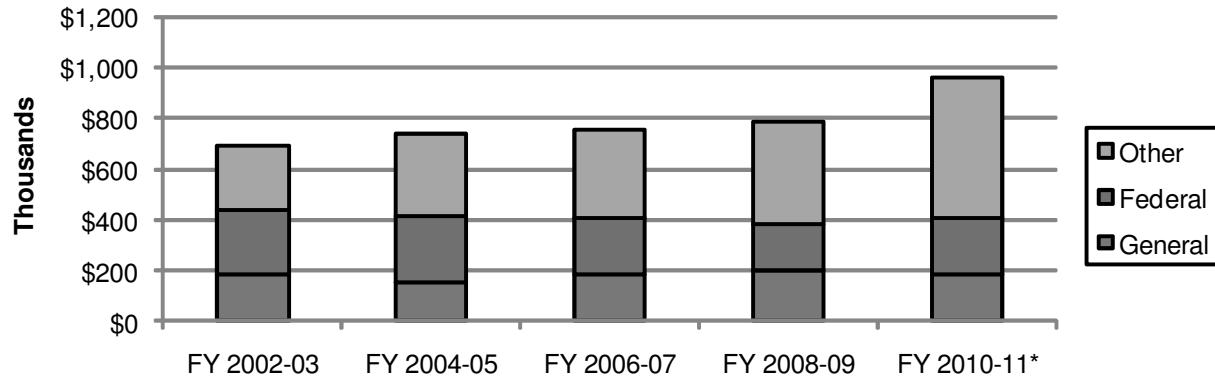
- **Alcohol and Gambling Enforcement** enforces liquor licensing and gambling laws through compliance checks, assistance to local agencies with criminal investigations, and efforts to combat underage drinking.
- **Bureau of Criminal Apprehension** provides complete investigative assistance to local agencies, 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.
- **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 regional public safety trunked radio system.
- **Homeland Security and Emergency Management** coordinates disaster preparedness, response, recovery, and mitigation for homeland security, natural, and other types of major emergencies and disasters.
- **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. The office also provides grant administration, criminal justice information and research, and assistance and advocacy to crime victims.
- **Office of 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.

- **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.

DPS also has five internal support units that provide services relating to communication, fiscal administration, human resource management, internal affairs, and technical support.

Budget Trends Section

Total Expenditures by Fund



* FY 2010-11 is estimated, not actual. Source data for the previous chart is the Minnesota Accounting and Procurement System (MAPS) as of 08/25/2010.

- **Retirements – 29%** of our employees will be eligible to retire in the next 5 years.
- **Competition for quality and skilled lab employees within the context of a state salary structure, which is not competitive with local units of government.**
- **Federal mandates.**
- **Reduction in federal and state funds** – The amount of federal funds we have received for homeland security and law enforcement activities has been declining in the past few years and further reductions are anticipated in these areas as well as potential reductions in highway safety funding.
- **Number and type of disasters** – Since 2005 the Governor has requested 3 emergency declarations and 7 disaster declarations.
- **Changes in rate and type of crime impacts where resources are expended.**
- **Fuel and energy related costs** – Changes in fuel costs can dramatically impact division budgets, most especially the Minnesota State Patrol (MSP) and Bureau of Criminal Apprehension (BCA).
- **Contract settlements for wage and benefit increases.** A 1% increase in wage and benefit contracts costs the agency \$1.4 million each year.
- **The need to keep up with changes in technology** – These changes must be absorbed within existing division budgets.
- **Increase demand** for services from our criminal justice partners.

Contact

Office of the Commissioner: (651) 201-7160
 Department of Public Safety Website: <http://www.dps.state.mn.us/>

Minnesota Department of Public Safety
 Bremer Tower Suite 1000
 Saint Paul, Minnesota 55101

Dollars in Thousands

	Current		Governor Recomm.		Biennium
	FY2010	FY2011	FY2012	FY2013	2012-13
<u>Direct Appropriations by Fund</u>					
General					
Current Appropriation	91,455	102,771	102,771	102,771	205,542
Recommended	91,455	104,814	87,752	84,852	172,604
Change		2,043	(15,019)	(17,919)	(32,938)
% Biennial Change from 2010-11					-12.1%
State Government Spec Revenue					
Current Appropriation	66,573	70,336	66,811	63,846	130,657
Recommended	66,573	70,336	70,051	67,436	137,487
Change		0	3,240	3,590	6,830
% Biennial Change from 2010-11					0.4%
Miscellaneous Special Revenue					
Current Appropriation	65,570	64,320	58,470	58,470	116,940
Recommended	65,570	64,320	62,470	62,470	124,940
Change		0	4,000	4,000	8,000
% Biennial Change from 2010-11					-3.8%
Trunk Highway					
Current Appropriation	88,009	87,618	87,618	87,618	175,236
Recommended	88,009	87,618	87,809	87,809	175,618
Change		0	191	191	382
% Biennial Change from 2010-11					0%
Highway Users Tax Distribution					
Current Appropriation	9,413	9,892	9,892	9,892	19,784
Recommended	9,413	9,892	10,406	10,406	20,812
Change		0	514	514	1,028
% Biennial Change from 2010-11					7.8%
Environmental					
Current Appropriation	69	69	69	69	138
Recommended	69	69	69	69	138
Change		0	0	0	0
% Biennial Change from 2010-11					0%

Dollars in Thousands

	Current		Governor Recomm.		Biennium
	FY2010	FY2011	FY2012	FY2013	2012-13
<u>Expenditures by Fund</u>					
Carry Forward					
General	6,396	0	0	0	0
Direct Appropriations					
General	84,269	110,573	87,752	84,852	172,604
State Government Spec Revenue	32,007	48,338	70,051	67,436	137,487
Miscellaneous Special Revenue	48,361	59,240	62,470	62,470	124,940
Trunk Highway	83,693	91,934	87,809	87,809	175,618
Highway Users Tax Distribution	7,988	8,665	10,406	10,406	20,812
Environmental	69	69	69	69	138
Statutory Appropriations					
General	12	132	17	17	34
State Government Spec Revenue	1,343	1,686	1,406	1,406	2,812
Miscellaneous Special Revenue	32,036	46,940	46,541	47,236	93,777
Trunk Highway	106	8	7	7	14
Federal	127,270	275,512	113,991	112,380	226,371
Federal Stimulus	7,315	8,395	5,052	2,484	7,536
Reinvest In Minnesota	17	16	16	16	32
Miscellaneous Agency	5,075	4,968	4,968	4,968	9,936
Gift	148	135	81	81	162
Total	436,105	656,611	490,636	481,637	972,273
<u>Expenditures by Category</u>					
Total Compensation	161,518	174,395	174,708	176,025	350,733
Other Operating Expenses	103,110	157,465	128,673	123,825	252,498
Payments To Individuals	1,913	1,938	1,929	1,929	3,858
Local Assistance	164,379	317,840	139,109	133,291	272,400
Other Financial Transactions	5,185	4,973	4,944	4,944	9,888
Transfers	0	0	41,273	41,623	82,896
Total	436,105	656,611	490,636	481,637	972,273
<u>Expenditures by Program</u>					
Admin & Related Services	14,433	17,496	16,751	16,753	33,504
Homeland Security & Emerg Mgmt	80,922	198,681	43,941	43,853	87,794
Criminal Apprehension	53,383	59,434	51,826	50,648	102,474
Fire Marshal	5,083	7,167	12,352	12,352	24,704
State Patrol	101,365	103,524	102,153	102,235	204,388
Driver & Vehicle Services	59,666	81,540	82,054	83,199	165,253
Gambling & Alcohol Enforcement	2,480	2,967	3,162	3,170	6,332
Traffic Safety	19,062	43,879	38,499	38,499	76,998
Pipeline Safety	1,768	3,621	3,154	3,154	6,308
Office Of Justice Programs	62,549	81,123	64,272	58,902	123,174
Emergency Comm Networks	33,933	54,633	70,935	67,333	138,268
Mn Firefighters Trng. & Educ.	1,461	2,546	1,537	1,539	3,076
Total	436,105	656,611	490,636	481,637	972,273
Full-Time Equivalents (FTE)	2,063.0	2,166.4	2,175.7	2,137.1	

PUBLIC SAFETY DEPT

Change Summary

<i>Dollars in Thousands</i>				
	FY2011	Governor's Recomm.		Biennium
		FY2012	FY2013	2012-13
Fund: GENERAL				
FY 2011 Appropriations	102,771	102,771	102,771	205,542
Technical Adjustments				
Approved Transfer Between Appr		0	0	0
Current Law Base Change		380	380	760
One-time Appropriations		(16,812)	(16,812)	(33,624)
Operating Budget Reduction		(120)	(120)	(240)
Subtotal - Forecast Base	102,771	86,219	86,219	172,438
Change Items				
Disaster Assistance Match	2,043	0	0	0
Transfer of Health Insurance Reimb.	0	(1,367)	(1,367)	(2,734)
Network for Better Futures	0	2,900	0	2,900
Total Governor's Recommendations	104,814	87,752	84,852	172,604
Fund: STATE GOVERNMENT SPEC REVENUE				
FY 2011 Appropriations	70,336	66,811	63,846	130,657
Subtotal - Forecast Base	70,336	66,811	63,846	130,657
Change Items				
ARMER Maintenance and Operations	0	3,240	3,590	6,830
Total Governor's Recommendations	70,336	70,051	67,436	137,487
Fund: MISCELLANEOUS SPECIAL REVENUE				
FY 2011 Appropriations	64,320	58,470	58,470	116,940
Subtotal - Forecast Base	64,320	58,470	58,470	116,940
Change Items				
Fire Safety Account Transfer	0	2,633	2,633	5,266
Transfer of Health Insurance Reimb.	0	1,367	1,367	2,734
Total Governor's Recommendations	64,320	62,470	62,470	124,940
Fund: TRUNK HIGHWAY				
FY 2011 Appropriations	87,618	87,618	87,618	175,236
Technical Adjustments				
Current Law Base Change		191	191	382
Subtotal - Forecast Base	87,618	87,809	87,809	175,618
Total Governor's Recommendations	87,618	87,809	87,809	175,618
Fund: HIGHWAY USERS TAX DISTRIBUTION				
FY 2011 Appropriations	9,892	9,892	9,892	19,784
Technical Adjustments				
Current Law Base Change		514	514	1,028
Subtotal - Forecast Base	9,892	10,406	10,406	20,812
Total Governor's Recommendations	9,892	10,406	10,406	20,812
Fund: ENVIRONMENTAL				
FY 2011 Appropriations	69	69	69	138
Subtotal - Forecast Base	69	69	69	138
Total Governor's Recommendations	69	69	69	138

PUBLIC SAFETY DEPT

Change Summary

<i>Dollars in Thousands</i>				
	FY2011	Governor's Recomm.		Biennium
		FY2012	FY2013	2012-13
Fund: GENERAL				
Planned Statutory Spending	132	17	17	34
Total Governor's Recommendations	132	17	17	34
Fund: STATE GOVERNMENT SPEC REVENUE				
Planned Statutory Spending	1,686	1,406	1,406	2,812
Total Governor's Recommendations	1,686	1,406	1,406	2,812
Fund: MISCELLANEOUS SPECIAL REVENUE				
Planned Statutory Spending	46,940	46,541	29,036	75,577
Change Items				
Extension of Technology Surcharge Fee	0	0	18,200	18,200
Total Governor's Recommendations	46,940	46,541	47,236	93,777
Fund: TRUNK HIGHWAY				
Planned Statutory Spending	8	7	7	14
Total Governor's Recommendations	8	7	7	14
Fund: FEDERAL				
Planned Statutory Spending	275,512	113,991	112,380	226,371
Total Governor's Recommendations	275,512	113,991	112,380	226,371
Fund: FEDERAL STIMULUS				
Planned Statutory Spending	8,395	5,052	2,484	7,536
Total Governor's Recommendations	8,395	5,052	2,484	7,536
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	4,968	4,968	4,968	9,936
Total Governor's Recommendations	4,968	4,968	4,968	9,936
Fund: GIFT				
Planned Statutory Spending	135	81	81	162
Total Governor's Recommendations	135	81	81	162
<u>Revenue Change Items</u>				
Fund: MISCELLANEOUS SPECIAL REVENUE				
Change Items				
Extension of Technology Surcharge Fee	0	0	13,400	13,400

PUBLIC SAFETY DEPT

Program: DRIVER & VEHICLE SERVICES

Change Item: Extension of Technology Surcharge Fee

Fiscal Impact (\$000s)	FY 2012	FY 2013	FY 2014	FY 2015
General Fund				
Expenditures	\$0	\$0	\$0	\$0
Revenues	0	0	0	0
Other Fund				
Expenditures	0	18,200	18,200	19,400
Revenues	0	13,400	13,400	13,400
Net Fiscal Impact	\$0	\$(4,800)	\$(4,800)	\$(6,000)

Recommendation

The Governor recommends that the sunset date of June 30, 2012 be removed, and that the Driver and Vehicle Services Technology Account and the Technology Surcharge Fee be extended through June 30, 2015 at \$1.75 million. The expenditure authority provided to the Department of Public Safety's Division of Driver and Vehicle Services (DVS) needs to be extended so that the Minnesota Licensing and Registration System (MNLARS) project which is underway can meet all project deliverables as well as to provide on-going support to maintain the security and stability of the system and ensure integrity of its data for on-going operations. An estimated \$15.8 million in carry forward dollars will be available in FY 2013 to cover the difference in revenue collections and expenditures for Fiscal Years 2013-2015.

Rationale

The current system and business processes used to support the activities of the DVS have serious, fundamental issues with system operability, stability, security and customer service. The limitations of the current DVS system include inconsistent, unreliable access to information in the DVS database; limited law enforcement support; heavy reliance on manual procedures; inefficient transfer of data from business partners to the DVS database; inability to track customer activities in real-time; ineffective fraud detection; and data integrity concerns.

In 2008, the department requested funding to redesign its information system that supports driver license and motor vehicle processes to deliver service in an integrated, timely, dependable manner with flexibility to accommodate change. DVS currently collects close to \$1 billion in revenue, and the DVS systems issues over 1.6 million driver's licenses/identification cards, issues over one million titles, and registers over 4.5 million vehicles each year. Since 2009, the Department of Public Safety's Division of Driver and Vehicle Services has been working on the Minnesota Licensing and Registration System (MNLARS) project.

In 2008, a law was enacted authorizing the collection of a \$1.75 technology surcharge on motor vehicle and driver's license transactions through June 2012 to fund the MNLARS project. The project's scope includes linking 6.4 million vehicle and 4.1 million driver records, cleaning up approximately 11 million records in the current DVS information system, streamlining more than 150 business functions, simplifying data collection activities, improving reporting capabilities, facilitating data sharing, and improving access to information.

To date, the Department has completed a Request for Proposal (RFP) outlining the functional requirements for MNLARS and is completing its evaluation of the vendors who responded. The vendor who is selected is expected to begin work on the design, build, and implementation of MNLARS in early 2011.

Key Goals and Measures

The mission of DVS is to provide FAST (fair, accurate, secure, and timely) service through effective service options, accurate collection of data, fraud prevention, efficient collection of state revenue, and quality information and technical support for staff and business partners.

The MNLARS project's goals are to replace its current information system and processes developed in the 1980s with a re-engineered and web-based system on a stable, flexible and secure platform that enables DVS to meet the state's changing business needs and will enable DVS and its partner systems to be flexible, fast, and reliable in order to protect the public and improve traffic safety.

PUBLIC SAFETY DEPT**Program: DRIVER & VEHICLE SERVICES****Change Item: Extension of Technology Surcharge Fee****Technology Funding Detail**

(dollars in thousands)

Funding Distribution	FY 2012-13 Biennium		FY 2014-15 Biennium		FY 2016-17 Biennium	
	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017
Personnel	\$	\$1,500	\$1,500	\$1,500	\$1,000	\$1,000
Supplies						
Hardware						
Software						
Facilities		200	200	200		
Services		16,500	16,500	17,700	5,800	5,800
Training						
Grants						
TOTAL	\$	\$18,200	\$18,200	\$19,400	\$6,800	\$6,800

Statutory Change: Minnesota Statutes 2010, Section 168.013 subd. 21; 168A.29; 171.06, subd. 2; and 299A.705, subd. 3

PUBLIC SAFETY DEPT**Program: EMERGENCY COMM NETWORKS****Change Item: ARMER Maintenance and Operations**

Fiscal Impact (\$000s)	FY 2012	FY 2013	FY 2014	FY 2015
General Fund				
Expenditures	\$0	\$0	\$0	\$0
Revenues	0	0	0	0
Other Fund				
Expenditures	3,240	3,590	3,590	3,590
Revenues	0	0	0	0
Net Fiscal Impact	\$3,240	\$3,240	\$3,240	\$3,240

Recommendation

The Governor recommends an increase in the funding required to operate and maintain the Allied Radio Matrix for Emergency Response (ARMER). This increase is based on the additional infrastructure that will be constructed and placed into service in the final phases of the project. Funds to operate and maintain ARMER are appropriated from the 911 Special Revenue Account.

The Department of Public Safety has anticipated these increased costs in the operation and maintenance of ARMER and sufficient funds will be available in the account to provide for this increase. The appropriations to Mn/DOT from the 911 Special Revenue Account will be included in the Governor's public safety proposals for the Department of Public Safety. This increase is a permanent increase in base funding.

Rationale

ARMER is a robust, scalable, state-of-the-art, 800 megahertz, digital, trunked, radio communication system, owned and operated by Mn/DOT under an agreement with the Department of Public Safety. It provides a statewide public safety communication backbone that can be shared with city, county, state agency, tribal government and non-government public safety entities. ARMER provides day-to-day public safety communication and is the fundamental infrastructure for emergency responders to achieve seamless interoperable communications.

ARMER was designed to be implemented in six phases. In 2001, Phases 1 and 2 (the metropolitan area) were completed and placed in operation. Phase 3 (southeast and central Minnesota) was funded by the legislature in 2005. That portion of the backbone has been completed and is providing a communication backbone for state and local users. Construction of the ARMER backbone in the remaining portions of the state began in 2008 and is proceeding according to schedule.

Recognizing the need for funds to operate and maintain this expanding system, the 2007 legislature provided Mn/DOT with \$3.11 million per year for fiscal years 2008-09 for the metropolitan area and Phase 3. Anticipating the completion of Phase 4, an additional \$1.95 million per year was appropriated for fiscal years 2010-11, for a total of \$5.06 million. There was no increase in this budget category in 2009. However, the need for future increases in the cost to maintain and operate the ARMER backbone was expected as the final three phases (Phase 4-6) ARMER backbone were completed.

Construction of Phases 4-6 has proceeded on schedule, and that infrastructure is currently being placed into service. ARMER will be substantially completed during fiscal year 2013, and this additional appropriation of \$3.59 million is needed to provide for the operation and maintenance of the completed system. With this addition, the total appropriation will be \$8.65 million. Less is required in fiscal year 2012 because not all tower sites will be completed or on the air.

A more detailed history is available in the ARMER System Biennial Report to the Legislature (<http://www.srb.state.mn.us/pdf/2009%20ARMER%20Biennial%20Legislative%20Report.pdf.pdf>).

PUBLIC SAFETY DEPT

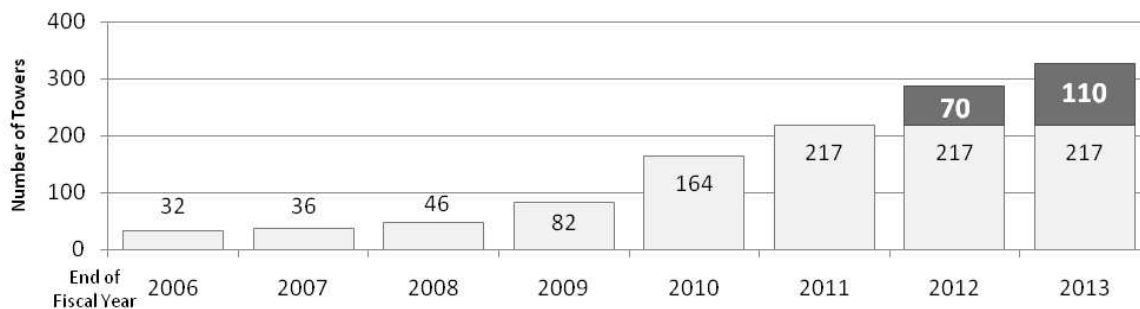
Program: **EMERGENCY COMM NETWORKS**

Change Item: **ARMER Maintenance and Operations**

Key Goals and Measures

The goal set forth by the Statewide Radio Board is 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 manmade disasters.* [Source: Conceptual Statewide Plan, adopted by the Statewide Radio Board pursuant to M.S. 403.36.]

To meet that goal, Mn/DOT must construct, operate, and maintain the entire backbone system. Progress is measured and reported to the Statewide Radio Board on a monthly basis as the total number of tower sites that are operating on-the-air. This change request will enable the system to grow and operate beyond its 2011 level, assuring adequate public safety and emergency response communications capabilities in every county of the state. The graph below illustrates that 110 additional towers will ultimately be operated and maintained as a result of this change request.



Statutory Change: Not Applicable

PUBLIC SAFETY DEPT**Program: HOMELAND SECURITY & EMERG MGMT****Change Item: Disaster Assistance Match**

Fiscal Impact (\$000s)	FY 2011	FY 2012	FY 2013	FY 2014
General Fund				
Expenditures	\$2,043	\$0	\$0	\$0
Revenues	0	0	0	0
Other Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact	\$2,043	\$0	\$0	\$0

Recommendation

The Governor recommends \$2.043 million be appropriated to serve as state match funds for federal disaster assistance. The appropriation will provide the state match for Federal Emergency Management Agency (FEMA) disaster assistance received for past disasters, as authorized by Minnesota Statutes, section 12.221.

Rationale

The Federal Emergency Management Agency (FEMA) assumes responsibility for 75% of the eligible Public Assistance (PA) Program costs incurred by local government. The PA Program reimburses government entities (primarily) for a portion of their disaster response, debris clearance, and public infrastructure (roads, bridges, culverts, etc.) repair and replacement costs. The State of Minnesota's long-standing, unofficial policy is to cover 15% (normally) of the 25% non-federal share of State and local government PA Program costs. However, in the case of the flooding and storms disaster that occurred in the northwestern and other portions of Minnesota in March 2009 (FEMA-1830-DR), the State assumed responsibility for the entire non-federal share of local government PA Program costs. The monies requested would be used to cover the non-federal portion of local government costs for disaster declaration FEMA-1830-DR.

Currently, the Division of Homeland Security and Emergency Management (HSEM) receives a base budget appropriation of \$200,000/year to serve as State match for federal disaster assistance received. However, those monies are insufficient to meet the State's current obligations for FEMA-1830-DR; hence the need for this Change Item.

An appropriation of \$5.254 million in General Fund dollars and \$3.9 million in Bond proceeds was made in MN Laws of 2009, Chapter 93, Article 2, Section 3, subd. 3 for state and local match for this disaster. All of the General Fund appropriation has been expended and HSEM had found that no disaster projects were bond eligible. An appropriation transfer of \$1.2 million from the MN Housing Finance Agency was also made.

An additional appropriation of \$1.6 million in General Fund dollars was made MN Laws of 2010, Chapter 215, Article 11, Section 10, Subd. 2 for State match for federal disaster assistance. All but \$292,000 of those dollars have been spent.

Additional Public Assistance Program information may be accessed by opening HSEM's Internet homepage (www.hsem.state.mn.us), and clicking open "Programs".

Key Goals and Measures

This change item relates indirectly to two Minnesota Milestone goals: "Government in Minnesota will be cost-efficient, and services will be designed to meet the needs of the people who use them" (Indicator 36 - Satisfaction with Government Services), and "Minnesota will have sustainable, strong economic growth" (Indicator 38 - Growth in gross state product). In addition, it is in line with HSEM's goal to enhance recovery of communities devastated by disaster.

Statutory Change: Not Applicable

PUBLIC SAFETY DEPT**Program: FIRE MARSHAL****Change Item: Fire Safety Account transfer**

Fiscal Impact (\$000s)	FY 2012	FY 2013	FY 2014	FY 2015
General Fund				
Expenditures (Transfer In)	\$(26,33)	\$(26,33)	\$(26,33)	\$(26,33)
Revenues	0	0	0	0
Other Fund				
Expenditures (Transfer Out)	2,633	2,633	2,633	2,633
Revenues	0	0	0	0
Net Fiscal Impact	\$0	\$0	\$0	\$0

Recommendation

The Governor recommends the transfer of \$2.633 million each year from the Fire Safety Account in the Special Revenue Fund to the General Fund. Under current law, the Fire Safety Account will have a balance of over \$4 million each year for the FY 2012-13 biennium.

Rationale

The Fire Safety Account in the Special Revenue Fund will have a projected fund balance of \$9.055 million by the end of the 2012-13 biennium. Revenues are projected to exceed base funding commitments for FY 2012-13 by over \$4. million per year.

The source of funding for this account in the Special Revenue Fund is a surcharge on homeowner's insurance and commercial fire policies written equal to 0.65 percent of the gross fire premiums and assessments in this state. Minnesota Statute 2010, 297I.06 Surcharge on Fire Safety Premiums was effective July 1, 2007. A one-half of one percent tax on fire insurance premiums was collected by the Department of Revenue prior to July 2007. Under current law \$2.368 million is transferred each year to the General Fund from the Fire Safety Account to offset the loss of revenue caused by the repeal of the one-half of one percent tax on fire insurance premiums.

An additional \$10.5 million in one-time transfers to the General Fund from the Fire Safety Account will be made in the current biennium of 2010-11 as part of the budget balancing act passed in the 2010 Legislative Session.

The base funding in 2012-13 for the Fire Marshal, the Minnesota Board of Firefighters Training and Education, and the regional hazardous materials and chemical assessment teams under contract with the Homeland Security Emergency Management division of DPS are all from the Fire Safety Account in the Special Revenue Fund. There have been no reductions in the level of funding for these programs. The Fire Marshal budget has had a 51 percent increase from the FY 2006-07 biennium, when the program was funded from a General Fund appropriation. The Minnesota Board of Firefighter Training and Education had no source of funding prior to State Fiscal Year 2009.

Key Goals and Measures

The transfer of excess fund balances to the General Fund from the Fire Safety Account in the Special Revenue Fund will have no fiscal impact on the programs funded by this source.

Statutory Change: 2010 Minnesota Statute 297I.06, subd. 3.

PUBLIC SAFETY DEPT

Change Item: Transfer of Health Insurance Reimb.

Fiscal Impact (\$000s)	FY 2012	FY 2013	FY 2014	FY 2015
General Fund				
Expenditures	(1,367)	(1,367)	(1,367)	(1,367)
Revenues	0	0	0	0
Other Fund				
Expenditures	1,367	1,367	1,367	1,367
Revenues	0	0	0	0
Net Fiscal Impact	0	0	0	0

Recommendation

The Governor recommends funding the Health Insurance reimbursement program from the Fire Safety Account in the Special Revenue Fund. Minn. Stat. 299A.465 requires agencies to continue the health insurance coverage for peace officers and firefighters disabled in the line of duty. The statute provides for the reimbursement on a pro rata share of the public employer's cost in providing this continued coverage.

Rationale

The current funding for this program is from a General Fund appropriation of \$1,367,000 each year. Funding the program from the Fire Safety Account in the Special Revenue Fund gives the program greater flexibility.

The Fire Safety Account in the Special Revenue Fund will have a projected fund balance of \$9,055,000 by the end of the 2012-13 biennium. Revenues are projected to exceed base funding commitments for FY 2012-13 by over \$4,000,000 per year.

The source of funding for this account in the Special Revenue Fund is a surcharge on homeowner's insurance and commercial fire policies written equal to 0.65 percent of the gross fire premiums and assessments in this state. Minnesota Statute 2010, 297I.06 Surcharge on Fire Safety Premiums was effective July 1, 2007. A one-half of one percent tax on fire insurance premiums was collected by the Department of Revenue prior to July 2007.

Under current law the Fire Marshal, the Minnesota Board of Firefighter Training and Education, and the regional hazardous materials and chemical assessment teams under contract with the Homeland Security Emergency Management division of DPS are all funded from the Fire Safety Account in the Special Revenue Fund.

Key Goals and Measures

Statutory Change: 2010 Minnesota Statutes 299F, subd. 2

PUBLIC SAFETY DEPT**Program: OFFICE OF JUSTICE PROGRAMS****Change Item: Network for Better Futures**

Fiscal Impact (\$000s)	FY 2012	FY 2013	FY 2014	FY 2015
General Fund				
Expenditures	2,900	0	0	0
Revenues	0	0	0	0
Other Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact	2,900	0	0	0

Recommendation

The Governor is requesting a one-time appropriation for the Network for Better Futures to complete and assess a five-year pilot of providing access to housing, short term employment, behavioral health and primary health care and community reengagement to high risk men. These adults are considered to be very likely to enter or re-enter state or county correctional programs or chemical or mental health programs. The Network is in their third year of the demonstration project and requires two more years of support to determine the success of this multi-disciplinary model.

Rationale

The Network was created in 2006 to reduce the economic and social costs of high-risk adults with histories of incarceration, substance abuse, mental illness, chronic unemployment, and homelessness by providing targeted, comprehensive services.

The Network for Better Futures lacks adequate funding to complete a five year demonstration project of providing comprehensive services to high risk men. A \$2.9 million dollar appropriation will allow for completion of the project. Significant state and federal funds were invested to launch the demonstration project. This appropriation allows for the completion of the project to fully determine if it results in reduced costs and/or improved public safety.

Key Goals and Measures

Key goals of the program include: maintaining and creating jobs; increasing fulltime employment rates; and reducing recidivism. The demonstration program seeks to generate practical strategies for reducing state corrections and health care spending and increasing employment rates among this high risk population.

The staff of the Network for Better Futures accomplishes their goals by facilitating lead service teams consisting of workers from multiple service providers to deliver direct support to high-risk adults.

The Network will serve 340 more high risk men, employ 180 high risk men and conduct a rigorous evaluation of their model over the next two years. This appropriation will leverage \$3.4M in private funds and other income. Funds will support personnel, facility costs, contracted services, participant wages and participant housing costs.

Statutory Change: Not Applicable

Budget Activities

This program includes the following 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
	FY2010	FY2011	FY2012	FY2013	2012-13
<u>Direct Appropriations by Fund</u>					
General					
Current Appropriation	5,189	4,429	4,429	4,429	8,858
Technical Adjustments					
Current Law Base Change			380	380	760
Subtotal - Forecast Base	5,189	4,429	4,809	4,809	9,618
Governor's Recommendations					
Transfer of Health Insurance Reimb.		0	(1,367)	(1,367)	(2,734)
Total	5,189	4,429	3,442	3,442	6,884
Trunk Highway					
Current Appropriation	6,243	6,243	6,243	6,243	12,486
Subtotal - Forecast Base	6,243	6,243	6,243	6,243	12,486
Total	6,243	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	3,894	4,140	3,442	3,442	6,884
Trunk Highway	5,684	6,802	6,243	6,243	12,486
Highway Users Tax Distribution	47	71	1,385	1,385	2,770
Statutory Appropriations					
Miscellaneous Special Revenue	2,178	3,469	2,622	2,624	5,246
Federal	2,630	3,014	3,059	3,059	6,118
Total	14,433	17,496	16,751	16,753	33,504
<u>Expenditures by Category</u>					
Total Compensation	6,807	7,741	7,795	7,975	15,770
Other Operating Expenses	5,760	7,871	6,330	6,152	12,482
Payments To Individuals	1,866	1,884	508	508	1,016
Transfers	0	0	2,118	2,118	4,236
Total	14,433	17,496	16,751	16,753	33,504
<u>Expenditures by Activity</u>					
Office Of Communications	3,270	3,678	3,718	3,718	7,436
Public Safety - Support	7,432	8,719	9,198	9,200	18,398
Technology And Support Service	3,731	5,099	3,835	3,835	7,670
Total	14,433	17,496	16,751	16,753	33,504
<u>Full-Time Equivalents (FTE)</u>					
	82.1	91.6	91.9	91.8	

Activity at a Glance

In FY 2009:

- Sent 325 news advisories and releases
- Responded to 2,100 media calls
- Initiated 750 media calls
- Coordinated 57 news conferences
- Designed and wrote 48 publications
- Wrote/edited 133 articles and reports
- Prepared 46 public education campaigns designed to change behavior
- Provided crisis communication response for 17 state disasters or other emergencies
- Established 12 accounts on three social media platforms
- Built an audience of 25,400 followers on social media platforms with 1,250 posts to social media sites
- Uploaded 56 videos to the Web with a total of 53,212 videos viewed

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 and implementation of social media and new media outlets;
- Communications support for the department-wide website;
- 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 development and dissemination of public information and educational materials.

Key Activity Goals & Measures

- 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 crises;
- 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 and policies.

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 same level of coverage DPS received in FY 2010 and FY 2011.

PUBLIC SAFETY DEPT

Program: ADMIN & RELATED SERVICES

Activity: OFFICE OF COMMUNICATIONS

Narrative

- **Support and assistance to local law enforcement.** Communications provides media relations and crisis communications support to any law enforcement agency in Minnesota.
- **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).

Contact

Doug Neville

Phone: (651) 201-7575

Web site: <http://www.dps.state.mn.us/dps/home/comm/index.asp>.

PUBLIC SAFETY DEPT

Program: ADMIN & RELATED SERVICES

Activity: OFFICE OF COMMUNICATIONS

Budget Activity Summary

<i>Dollars in Thousands</i>					
	Current		Governor's Recomm.		Biennium
	FY2010	FY2011	FY2012	FY2013	2012-13
<u>Direct Appropriations by Fund</u>					
General					
Current Appropriation	41	41	41	41	82
Subtotal - Forecast Base	41	41	41	41	82
Total	41	41	41	41	82
Trunk Highway					
Current Appropriation	393	393	393	393	786
Subtotal - Forecast Base	393	393	393	393	786
Total	393	393	393	393	786
<u>Expenditures by Fund</u>					
Direct Appropriations					
General	41	41	41	41	82
Trunk Highway	379	407	393	393	786
Statutory Appropriations					
Miscellaneous Special Revenue	240	250	250	250	500
Federal	2,610	2,980	3,034	3,034	6,068
Total	3,270	3,678	3,718	3,718	7,436
<u>Expenditures by Category</u>					
Total Compensation	618	519	521	529	1,050
Other Operating Expenses	2,652	3,159	3,197	3,189	6,386
Total	3,270	3,678	3,718	3,718	7,436
Full-Time Equivalents (FTE)	8.1	7.2	7.2	7.2	

PUBLIC SAFETY DEPT

Program: ADMIN & RELATED SERVICES

Activity: PUBLIC SAFETY - SUPPORT

Narrative

Activity at a Glance

- The Commissioner's Office oversees 14 separate divisions within DPS with 2,035 employees
- Human Resources held 95 classes with 694 students in FY 2010
- Fiscal and Administrative Services processed 35,559 payments to vendors with 99.11% paid within 30 days in FY 2010

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 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.

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 Activity Goals & Measures

- 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.
- **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 partnership with each division.** Human Resources will assist all divisions as needed to allow for each workforce plan to be maintained as a document that is periodically revised to reflect changes in the workforce.
- **Efficiency of the grant process.** Fiscal and Administrative Services has improved efficiency through guidelines, checklists, training sessions, training materials, online tools, and by updating administrative policies.

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.

Contact

Commissioner's Office

Phone: (651) 201-7160

Website: <http://www.dps.state.mn.us>

PUBLIC SAFETY DEPT

Program: ADMIN & RELATED SERVICES

Activity: PUBLIC SAFETY - SUPPORT

Budget Activity Summary

<i>Dollars in Thousands</i>					
	Current		Governor's Recomm.		Biennium
	FY2010	FY2011	FY2012	FY2013	2012-13
<u>Direct Appropriations by Fund</u>					
General					
Current Appropriation	3,676	2,916	2,916	2,916	5,832
Technical Adjustments					
Current Law Base Change			380	380	760
Subtotal - Forecast Base	3,676	2,916	3,296	3,296	6,592
Governor's Recommendations					
Transfer of Health Insurance Reimb.		0	(1,367)	(1,367)	(2,734)
Total	3,676	2,916	1,929	1,929	3,858
Trunk Highway					
Current Appropriation	3,506	3,506	3,506	3,506	7,012
Subtotal - Forecast Base	3,506	3,506	3,506	3,506	7,012
Total	3,506	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	2,535	2,473	1,929	1,929	3,858
Trunk Highway	3,237	3,775	3,506	3,506	7,012
Highway Users Tax Distribution	33	47	1,366	1,366	2,732
Statutory Appropriations					
Miscellaneous Special Revenue	1,608	2,399	2,372	2,374	4,746
Federal	19	25	25	25	50
Total	7,432	8,719	9,198	9,200	18,398
<u>Expenditures by Category</u>					
Total Compensation	3,853	4,659	4,645	4,740	9,385
Other Operating Expenses	1,713	2,176	1,927	1,834	3,761
Payments To Individuals	1,866	1,884	508	508	1,016
Transfers	0	0	2,118	2,118	4,236
Total	7,432	8,719	9,198	9,200	18,398
Full-Time Equivalents (FTE)	50.7	59.0	59.1	59.0	

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 800 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

Activity Description

The Office of Technology & Support Services (OTSS) exists to support the efficient delivery of public safety services to the citizens of Minnesota by providing quality, cost effective, secure and innovative information technology solutions for the divisions of the Department of Public Safety (DPS). Services include: Network and Data Center Operations, Service Desk, Telephone Solutions, Application/Software Development and Implementation, Project and Portfolio Management, Web Services, and Information Systems Security including Disaster Recovery Planning.

Population Served

OTSS primarily serves 1,200 employees of DPS, but additionally provides technology support for over 45,000

users of DPS business applications. All divisions within DPS including the Bureau of Criminal Apprehension, Minnesota State Patrol, Homeland Security and Emergency Management, Driver and Vehicle Services, Emergency Communication Networks, Alcohol and Gambling Enforcement, Traffic Safety, Office of Justice Programs, State Fire Marshal and Pipeline Safety, and DPS Administrative Offices are dependent on the core services OTSS provides.

Services Provided**Business Applications:**

OTSS provides business system solutions and application support services for DPS divisions required to assist in the attainment of divisional goals. These initiatives range from developing reporting applications to the implementation and support of large enterprise systems. OTSS also provides web-based systems and management of the DPS public website.

Network/Data Center:

OTSS designs, implements, and supports the DPS network architecture, a complex infrastructure that includes 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 most DPS divisions. Services provided include 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 assure 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, 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 & Measures

- Develop and implement a flexible, integrated Driver and Vehicles Services business application (MNLARS) 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 from 2009-12.
- 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 Plan. Phased implementation from 2010-11.
- Implement a newly designed DPS public-facing website. This solution will draw upon the latest web technologies that enable and foster communication with the users and partners of the services provided by DPS. The site will deploy a department branding strategy focused on creating a positive user experience for understanding the breadth of DPS service offerings, gathering information, and site navigation. In addition, the solution will provide governance for site content management as well as compliance to all user accessibility standards.
- Participate in the execution of Minnesota iGov Initiatives:
 - Provide leadership for state wide enterprise initiatives through participation in various steering committees, user review and IT standards councils, state CIO council, and the OET program review team.
 - Participate and provide leadership in the state data center consolidation effort. Anticipated outcomes include a high functioning, high availability, more secure and cost neutral data center solution for DPS.
 - 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 from 2009-11.
- 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 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.

Contact

David W. Morris, Chief Information Officer

Phone: (651) 201-7716

Web site: <http://www.dps.state.mn.us>

PUBLIC SAFETY DEPT

Program: ADMIN & RELATED SERVICES

Activity: TECHNOLOGY AND SUPPORT SERVICE

Budget Activity Summary

<i>Dollars in Thousands</i>					
	Current		Governor's Recomm.		Biennium
	FY2010	FY2011	FY2012	FY2013	2012-13
<u>Direct Appropriations by Fund</u>					
General					
Current Appropriation	1,472	1,472	1,472	1,472	2,944
Subtotal - Forecast Base	1,472	1,472	1,472	1,472	2,944
Total	1,472	1,472	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	1,318	1,626	1,472	1,472	2,944
Trunk Highway	2,068	2,620	2,344	2,344	4,688
Highway Users Tax Distribution	14	24	19	19	38
Statutory Appropriations					
Miscellaneous Special Revenue	330	820	0	0	0
Federal	1	9	0	0	0
Total	3,731	5,099	3,835	3,835	7,670
<u>Expenditures by Category</u>					
Total Compensation	2,336	2,563	2,629	2,706	5,335
Other Operating Expenses	1,395	2,536	1,206	1,129	2,335
Total	3,731	5,099	3,835	3,835	7,670
Full-Time Equivalents (FTE)	23.3	25.4	25.6	25.6	

Budget Activities

This program includes the following budget activities:

- Emergency Management Assistance
- Nuclear Plant Preparedness
- Community Right-To-Know Act

PUBLIC SAFETY DEPT

Program: HOMELAND SECURITY & EMERG MGMT

Program Summary

Dollars in Thousands					
	Current		Governor Recomm.		Biennium
	FY2010	FY2011	FY2012	FY2013	2012-13
<u>Direct Appropriations by Fund</u>					
General					
Current Appropriation	5,572	18,653	18,653	18,653	37,306
Technical Adjustments					
One-time Appropriations			(16,800)	(16,800)	(33,600)
Operating Budget Reduction			(1)	(1)	(2)
Subtotal - Forecast Base	5,572	18,653	1,852	1,852	3,704
Governor's Recommendations					
Disaster Assistance Match		2,043	0	0	0
Total	5,572	20,696	1,852	1,852	3,704
Miscellaneous Special Revenue					
Current Appropriation	604	604	604	604	1,208
Subtotal - Forecast Base	604	604	604	604	1,208
Total	604	604	604	604	1,208
Environmental					
Current Appropriation	69	69	69	69	138
Subtotal - Forecast Base	69	69	69	69	138
Total	69	69	69	69	138
<u>Expenditures by Fund</u>					
Carry Forward					
General	6,396	0	0	0	0
Direct Appropriations					
General	2,029	24,239	1,852	1,852	3,704
Miscellaneous Special Revenue	576	1,272	604	604	1,208
Environmental	69	69	69	69	138
Statutory Appropriations					
Miscellaneous Special Revenue	2,783	3,176	4,465	4,444	8,909
Federal	69,025	169,784	36,919	36,884	73,803
Federal Stimulus	44	141	32	0	32
Total	80,922	198,681	43,941	43,853	87,794

PUBLIC SAFETY DEPT

Program: HOMELAND SECURITY & EMERG MGMT

Program Summary

<i>Dollars in Thousands</i>					
	Current		Governor Recomm.		Biennium
	FY2010	FY2011	FY2012	FY2013	2012-13
<u>Expenditures by Category</u>					
Total Compensation	5,064	7,437	6,380	6,603	12,983
Other Operating Expenses	5,258	6,150	4,054	4,052	8,106
Local Assistance	70,600	185,094	33,507	33,198	66,705
Total	80,922	198,681	43,941	43,853	87,794
<u>Expenditures by Activity</u>					
Emerg Mgmt Performance Grants	77,997	195,337	39,309	39,242	78,551
Nuclear Plant Preparedness	2,582	2,978	4,267	4,246	8,513
Community Right To Know Act	343	366	365	365	730
Total	80,922	198,681	43,941	43,853	87,794
Full-Time Equivalents (FTE)	64.3	70.6	73.4	74.6	

PUBLIC SAFETY DEPT

Program: HOMELAND SECURITY & EMERG MGMT

Activity: EMERGENCY MGMT PERFORMANCE GRANTS

Narrative

Activity at a Glance

- Three emergency and seven major disaster declaration requests granted by the president since 2005
- 17 grant programs administered, with greater than 80 percent pass through of federal grant funds to local governments
- 61 emergency management and school safety classes facilitated in FY2010, resulting in 3,137 student contacts and 25,602 student contact hours

Activity Description

The Emergency Management Performance Grant (EMPG) activity assists state and local governments to sustain and enhance all-hazards emergency management capabilities.

Population Served

The EMPG activity serves local governments, school districts, other state agencies, tribal governments, certain private nonprofit entities, and non-government organizations.

Historical Perspective

The EMPG program has been in existence for more than 40 years; it is the only source of federal funding directed to

state and local governments for planning, training, exercising, and personnel devoted to all-hazards emergency preparedness. In the last few years, Congress has demonstrated its commitment to homeland security and emergency management by increasing EMPG appropriations in FFY 2010–12 for this historically underfunded program.

Services Provided

Principal EMPG services include:

- Coordinating state all-hazard disaster preparedness, response, and recovery efforts;
- Coordinating the state's homeland security preparedness program with federal, state, and local governments;
- Assisting local government disaster preparedness, response, recovery, and mitigation efforts by providing financial assistance, supporting emergency planning, conducting training and exercises, coordinating the deployment of state hazardous materials response teams and other assets, and providing onsite technical assistance;
- Increasing citizen preparedness by conducting annual public awareness campaigns;
- Coordinating interstate mutual aid activities (Emergency Management Assistance Compact), and emergency response and recovery logistics support in Minnesota;
- Coordinating the post-disaster damage assessment process, preparing requests and administering federal disaster relief and hazard mitigation programs following emergency and major disaster declarations; and
- Assisting school administrators in all-hazards school emergency prevention, mitigation, preparedness, response, and recovery efforts.

Key Activity Goals & Measures

- Coordinate homeland security and emergency preparedness for Minnesotans.
- Accountability Minnesota, Department of Public Safety Performance Goals

Grant agreement execution

- The state and federal grant programs administered by the division help local governments, state agencies, and other entities prepare for, recover from, and reduce the severity of natural and human-caused public safety threats. This performance measure is an indicator of the number of grants executed to achieve these objectives.

	FY2006	FY2007	FY2008	FY2009	FY2010
Executed Grant Agreements	387	733	562	562	743

- State agency compliance with Laws of Minnesota 2008, Chapter 167
- State agencies with a role in the Minnesota Emergency Operations Plan are required to have at least one certified emergency manager (M.S. 12.09, subd. 10). Of the 22 signatory agencies, 11 were in compliance in

PUBLIC SAFETY DEPT

Program: HOMELAND SECURITY & EMERG MGMT

Activity: EMERGENCY MGMT PERFORMANCE GRANTS

Narrative

2008 and 13 were in compliance in 2009. HSEM anticipates that all agencies will be in full compliance by 2012.

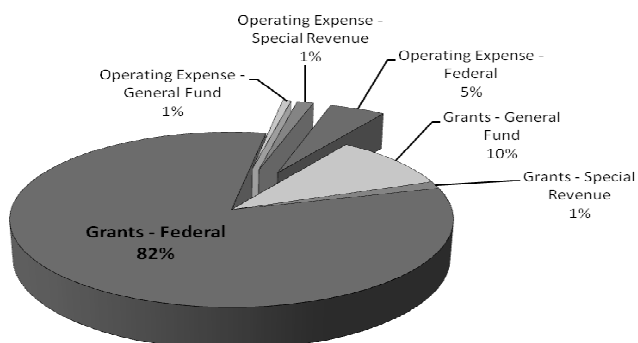
- Federal disaster assistance request preparation
- Federal disaster assistance is requested by the governor when the cost of disaster response and recovery exceeds local and state governments' resources. The complex process of preparing a successful request is funded primarily by EMPG. The division's goal is to prepare and submit all federal disaster assistance requests within 30 days of the event. This performance measure is an indicator of the division's responsiveness and timeliness in requesting federal aid following an emergency or major disaster.
- Recent record of performance for submission of requests for federal disaster assistance:

*FEMA #	Event	Event Date	Request Date	
DR-1622	Severe winter ice storms in the Red River Basin	11/27/2005	12/23/2005	26
DR-1648	Red River Basin flooding	3/30/2006	5/15/2006	46
EM-3278	I-35W bridge collapse	8/1/2007	8/20/2007	19
DR-1717	Severe storms and flooding in southeastern Minnesota	8/18/2007	8/21/2007	3
DR-1772	Severe storms and flooding in southeastern Minnesota	6/7/2008	6/17/2008	10
EM-3304/ DR-1830	Lake County ice storm, and severe spring storms and flooding in the Red River Basin	3/16/2009	3/25/2009	9
EM-3310/ DR-1900	Spring Red River and Minnesota River Basin flooding	3/1/2010	3/9/2010	8
DR-1921	Record number of tornadoes, severe storms, and related flooding	6/17/2010	6/25/2010	8

**DR – Disaster Declaration EM – Emergency Declaration*

Activity Funding

This activity is funded 11% from general fund appropriations (of which 10% is directed to disaster relief), 2% from special revenue, and 87% from federal funds. Operating expenses for this activity comprise 1% general fund appropriations, 1% special revenue, and 5% federal funds. The federal EMPG program has a 50% federal and 50% non-federal cost share, cash or in-kind match requirement.



Contact

Homeland Security and Emergency Management

Phone: (651) 201-7421

Web site: www.hsem.state.mn.us

PUBLIC SAFETY DEPT

Program: HOMELAND SECURITY & EMERG MGMT

Activity: EMERG MGMT PERFORMANCE GRANTS

Budget Activity Summary

<i>Dollars in Thousands</i>					
	Current		Governor's Recomm.		Biennium
	FY2010	FY2011	FY2012	FY2013	2012-13
<u>Expenditures by Fund</u>					
Carry Forward					
General	6,396	0	0	0	0
Direct Appropriations					
General	1,755	23,942	1,556	1,556	3,112
Miscellaneous Special Revenue	576	1,272	604	604	1,208
Statutory Appropriations					
Miscellaneous Special Revenue	201	198	198	198	396
Federal	69,025	169,784	36,919	36,884	73,803
Federal Stimulus	44	141	32	0	32
Total	77,997	195,337	39,309	39,242	78,551
 <u>Expenditures by Category</u>					
Total Compensation	4,260	6,370	5,216	5,398	10,614
Other Operating Expenses	4,719	5,639	3,258	3,138	6,396
Local Assistance	69,018	183,328	30,835	30,706	61,541
Total	77,997	195,337	39,309	39,242	78,551
 Full-Time Equivalents (FTE)	 53.7	 57.3	 59.1	 60.3	

Activity at a Glance

- There are 36 counties within a 50-mile radius of the state's two nuclear power plants
- There are 12 state agencies involved in annual nuclear power plant-related emergency planning and exercises
- One full-scale plume and one full-scale two-day ingestion pathway, federally-evaluated exercises; one full-scale plume and one full-scale two-day ingestion pathway drill; two hostile action-based table-top exercises; and one hostile action-based drill conducted during FY 2009-10
- More than 500 state, federal, and local government and private-sector personnel participated in drills and exercises during FY 2009-10
- Approximately 2,100 state, local government and private-sector personnel were trained during FY 2009-10

Activity Description

The nuclear plant preparedness activity exists to ensure that state and local governments are prepared to protect the health and safety of the public in the event of a nuclear power plant incident, as required by M.S. 12.13.

Population Served

Nuclear plant preparedness serves the population within the Monticello and Prairie Island nuclear plants' emergency planning zones (EPZ) and ingestion pathway zones (IPZ). Individuals within an EPZ (cities and counties within a 10-mile radius of each plant) could be affected if radioactive materials are released in a nuclear plant incident. The Prairie Island plant EPZ includes Dakota and Goodhue counties; the Monticello plant EPZ includes Sherburne and Wright counties. The IPZs encompass 36 counties within a 50-mile radius of each plant. That is the area that could experience contamination of foodstuffs following a radioactive release. This activity indirectly serves the entire state of Minnesota, because an incident at either plant could significantly impact all Minnesotans.

Services Provided

Principal Nuclear Plant Preparedness services include:

- Coordinating state and local emergency planning for a potential power plant incident;
- Coordinating the development and conduct of an annual comprehensive federally-evaluated emergency exercise involving multiple state agencies, local governments, and one of Minnesota's nuclear plants;
- Coordinating the development and conduct of an annual comprehensive hostile action-based emergency exercise involving multiple state agencies, local governments, and one of Minnesota's nuclear plants;
- Ensuring that the State Emergency Operations Center (SEOC) is maintained in a constant state of readiness;
- Administering grants to state agencies, cities, and counties for nuclear plant preparedness activities;
- Conducting annual radiological preparedness training for state and local agency personnel;
- Ensuring that all state and federal regulations and requirements relating to nuclear power plants are met; and
- Sustaining the pre-distribution of potassium iodide (KI) within the 10-mile EPZ. Information about this program can be found at http://www.hsem.state.mn.us/HSem_view_Article.asp?docid=506&catid=12.

Historical Perspective

This activity was established by the legislature when the Prairie Island and Monticello nuclear power plants began operations, creating the potential for an incident that could affect individuals living and working near the plants. Assessments covering the cost of the program are collected from the utility that owns the plants, as required by M. S. 12.14.

The federal planning and preparedness requirements placed on state and local governments have increased significantly since the attacks of 9-11-2001. In addition to regular emergency exercises, the Nuclear Regulatory Commission now requires utilities to periodically conduct exercises using scenarios based on hostile action (terrorism-type) incidents. The active participation of state and local government agencies in these exercises is mandatory. In addition, the population within the ten-mile EPZ and the 50-mile IPZ continues to grow, requiring additional planning, preparedness and reception center capacity. As a result of the increased costs associated with these changes, the assessment will be increased during FY 2012-13.

PUBLIC SAFETY DEPT

Program: HOMELAND SECURITY & EMERG MGMT

Activity: NUCLEAR PLANT PREPAREDNESS

Narrative

Key Activity Goals & Measures

Coordinate homeland security and emergency preparedness for Minnesotans.

Accountability Minnesota, Department of Public Safety Performance Goals

Identified deficiencies and areas requiring corrective action.

This performance measure serves as an indicator of the state's ability to provide reasonable assurance that it can protect the health and safety of the residents near the nuclear generating plants. 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 required annual full-scale exercise. During the exercise, the state, participating local governments, and the utility must successfully demonstrate that all criteria have been met. The federal observers who are onsite in the SEOC and at other locations evaluate the performance of all exercise participants. The federal evaluators watch for areas requiring corrective action (ARCAs) and deficiencies. Deficiencies are more serious, because they indicate that the state may not be able to adequately carry out a specific emergency response function.

Two nuclear power plant drills and two exercises, one of which must be full-scale, are held each year, with the goal of receiving no exercise deficiencies.

Recent record of performance during annual full-scale federally evaluated exercises:

Year	Date of Drill	Date of Exercise	ARCAs	Deficiencies
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
2009	July 8–9	August 18–19	5	0

Activity Funding

This activity is funded by the Nuclear Safety Preparedness Account in the special revenue fund. Assessments are levied on operators of Minnesota nuclear power plants and dry cask storage facilities. As required by M.S. 12.14, assessments are levied on operators of Minnesota nuclear power plants and dry cask storage facilities to cover the cost of related emergency response programs.

Contact

Homeland Security Emergency Management

Phone: (651) 201-7400

Web site: <http://www.hsem.state.mn.us>

PUBLIC SAFETY DEPT**Program: HOMELAND SECURITY & EMERG MGMT**

Activity: NUCLEAR PLANT PREPAREDNESS

Budget Activity Summary

<i>Dollars in Thousands</i>					
	Current		Governor's Recomm.		Biennium
	FY2010	FY2011	FY2012	FY2013	2012-13
<u>Expenditures by Fund</u>					
Statutory Appropriations					
Miscellaneous Special Revenue	2,582	2,978	4,267	4,246	8,513
Total	2,582	2,978	4,267	4,246	8,513
<u>Expenditures by Category</u>					
Total Compensation	527	791	886	920	1,806
Other Operating Expenses	473	421	709	834	1,543
Local Assistance	1,582	1,766	2,672	2,492	5,164
Total	2,582	2,978	4,267	4,246	8,513
Full-Time Equivalents (FTE)	6.8	9.5	10.5	10.5	

Activity at a Glance

- Approximately 6,000 facilities are subject to the EPCRA reporting requirements and are included in the Minnesota EPCRA program database
- Approximately \$1.3 million in fees is collected during a two-year time period

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. The program is designed to help communities deal safely and effectively with the numerous hazardous chemicals used in our society. The law imposes a number of requirements on business and government intended to improve emergency planning for hazardous chemicals in their community.

Population Served

The entire population of Minnesota is served by the Minnesota EPCRA program, as all Minnesotans depend on state and local first responders (firefighters, law enforcement, and emergency medical services personnel) to have the information they need to protect the public in the event of a hazardous chemical incident. The EPCRA program enables the general public, the legislature, and regulatory and public health agencies to know where and what hazardous materials are used in Minnesota facilities, the quantity of those materials, and whether the use of those materials is increasing or decreasing. The program permits local first responders to obtain specific information about the hazardous chemicals at each facility in their communities.

Services Provided

Principal Minnesota EPCRA program activity services include:

- Maintaining a database of current information about hazardous materials used, stored, and released into the environment by facilities;
- Disseminating information to the public and to first responders about hazardous materials stored, used, and released into the environment;
- Ensuring that local emergency managers have information they need about hazardous chemicals used and stored in the facilities in their communities so that they can prepare and update 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

EPCRA was enacted in response to a deadly toxic chemical release in Bhopal, India, that resulted in many fatalities. Both federal and state law contain provisions 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 established an online system that permits local government first responder personnel to easily obtain this information in a timely manner. EPCRA program staff has promoted the use of this system, while taking reasonable precautions to limit access to hazardous materials storage information by those who may have criminal intent.

Key Activity Goals & Measures

Coordinate homeland security and emergency preparedness for Minnesotans.

Accountability Minnesota, Department of Public Safety Performance Goals

Facility reporting compliance

For the 2009 reporting year, 94% of facilities filed the required Tier Two report before receiving a final notice. An additional 5% responded after receiving a final notice. Approximately 91% filed the required Toxic Release Inventory report initially. After receiving a reminder, another 8% responded. A compliance letter was sent to the remainder. This performance measure indicates the effectiveness of compliance efforts by the division.

Public Safety Department

Program: HOMELAND SECURITY & EMERGENCY MANAGEMENT

Activity: COMMUNITY RIGHT TO KNOW ACT

Narrative

Tier Two

Chemicals Stored

Reporting year	Reporting Facilities
2005	5974
2006	5411
2007	6142
2008	6289
2009	6228

Toxic Release Inventory

Annual chemical emissions and waste

Reporting year	Reporting Facilities
2004	412
2005	421
2006	419
2007	433
2008	431

Activity Funding

The Minnesota EPCRA program generates revenue from fees that are assessed on facilities that use, store, or release hazardous materials. This activity is funded with a combination of general fund and environmental fund appropriations.

Contact

Homeland Security and Emergency Management
(651) 201-7400
www.epcra.state.mn.us

PUBLIC SAFETY DEPT

Program: HOMELAND SECURITY & EMERG MGMT

Activity: COMMUNITY RIGHT TO KNOW ACT

Budget Activity Summary

<i>Dollars in Thousands</i>					
	Current		Governor's Recomm.		Biennium
	FY2010	FY2011	FY2012	FY2013	2012-13
<u>Expenditures by Fund</u>					
Direct Appropriations					
General	274	297	296	296	592
Environmental	69	69	69	69	138
Total	343	366	365	365	730
<u>Expenditures by Category</u>					
Total Compensation	277	276	278	285	563
Other Operating Expenses	66	90	87	80	167
Total	343	366	365	365	730
Full-Time Equivalents (FTE)	3.8	3.8	3.8	3.8	

Budget Activities

This program includes the following budget activities:

- Forensic Science Services
- MN 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
	FY2010	FY2011	FY2012	FY2013	2012-13
<u>Direct Appropriations by Fund</u>					
General					
Current Appropriation	40,881	40,345	40,345	40,345	80,690
Technical Adjustments					
Approved Transfer Between Appr			300	300	600
Operating Budget Reduction			(106)	(106)	(212)
Subtotal - Forecast Base	40,881	40,345	40,539	40,539	81,078
Total	40,881	40,345	40,539	40,539	81,078
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
Trunk Highway					
Current Appropriation	1,941	1,941	1,941	1,941	3,882
Subtotal - Forecast Base	1,941	1,941	1,941	1,941	3,882
Total	1,941	1,941	1,941	1,941	3,882
<u>Expenditures by Fund</u>					
Direct Appropriations					
General	39,527	42,234	40,539	40,539	81,078
State Government Spec Revenue	3	11	7	7	14
Trunk Highway	1,925	1,957	1,941	1,941	3,882
Statutory Appropriations					
General	11	15	15	15	30
Miscellaneous Special Revenue	8,031	9,450	7,685	7,743	15,428
Federal	3,366	5,150	1,635	399	2,034
Federal Stimulus	482	598	0	0	0
Gift	38	19	4	4	8
Total	53,383	59,434	51,826	50,648	102,474

PUBLIC SAFETY DEPT

Program: CRIMINAL APPREHENSION

Program Summary

<i>Dollars in Thousands</i>					
	Current		Governor Recomm.		Biennium
	FY2010	FY2011	FY2012	FY2013	2012-13
<u>Expenditures by Category</u>					
Total Compensation	29,642	32,294	31,488	31,897	63,385
Other Operating Expenses	23,695	26,915	20,338	18,751	39,089
Local Assistance	46	225	0	0	0
Total	53,383	59,434	51,826	50,648	102,474
<u>Expenditures by Activity</u>					
Forensic Science Service	14,567	19,241	15,635	14,756	30,391
Mn Justice Information Service	23,764	23,396	21,128	21,067	42,195
Criminal Investigations	13,514	14,444	12,859	12,630	25,489
Police Training & Development	743	694	629	603	1,232
Criminal Apprehension Support	795	1,659	1,575	1,592	3,167
Total	53,383	59,434	51,826	50,648	102,474
Full-Time Equivalents (FTE)	350.6	366.9	363.4	360.9	

PUBLIC SAFETY DEPT

Program: CRIMINAL APPREHENSION

Activity: FORENSIC SCIENCE SERVICE

Narrative

Activity at a Glance

In FY 2010:

- Served 548 law enforcement agencies
- Served all 87 Minnesota counties
- 21,673 examined cases
- 357 court appearances
- 100 crime scene responses
- 9,428 DNA offender samples received

Activity Description

The 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 preservation of physical evidence.

Population Served

BCA laboratories serve the entire criminal justice community in Minnesota. The labs also collaborate with the Federal Bureau of Investigation (FBI) and other federal law enforcement agencies. The citizens of the state are served by the lab's contribution in solving crime, convicting the guilty and exonerating the innocent.

Services Provided

The BCA operates two forensic science laboratories: a full service lab in St. Paul and a regional lab in Bemidji. Scientists in St. Paul analyze evidence in the areas of drug identification, trace evidence (including arson), firearms and tool marks, latent fingerprints, documents, toxicology, nuclear DNA and mitochondrial DNA. Bemidji sections include drugs, latent fingerprints, firearms, and nuclear DNA. Scientists also provide expert witness testimony at trial related to their examinations.

Crime scene processing services are provided by scientists for the collection of physical evidence from homicides and officer involved shootings throughout the state. Teams from both Saint Paul and Bemidji are on-call 24 hours a day to respond to requests for assistance.

The BCA Lab operates a statewide Driving While Impaired (DWI) testing program. There are 258 breath alcohol testing instruments maintained at 200 law enforcement agency locations throughout the state. The BCA Lab trains and certifies all officers who operate these instruments. There were 16,991 tests run in FY 2010. In addition, the lab analyzes blood and urine samples for alcohol and drug levels for DWI cases in the state (13,643 cases).

The BCA lab maintains a DNA offender database called CODIS (Combined DNA Index System). The database has over 105,000 DNA offender profiles. The database is used to search DNA profiles obtained from blood and semen specimens recovered from crime scenes. The state database is connected to the national offender database maintained by the FBI, NDIS (National DNA Index System) includes 8.5 million offenders from all 50 states. The Lab also maintains a cartridge case database through a cooperative agreement with the ATF. The system, NIBIN (National Integrated Ballistic Identification Network), is used to link firearms related cases. Image capture stations are located at the BCA in Saint Paul, the Minneapolis Police Department, and the Hennepin County Sheriffs' Office. Finally, the 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 Minnesota Justice Information Services (MNJIS).

Laboratory scientists are instructors for courses hosted by the BCA Training Unit on the collection of physical evidence from crime scenes, basic and advanced latent fingerprinting, arson investigation, and drug investigation.

Historical Perspective

The BCA laboratories are accredited through the American Society of Crime Laboratory Directors / Laboratory Accreditation Board (ASCLD/LAB). This ISO based accreditation is one part of a laboratory's quality assurance program, which 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.

PUBLIC SAFETY DEPT

Program: CRIMINAL APPREHENSION

Activity: FORENSIC SCIENCE SERVICE

Narrative

Through a partnership with the FBI Laboratory, the BCA established a regional mitochondrial DNA laboratory. The FBI provides funding and cases are submitted through them from anywhere in the country (25% are from Minnesota). Mitochondrial DNA is the technique used for degraded samples such as skeletal remains or for samples such as hair that do not contain nuclear DNA. In 2009 a second FBI funded partnership established a missing persons DNA laboratory to perform nuclear DNA testing, again on cases submitted through the FBI from anywhere in the country.

DNA case submissions have increased 56% in the last five years. This is a result of the reliance of the criminal justice system to identify subjects using DNA as well as the ability of BCA scientists to identify smaller levels of DNA. It is now possible to detect DNA from an object handled by an individual. Sometimes referred to as "touch" DNA, this has expanded the scope of cases that can be solved using DNA.

Blood and urine alcohol analysis related to Driving Under the Influence (DWI) cases have increased 129% in the last five years. Due in large part to legal challenges to the Intoxilyzer (the evidentiary breath alcohol testing instrument approved for use in Minnesota), the "source code" issue has resulted in fewer breath alcohol testing in the field (down about 40% in the last two years).

Forensic laboratory analysis is often an essential element in determining if a crime has been committed, identifying or exonerating suspects and tying individuals to the scenes of crimes.

Key Activity Goals & Measures

- Minnesota Milestones statewide goals — Our communities will be safe (<http://server.admin.state.mn.us/mm/goal.html>).
- Department of Public Safety Performance Report, August 1, 2009 — Additional measures can be found at: <http://www.dps.state.mn.us/Docs/DPSPPerformanceSynopsis.pdf>.
- Forensic Laboratory Advisory Board — Forensic Analysis Processing Time Period Guidelines <http://www.bca.state.mn.us/ForensicLabAdvisoryBoard/Documents/AanalysisGuidelines6-29-07.pdf>.

Key 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 55% in FY 2010 to 75% in FY 2011

	<u>FY 2010</u>	<u>FY 2011 Goal</u>
0-7 days	12%	15%
8-14 days	17%	25%
15-30 days	<u>26%</u>	<u>35%</u>
	55%	75%

Database hits. The goal is to increase the number of subjects identified through the DNA database to successfully prosecute previously unsolved crimes.

<u>Database</u>	<u>FY 2010</u>	<u>FY 2011 Goal</u>
DNA (CODIS)	549	600

Activity Funding

This activity is funded by general fund appropriations, special revenue, trunk highway and federal funds.

Contact

Frank Dolejsi, Director, Forensic Laboratory

Phone: (651) 793-0700

Web site: <http://www.dps.state.mn.us/bca/lab/documents/Lab-Intro.html>

PUBLIC SAFETY DEPT

Program: CRIMINAL APPREHENSION

Activity: FORENSIC SCIENCE SERVICE

Budget Activity Summary

<i>Dollars in Thousands</i>					
	Current		Governor's Recomm.		Biennium
	FY2010	FY2011	FY2012	FY2013	2012-13
<u>Expenditures by Fund</u>					
Direct Appropriations					
General	9,600	11,310	10,325	10,325	20,650
Trunk Highway	1,925	1,957	1,941	1,941	3,882
Statutory Appropriations					
Miscellaneous Special Revenue	1,919	2,790	2,469	2,490	4,959
Federal	1,123	3,183	900	0	900
Gift	0	1	0	0	0
Total	14,567	19,241	15,635	14,756	30,391
<u>Expenditures by Category</u>					
Total Compensation	8,658	9,340	9,154	9,214	18,368
Other Operating Expenses	5,909	9,901	6,481	5,542	12,023
Total	14,567	19,241	15,635	14,756	30,391
Full-Time Equivalents (FTE)	107.4	115.4	111.9	110.3	

Activity at a Glance

- Received more than 128,000 fingerprint submissions in 2009, more than 98% were submitted via the 196 electronic fingerprinting devices statewide (Livescans)
- Deployed the new electronic charging service (eCharging) in ten counties
- Provided positive identification on individuals back to criminal justice agencies in an average of 2.5 minutes - ten years ago it took six weeks
- Conducted over 338,000 background checks (both mandated by statute and by informed consent) in 2009
- Provided domestic abuse no contact orders and corresponding photos to law enforcement through the MNJIS hot files
- Maintained records on more than 22,500 registered predatory offenders
- Conducted over 600 audits of criminal justice agencies in the past three years
- Processed just under two million queries to the state's criminal history system in 2009
- Consolidated 11 different customer agreements into one master customer agreement
- Met the legislative target of 10% for the number of "suspense" records (court dispositions not matched to a fingerprint; therefore, not appearing on a subject's criminal history)

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.

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, predatory offender, wanted persons, and orders for protection databases, which provide key information for use by criminal justice agencies. MNJIS staff collect and compile crime data (including crimes, law enforcement officers killed or assaulted in action, shots fired, pursuits, and bias-motivated crimes) 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 BCA's Internet site.
- *Information Integration* – MNJIS provides analysis and recommendations that help agencies manage and share information. 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 needed information. These agencies also look to MNJIS to acquire capabilities necessary to share information electronically. MNJIS also tracks integration-related activities in local agencies so others can learn from their experiences.

PUBLIC SAFETY DEPT

Program: CRIMINAL APPREHENSION

Activity: MN JUSTICE INFORMATION SERVICE

Narrative

- *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

Historically, the Department of Public Safety – via the Bureau of Criminal Apprehension (BCA) – has supported the statewide, technical infrastructure for criminal justice information (serving as the link between local, state and federal criminal justice agencies). Over the years, the BCA built many of the applications that filled the gaps identified in criminal justice information. In the early 2000s, the BCA took on a major role in the state's strategic vision for information integration and information sharing – this vision known as CriMNet. The technical infrastructure and related services was provided by the Criminal Justice Information Systems (CJIS) unit at the BCA while the integration effort was provided by the CriMNet Program Office at the BCA.

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 and 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 result has been that MNJIS is 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, business services, and technical infrastructure). A new governance structure provides defined and replicable decision-making and prioritization processes.

The newly combined MNJIS unit continues to enact the priorities established by the Criminal and Juvenile Justice Information Policy Group (Policy Group) and the Criminal and Juvenile Justice Information Task Force (under the direction provided in M.S. 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 is at the core of that process.

Key Activity Goals & Measures

See Activities at a Glance for data on activities during 2009. The following are the key goals as determined and approved by the Policy Group for the 2012-2013 biennium.

1. Develop a long-term strategic plan for MNJIS.
 - Continue developing and implementing comprehensive goals and measures for all service areas of MNJIS.
2. Continue deploying of statewide eCharging. This is an electronic service to move charging-related documents from law enforcement to prosecution to the Courts (replacing the manual, paper process).
 - Connect an additional 48 counties;
 - Save approximately 45 minutes per criminal complaint in staff time; and
 - Save approximately 30 minutes per DWI arrest in staff time.
3. Continue deploying and implementing the statewide Comprehensive Incident-Based Reporting System (CIBRS). CIBRS receives incident information from law enforcement agencies in Minnesota and shares that information statewide for criminal investigative and other authorized purposes.
 - Connect an additional 100 law enforcement agencies;
 - Receive incident data from Minneapolis and St. Paul; and
 - Add over 500,000 records per year to CIBRS.
4. Continue developing and implementing the Name Event Index Service (NEIS). This index links critical criminal justice name and event data from multiple source systems.
 - Integrate the index with the statewide interface for criminal justice information (Integrated Search Service); and

PUBLIC SAFETY DEPT

Program: CRIMINAL APPREHENSION

Activity: MN JUSTICE INFORMATION SERVICE

Narrative

- Populate the index with historical courts, supervision/corrections, predatory offender, arrest/booking photo and criminal history data from 2000 forward.

Activity Funding

This activity is funded by general fund appropriations, special revenue and federal funds.

Contact

Dave Johnson

Executive Director, Minnesota Justice Information Services (MNJIS)

Phone: (651) 793-1015

Web site: <http://www.bca.state.mn.us>

PUBLIC SAFETY DEPT

Program: CRIMINAL APPREHENSION

Activity: MN JUSTICE INFORMATION SERVICE

Budget Activity Summary

<i>Dollars in Thousands</i>					
	Current		Governor's Recomm.		Biennium
	FY2010	FY2011	FY2012	FY2013	2012-13
<u>Expenditures by Fund</u>					
Direct Appropriations					
General	17,346	17,534	17,232	17,232	34,464
Statutory Appropriations					
General	11	15	15	15	30
Miscellaneous Special Revenue	4,426	4,573	3,789	3,820	7,609
Federal	1,499	676	92	0	92
Federal Stimulus	482	598	0	0	0
Total	23,764	23,396	21,128	21,067	42,195
<u>Expenditures by Category</u>					
Total Compensation	10,261	11,527	11,603	11,829	23,432
Other Operating Expenses	13,503	11,869	9,525	9,238	18,763
Total	23,764	23,396	21,128	21,067	42,195
Full-Time Equivalents (FTE)	120.0	129.4	133.7	133.1	

PUBLIC SAFETY DEPT

Program: CRIMINAL APPREHENSION

Activity: CRIMINAL INVESTIGATIONS

Narrative

Activity at a Glance

- Criminal investigative services provided to law enforcement agencies throughout the state including 87 sheriffs departments and over 400 police departments
- The BCA is the statewide Commander for the Minnesota Internet Crimes Against Children Task Force
- In FY 2009 the ICAC Unit handled over 200 Cybertips reporting child pornography or online sexual solicitation from the National Center for Missing and Exploited Children

Activity Description

The BCA provides 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 resolution. 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, enhances photographs of missing children using age progression techniques, and draws composite sketches of suspects. Assistance in support of investigations throughout the state includes advanced surveillance equipment and techniques, forensic computer examinations, cell phone tracking, and video enhancement.

The **Special Investigations Unit** primarily conducts investigations of upper-level, interstate and international drug trafficking organizations operating within the state. They coordinate their investigative activities with federal, regional, and local narcotics task forces, along with state and federal prosecutors. Agents in this unit also conduct other proactive investigations (murder for hire, identity theft, juvenile prostitution) and assist with major reactive investigations, such as kidnappings, homicides and missing persons.

The **St. Paul Regional Office (SPRO)** investigates murders, sexual assaults, robberies, kidnappings, missing persons and other violent crimes throughout the southern half of the state. The **Bemidji Regional Office (BRO)** provides the same investigative services to the northern half of the state. Both offices provide experienced investigators, along with technical and crime scene assistance to local agencies. A primary duty of both SPRO and BRO is the investigation of officer-involved shootings, particularly in greater Minnesota.

The **Crimes Against a Person Section** directs the Predatory Offender Investigation (POI) Unit, Predatory Offender Registration (POR) Unit and the Internet Crimes Against Children (ICAC) Unit. The POR unit manages the daily registration documents for predatory offenders and administers the statewide database as well as the non-compliant database. The POI unit tracks non-compliant predatory offenders throughout the state of Minnesota. POI works directly with local agencies and the U.S. Marshal's Service in tracking non-compliant offenders, and provides training to local officers to educate them on the registration requirements. The Internet Crimes Against Children unit investigates the online solicitation and exploitation of children. This section conducts both covert (undercover), and reactive investigations to protect children from becoming victims of child pornography, and sexual assault. ICAC works closely with federal, state, and local criminal justice agencies to locate and prosecute child predators. In 2010, the BCA was awarded the statewide ICAC grant and now oversees the operations of over seventy local affiliates. The BCA Statewide ICAC Commander is responsible for the training, equipment, and forensic needs of the affiliates.

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 deaths, 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 over 16,000 registered predatory offenders. All registration records are immediately accessible online to local law enforcement agencies throughout the state.
- In 2007, the Commissioner of Public Safety transferred the oversight of the Minnesota Joint Analysis Center (MNJAC) to the BCA. The MNJAC is comprised of analysts from state, county, and municipal agencies, and is supervised by a BCA Commander. This is Minnesota's designated fusion center, which collects, evaluates, analyzes, and disseminates information regarding criminal, terrorist, and all-hazards activity in Minnesota. MNJAC provides a state-based point of contact to coordinate information sharing between federal, state, and local agencies.
- In 2008, the Minnesota Financial Crimes Task Force (MNFCTF) was reorganized by the Commissioner of Public Safety. As a result of this reorganization, the BCA assumed a more prominent role on the MNFCTF. The BCA now provides the Commander for the task force, along with a Senior Special Agent, Special Agent, Analyst and clerical staff. This unit is comprised of federal, state, and local investigators who work major fraud, theft, and identity theft cases. These long term multijurisdictional investigations most often result in federal prosecutions.

Key Activity Goals & 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. 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.
- 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 over 16,000 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.
- 2010 awarding of the statewide ICAC grant to the BCA allows for the coordination of the investigations, training and technical expertise necessary to protect children throughout Minnesota from on-line predators.

Activity Funding

This activity is funded by general fund appropriations, special revenue funds, and federal funds.

Contact

Dave Bjerga, Assistant Superintendent

Phone: (651) 793-1110

Website: <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
	FY2010	FY2011	FY2012	FY2013	2012-13
<u>Expenditures by Fund</u>					
Direct Appropriations					
General	11,279	11,350	11,022	11,031	22,053
Statutory Appropriations					
Miscellaneous Special Revenue	1,491	1,802	1,194	1,200	2,394
Federal	744	1,291	643	399	1,042
Gift	0	1	0	0	0
Total	13,514	14,444	12,859	12,630	25,489
<u>Expenditures by Category</u>					
Total Compensation	9,848	9,846	9,219	9,323	18,542
Other Operating Expenses	3,620	4,373	3,640	3,307	6,947
Local Assistance	46	225	0	0	0
Total	13,514	14,444	12,859	12,630	25,489
Full-Time Equivalents (FTE)	113.0	100.2	95.8	95.5	

PUBLIC SAFETY DEPT

Program: CRIMINAL APPREHENSION

Activity: POLICE TRAINING & DEVELOPMENT

Narrative

Activity at a Glance

- 160 criminal justice courses offered to 3,844 students in FY 2010
- Over 2,000 Crime Alerts were sent using the Minnesota Crime Alert Network and one AMBER Alert issued through the Network in 2010
- Leadership in Police Organization and Law Enforcement Management Programs
- Internet Safety Education Kits distributed to every school in Minnesota

Activity Description

The BCA's Criminal Justice Training and Education (CJTE) Unit provides training to local law enforcement and criminal justice partners throughout the state. Training topics include: homicides, sexual assaults, narcotics, clandestine lab entry certification, arson investigation, specialized investigative techniques, crime alert network certification, evidence collection, missing persons response, criminal justice information, crime scene, evidence collection, intoxilyzer and law enforcement management and leadership programs. This unit's activities include several collaborations with other state agencies, federal law enforcement, investigative associations, and advocacy groups.

BCA Drug Abuse Resistance Education (D.A.R.E.) training prepares officers to teach elementary and junior high school children effective strategies to build students' self-esteem, knowledge on avoiding drug abuse, the consequences of abuse, and the skills for resisting peer pressure. This program holds one training certification program per year.

The Minnesota Crime Watch Program works closely with local law enforcement agencies to provide technical and essential resources in regards to prevention programs. Crime Watch also provides specialized training to crime prevention specialists throughout the state and assists in statewide programs (Crime Free Multi Housing, National Night Out and Minnesota Night to Unite).

The Missing and Unidentified Persons Clearinghouse offers resources to law enforcement and families who have a missing person(s) case. This program is responsible for tracking all missing and unidentified persons cases and training local law enforcement agencies. The Clearinghouse serves as the statewide contact for the National Center for Missing & Exploited Children.

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. Over 10,000 businesses and every law enforcement agency in Minnesota participates in this program. MCAN is also the communication system that alerts the state about an AMBER Alert.

Population Served

BCA CJTE 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, Internet Safety and Crime Watch Programs, and Crime Alert Network.

Services Provided

Specific services include specialized training courses and conferences, printed educational materials in the areas of narcotics and crime prevention, crime prevention video lending library, an online training system, class schedule posted online, and a web-based crime alert system. CJTE 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

There have been significant changes recently to the CJTE Unit. The BCA has reorganized its training bureau-wide to bring one consolidated training approach to the state's criminal justice community to provide cost effective, state of the art external training. Additional changes have come in the form of technology advances and the ability to host large classes at the bureau's headquarters and taking training outstate to reduce travel costs for

PUBLIC SAFETY DEPT

Program: CRIMINAL APPREHENSION

Activity: POLICE TRAINING & DEVELOPMENT

Narrative

local agencies. 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 & 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). 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);
- Raise the evaluation rating for courses offered by CJTE (average was 8.5 in FY 2010 on a scale of 1-10);
- 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 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; and
- 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 general fund appropriations and special revenue funds. A significant 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 AMBER Alert activations.

Contact

Janell Rasmussen, Director – Division of Administrative Services

Phone: (651) 793-7000

Web site: <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
	FY2010	FY2011	FY2012	FY2013	2012-13
<u>Expenditures by Fund</u>					
Direct Appropriations					
General	552	514	478	452	930
State Government Spec Revenue	3	11	7	7	14
Statutory Appropriations					
Miscellaneous Special Revenue	150	152	140	140	280
Gift	38	17	4	4	8
Total	743	694	629	603	1,232
<u>Expenditures by Category</u>					
Total Compensation	267	195	154	156	310
Other Operating Expenses	476	499	475	447	922
Total	743	694	629	603	1,232
Full-Time Equivalents (FTE)	3.7	2.5	2.5	2.5	

PUBLIC SAFETY DEPT

Program: CRIMINAL APPREHENSION

Activity: CRIMINAL APPREHENSION SUPPORT

Narrative

Activity at a Glance

- Serves 1,400 Criminal Justice Agencies
- Develop and Implement agency Work Force Plan
- Manages the BCA Disabled Employee Project
- Works on partnerships to support funding for critical initiatives

Activity Description

Senior management set policy and provide leadership and managerial support to the 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.

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, Minnesota Public Defenders, Innocence Project of Minnesota, 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 sections. BCA Support administers the Extraordinary Investigation 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 & 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). 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 ongoing; and
- 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 general fund appropriations and special revenue funds.

Contact

Tim O'Malley, Superintendent

Phone: (651) 793-1020

Janell Rasmussen, Administrative Services Director

Phone: (651) 793-1106

Web site: <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
	FY2010	FY2011	FY2012	FY2013	2012-13
<u>Expenditures by Fund</u>					
Direct Appropriations					
General	750	1,526	1,482	1,499	2,981
Statutory Appropriations					
Miscellaneous Special Revenue	45	133	93	93	186
Total	795	1,659	1,575	1,592	3,167
<u>Expenditures by Category</u>					
Total Compensation	608	1,386	1,358	1,375	2,733
Other Operating Expenses	187	273	217	217	434
Total	795	1,659	1,575	1,592	3,167
Full-Time Equivalents (FTE)	6.5	19.4	19.5	19.5	

Budget Activities

This program includes the following budget activities:

- Fire Prevention and Inspection
- Fire Safety Account

PUBLIC SAFETY DEPT
Program: FIRE MARSHAL

Program Summary

<i>Dollars in Thousands</i>					
	Current		Governor Recomm.		Biennium
	FY2010	FY2011	FY2012	FY2013	2012-13
<u>Direct Appropriations by Fund</u>					
Miscellaneous Special Revenue					
Current Appropriation	15,025	13,725	8,125	8,125	16,250
Subtotal - Forecast Base	15,025	13,725	8,125	8,125	16,250
Governor's Recommendations					
Fire Safety Account Transfer		0	2,633	2,633	5,266
Transfer of Health Insurance Reimb.		0	1,367	1,367	2,734
Total	15,025	13,725	12,125	12,125	24,250
<u>Expenditures by Fund</u>					
Direct Appropriations					
General	5	223	0	0	0
Miscellaneous Special Revenue	3,590	5,247	10,655	10,655	21,310
Statutory Appropriations					
Miscellaneous Special Revenue	1,488	1,697	1,697	1,697	3,394
Total	5,083	7,167	12,352	12,352	24,704
<u>Expenditures by Category</u>					
Total Compensation	3,868	4,566	4,537	4,537	9,074
Other Operating Expenses	1,215	2,226	1,447	1,447	2,894
Payments To Individuals	0	0	1,367	1,367	2,734
Local Assistance	0	375	0	0	0
Transfers	0	0	5,001	5,001	10,002
Total	5,083	7,167	12,352	12,352	24,704
<u>Expenditures by Activity</u>					
Fire Prevention & Inspection	5,083	6,967	5,984	5,984	11,968
Fire Safety Account	0	200	6,368	6,368	12,736
Total	5,083	7,167	12,352	12,352	24,704
Full-Time Equivalents (FTE)	48.7	52.4	53.1	53.1	

PUBLIC SAFETY DEPT

Program: FIRE MARSHAL

Activity: FIRE PREVENTION & INSPECTION

Narrative

Activity at a Glance

- Fire arson investigators were called to 424 fire scenes and provided an additional 94 consultations in CY 2009. There were 110 cases determined to be arson.
- SFM inspection teams completed 3,338 initial and 1,912 follow up inspections in CY 2009. These inspections found 11,861 state and 1,169 federal (health care) violations.
- There were 35 fire deaths in CY 2009, the lowest death total on record. Of those deaths, 24 (69%) were in residential dwellings
- There were 690 sprinkler plan reviews and 345 system inspections conducted during CY 2009
- There were 1,005 FSC cigarette brand styles certified for sale

Activity Description

The State Fire Marshal Division (SFM) protects lives and property by fostering a fire safe environment through investigation, enforcement, regulation, emergency response, 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** – SFM assists local fire and law enforcement agencies with the origin and cause investigation of fatal and/or serious injury fires, arson, and large dollar loss fires, and provides investigation training to local fire and law enforcement personnel.
- **Inspections** – SFM is responsible for conducting inspections of hotels, motels, daycares, schools, hospitals, nursing homes, group homes, foster care

facilities, state and local correctional facilities, and other places of assembly. 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 regulates the fire sprinkler protection industry through licensing and/or certification of contractors and sprinkler fitters, reviews system design plans, issues work permits and conducts inspections to ensure that contractors and designers of automatic fire protection systems are correctly designing and installing fire sprinkler systems.
- **Public Fire Safety Education** – SFM works with local fire authorities, state professional organizations, private groups, and other state agencies to reduce the devastating impacts of fire. The program serves as an information clearinghouse, facilitates fire prevention activities, and provides fire safety training in conjunction with state conferences, fire schools and other venues.
- **Minnesota Fire Incident Reporting System (MFIRS)** –The fire/data analysis team collects and analyzes over 215,000 incident reports annually and provides technical assistance to all Minnesota fire departments. There were 97% of Minnesota's fire departments that reported in MFIRS in 2009.
- **Fireworks** – SFM enforces public fireworks display statutes, certifies public display fireworks operators, and investigates incidents which result in significant violations, injuries and / or property damage.
- **Explosives** – SFM licenses persons who manufacture, assemble, warehouse, or store explosives or blasting agents for purposes of wholesale or retail sale. Users of explosives or blasting agents are required to be licensed or obtain a permit issued by the local sheriff or chief of police. The SFM coordinates the permit process.
- **Fire Standard Compliant (FSC) Cigarette Program** – Manufacturers must obtain certificates of compliance with statutory requirements before offering cigarettes for sale in Minnesota. Recertification is required every three years. Inspections of wholesale and retail outlets are conducted to confirm compliance.
- **State Fire Code** – SFM develops, adopts, implements and interprets the Minnesota State Fire Code. Code training is provided to local fire and building officials, contractors, engineers, and architects.

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 ½ 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

PUBLIC SAFETY DEPT

Program: FIRE MARSHAL

Activity: FIRE PREVENTION & INSPECTION

Narrative

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 is funded by an interagency agreement between the Department of Health and SFM that has been 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 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.

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 established an inspection fee based on the number of sleeping rooms in a facility. Facilities with 35 rooms or less, and resorts classified as 1-C (property tax designation), were exempted from the fee. Inspections are mandated 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.

Fire Standard Compliant (FSC) Cigarette Program – Legislation effective December 1, 2008 requires all cigarettes sold in Minnesota to be in compliance with Minnesota's FSC statute. Manufacturers pay a fee of \$250 per brand style. As of August 1, 2010, SFM has certified 1,005 brand styles. Certification is valid for three years. Compliance is ensured through inspections of wholesale and retail outlets.

Key Activity Goals & Measures

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."
- **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 10%.
- **Number of fire departments reporting data to the Minnesota Fire Incident Reporting System (MFIRS).** Increase local fire department MFIRS participation to 99% in the next biennium. (In 2009, 97% of Minnesota's 785 fire departments reported.) This goal will be accomplished through continued promotion of the free SFM Web based on-line incident reporting system.
- **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.
- **Increase opportunities to share fire prevention information.** Conduct a conference designed to inform and educate local fire authorities and other public safety stakeholders about the importance of fire prevention and provide resources for conducting local programs.
- **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.

PUBLIC SAFETY DEPT

Program: FIRE MARSHAL

Activity: FIRE PREVENTION & INSPECTION

Narrative

Activity Funding

This activity is funded by a mixture of special revenue funds. The SFM conducts five separate programs from special revenue funds in FY 2010: schools, daycare, health care facilities, and hotel / motel inspections, and the fire standard compliant cigarette program.

Contact

Jerry Rosendahl - State Fire Marshal

Phone: (651) 201-7201

Web: <http://www.fire.state.mn.us>

PUBLIC SAFETY DEPT**Program: FIRE MARSHAL**

Activity: FIRE PREVENTION & INSPECTION

Budget Activity Summary

<i>Dollars in Thousands</i>					
	Current		Governor's Recomm.		Biennium
	FY2010	FY2011	FY2012	FY2013	2012-13
<u>Expenditures by Fund</u>					
Direct Appropriations					
General	5	223	0	0	0
Miscellaneous Special Revenue	3,590	5,047	4,287	4,287	8,574
Statutory Appropriations					
Miscellaneous Special Revenue	1,488	1,697	1,697	1,697	3,394
Total	5,083	6,967	5,984	5,984	11,968
<u>Expenditures by Category</u>					
Total Compensation	3,868	4,566	4,537	4,537	9,074
Other Operating Expenses	1,215	2,226	1,447	1,447	2,894
Local Assistance	0	175	0	0	0
Total	5,083	6,967	5,984	5,984	11,968
Full-Time Equivalents (FTE)	48.7	52.4	53.1	53.1	

PUBLIC SAFETY DEPT

Program: FIRE MARSHAL

Activity: FIRE SAFETY ACCOUNT

Narrative

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

Activity Description

The 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 through the improvement in services provided by the fire service entities that 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 Minnesota 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 1980's the tax was redirected to the General Fund.

Key Activity Goals & Measures

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."

This new account was established as of 7-1-07. Funds were deposited in the account, on a quarterly basis, beginning in FY 2008 and 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.

	FY 2009	FY 2010*
Total Resources (Including Balance Forward)	\$14,210,357	\$16,636,614
Transfer to General Fund	4,268,000	9,168,000
Transfer to State Fire Marshal	4,387,250	4,287,000
Transfer to Homeland Security and Emergency Management	0	604,000
Transfer to Firefighter Training and Education Board	1,083,629	1,470,000
Total Transfers	\$9,738,879	\$15,529,000

**FY 2010 totals are projections*

Contact

The commissioner of Public Safety can be contacted for additional information on this activity, at (651) 201-7160.

PUBLIC SAFETY DEPT**Program: FIRE MARSHAL**

Activity: FIRE SAFETY ACCOUNT

Budget Activity Summary

<i>Dollars in Thousands</i>					
	Current		Governor's Recomm.		Biennium
	FY2010	FY2011	FY2012	FY2013	2012-13
<u>Expenditures by Fund</u>					
Direct Appropriations					
Miscellaneous Special Revenue	0	200	6,368	6,368	12,736
Total	0	200	6,368	6,368	12,736
<u>Expenditures by Category</u>					
Payments To Individuals	0	0	1,367	1,367	2,734
Local Assistance	0	200	0	0	0
Transfers	0	0	5,001	5,001	10,002
Total	0	200	6,368	6,368	12,736

Budget Activities

This program includes the following 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
	FY2010	FY2011	FY2012	FY2013	2012-13
<u>Direct Appropriations by Fund</u>					
General					
Current Appropriation	3,150	3,162	3,162	3,162	6,324
Technical Adjustments					
One-time Appropriations			(12)	(12)	(24)
Operating Budget Reduction			(5)	(5)	(10)
Subtotal - Forecast Base	3,150	3,162	3,145	3,145	6,290
Total	3,150	3,162	3,145	3,145	6,290
Trunk Highway					
Current Appropriation	79,389	78,998	78,998	78,998	157,996
Technical Adjustments					
Current Law Base Change			191	191	382
Subtotal - Forecast Base	79,389	78,998	79,189	79,189	158,378
Total	79,389	78,998	79,189	79,189	158,378
Highway Users Tax Distribution					
Current Appropriation	92	271	271	271	542
Technical Adjustments					
Current Law Base Change			514	514	1,028
Subtotal - Forecast Base	92	271	785	785	1,570
Total	92	271	785	785	1,570

PUBLIC SAFETY DEPT
Program: STATE PATROL

Program Summary

<i>Dollars in Thousands</i>					
	Current		Governor Recomm.		Biennium
	FY2010	FY2011	FY2012	FY2013	2012-13
<u>Expenditures by Fund</u>					
Direct Appropriations					
General	2,723	3,584	3,145	3,145	6,290
Trunk Highway	75,815	82,572	79,189	79,189	158,378
Highway Users Tax Distribution	78	285	785	785	1,570
Statutory Appropriations					
State Government Spec Revenue	1,343	1,686	1,406	1,406	2,812
Miscellaneous Special Revenue	11,550	9,532	9,273	9,355	18,628
Trunk Highway	106	8	7	7	14
Federal	9,718	5,850	8,342	8,342	16,684
Gift	32	7	6	6	12
Total	101,365	103,524	102,153	102,235	204,388
<u>Expenditures by Category</u>					
Total Compensation	78,509	78,781	80,898	81,005	161,903
Other Operating Expenses	19,304	23,079	18,656	18,633	37,289
Payments To Individuals	47	54	54	54	108
Local Assistance	3,505	1,610	2,545	2,543	5,088
Total	101,365	103,524	102,153	102,235	204,388
<u>Expenditures by Activity</u>					
Patrolling Highways	84,229	86,953	85,138	85,164	170,302
Commercial Vehicle Enforcement	12,797	12,048	12,628	12,628	25,256
Capitol Complex Security	4,339	4,523	4,387	4,443	8,830
Total	101,365	103,524	102,153	102,235	204,388
Full-Time Equivalents (FTE)	928.8	944.8	949.9	927.8	

Activity at a Glance

During calendar year 2009:

- 629,688 enforcement contacts
- 19,704 crashes investigated
- 5,155 Driving While Impaired (DWI) arrests
- 15,035,930 total miles traveled by troopers
- 13,609 assists to local law enforcement
- 61,110 assists to the public
- 37,850 driving complaints received

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 more than 57 billion miles of travel on Minnesota roadways in 2009.

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 2009 the State Patrol provided 61,110 assists to the public. Of the assists, 7,902 were for stalled vehicles blocking all, or portions, of roadways, 12,386 vehicles off the roadway, and 28,334 stalled vehicles. Further, the State Patrol received and responded to 37,850 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 with 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 2009 the State Patrol logged 13,609 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; and in 2009 the rate had been reduced to 34%.

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 2009, seat belt compliance was reported at 90%.

In 2009, 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 a selected sample of target areas, the number of vehicles traveling speeds in excess of 10 miles per hour (MPH) over the posted limit was reduced by 2% from 2008 to 2010.

Key Activity Goals & Measures

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/MSP_StrategicPlan.pdf

- 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. The performance indicator is the percentage of motor vehicle occupants that used seat belts.

<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>	<u>2008</u>	<u>2009</u>
65%	64%	65%	64%	72%	73%	74%	76%	77%	79%	84%	83%	88%	87%	90%

- MSP Driving while Intoxicated (DWI) arrests.
The goal is to reduce the number of alcohol related crashes through active enforcement. It is important to note that impaired driving crashes are currently at an all time low. The performance indicator is the number of driving after intoxicated arrests (DWI) by MSP

<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>	<u>2008</u>	<u>2009</u>
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	5,432	5,155

- Fatality Rate
The goal is to reduce the number of fatalities and serious injuries resulting from crashes. The outcome is the number of fatalities per 100 million vehicle miles traveled (VMT)

<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>	<u>2008</u>	<u>2009</u>
1.35	1.26	1.28	1.34	1.24	1.19	1.07	1.21	1.18	1.00	.99	.88	.89	.79	.74

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.

Contact

Colonel Mark A. Dunaski, Chief of Minnesota State Patrol

Phone: (651) 201-7145

Web site: <http://www.dps.state.mn.us/patrol/>

PUBLIC SAFETY DEPT

Program: STATE PATROL

Activity: PATROLLING HIGHWAYS

Budget Activity Summary

<i>Dollars in Thousands</i>					
	Current		Governor's Recomm.		Biennium
	FY2010	FY2011	FY2012	FY2013	2012-13
<u>Direct Appropriations by Fund</u>					
General					
Current Appropriation	37	49	49	49	98
Technical Adjustments					
One-time Appropriations			(12)	(12)	(24)
Subtotal - Forecast Base	37	49	37	37	74
Total	37	49	37	37	74
Trunk Highway					
Current Appropriation	71,393	71,202	71,202	71,202	142,404
Technical Adjustments					
Current Law Base Change			191	191	382
Subtotal - Forecast Base	71,393	71,202	71,393	71,393	142,786
Total	71,393	71,202	71,393	71,393	142,786
Highway Users Tax Distribution					
Current Appropriation	92	271	271	271	542
Technical Adjustments					
Current Law Base Change			514	514	1,028
Subtotal - Forecast Base	92	271	785	785	1,570
Total	92	271	785	785	1,570
<u>Expenditures by Fund</u>					
Direct Appropriations					
General	3	68	37	37	74
Trunk Highway	68,560	74,022	71,380	71,380	142,760
Highway Users Tax Distribution	78	285	785	785	1,570
Statutory Appropriations					
State Government Spec Revenue	1,343	1,686	1,406	1,406	2,812
Miscellaneous Special Revenue	9,931	8,510	7,994	8,020	16,014
Trunk Highway	106	8	7	7	14
Federal	4,176	2,367	3,523	3,523	7,046
Gift	32	7	6	6	12
Total	84,229	86,953	85,138	85,164	170,302
<u>Expenditures by Category</u>					
Total Compensation	65,909	65,268	67,477	67,528	135,005
Other Operating Expenses	16,543	20,524	16,360	16,337	32,697
Payments To Individuals	47	54	54	54	108
Local Assistance	1,730	1,107	1,247	1,245	2,492
Total	84,229	86,953	85,138	85,164	170,302
Full-Time Equivalents (FTE)	757.3	749.9	757.6	739.0	

Activity at a Glance

Commercial motor vehicle (CMV) enforcement activity for calendar year 2009:

- 39,477 CMV/driver safety inspections
- 20,866 School bus safety inspections
- 2,142 CMV collisions
- 2,916 CMV drivers placed out of service as a result of safety inspections (7.8%)
- 8,428 CMVs placed out of service (21.3%)
- State Patrol driver and vehicle out of service rates far exceed the national average

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 4.9 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 Section enforces state and federal laws regulating the size, weight, and operation of commercial motor vehicles on Minnesota roadways, and primarily, on the state and federal trunk highway systems.

The Commercial Vehicle Section staffs six weigh stations and deploys 46 mobile enforcement personnel. Weigh stations located at Worthington, Lakeland, Saginaw, Moorhead, and Erskine are operated on a regular basis. The Ramsey site is open on an irregular basis as staffing allows. Mobile personnel enforce size and weight laws and conduct random roadside inspections of commercial motor vehicles throughout the state. Personnel conducted 39,477 roadside inspections and 20,866 school bus inspections during 2009.

While weather and the changing seasons is a contributing factor, a major source of highway damage or deterioration is the effect of overweight trucks. Deterioration of roads and bridges comes at a tremendous cost in terms of dollars, as well as diminishing safety for highway users. In addition to roadside enforcement, Minnesota's Relevant Evidence Law requires businesses to maintain records of the weight of certain vehicles, while State Patrol personnel are empowered under this statute to review these documents. A document showing a possible overweight vehicle is considered relevant evidence to charge the shipper, carrier, and/or receiver of the goods in a civil action. Enforcement personnel review hundreds of thousands of relevant evidence documents each year, discovering hundreds of overweight loads that might have otherwise gone undetected.

As the state's lead agency for the Motor Carrier Safety Assistance Program (MCSAP), a substantial part of our mission is to improve the mechanical condition and the performance of commercial vehicle drivers utilizing uniform and consistent inspection and enforcement practices. The Commercial Vehicle Section provides training and outreach programs for law enforcement personnel, commercial vehicle drivers, motor carriers, and the public at large; each designed to help the respective audience achieve the goal of making the highways safer for all users. These outreach opportunities may take the form of a formal presentation, question and answer session, static display, hands-on demonstration, or any combination thereof.

As provided by statute, the State Patrol Commercial Vehicle Section administers the Mandatory Inspection Program and is the sole source of certified training for this vital program to prevent unsafe vehicles from being operated on the highway.

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, and PRISM (registration enforcement).

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.

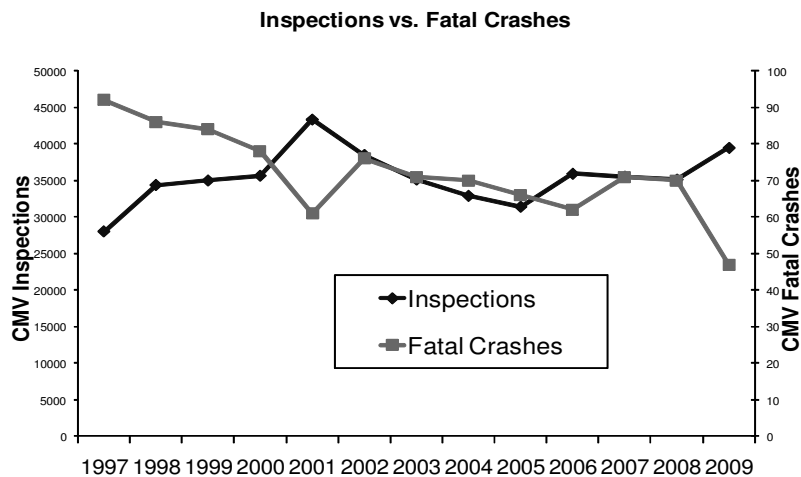
The Minnesota State Patrol provides state safety and security oversight for all state operated light rail through a partnership with the Metro Transit Authority. These responsibilities encompass a wide range of activities such as: incident investigation, training, equipment/rail inspection and personnel certification.

Key Activity Goals & Measures

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

- Number of commercial motor vehicle inspections.
- 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.

Contact

Colonel Mark Dunaski, Chief of Minnesota State Patrol

Phone: (651) 201-7145

Web site: <http://www.dps.state.mn.us/patrol/>

PUBLIC SAFETY DEPT**Program: STATE PATROL**

Activity: COMMERCIAL VEHICLE ENFORCEMENT

Budget Activity Summary

<i>Dollars in Thousands</i>					
	Current		Governor's Recomm.		Biennium
	FY2010	FY2011	FY2012	FY2013	2012-13
<u>Direct Appropriations by Fund</u>					
Trunk Highway					
Current Appropriation	800	600	600	600	1,200
Subtotal - Forecast Base	800	600	600	600	1,200
Total	800	600	600	600	1,200
<u>Expenditures by Fund</u>					
Direct Appropriations					
General	0	15	0	0	0
Trunk Highway	7,255	8,550	7,809	7,809	15,618
Statutory Appropriations					
Federal	5,542	3,483	4,819	4,819	9,638
Total	12,797	12,048	12,628	12,628	25,256
<u>Expenditures by Category</u>					
Total Compensation	8,642	9,553	9,387	9,387	18,774
Other Operating Expenses	2,380	1,992	1,943	1,943	3,886
Local Assistance	1,775	503	1,298	1,298	2,596
Total	12,797	12,048	12,628	12,628	25,256
Full-Time Equivalents (FTE)	110.3	125.9	122.9	120.1	

PUBLIC SAFETY DEPT

Program: STATE PATROL

Activity: CAPITOL COMPLEX SECURITY

Narrative

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 over one million citizens visit the Capitol Complex on an annual basis

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.

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, assist 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 9,700 key cards to complex employees. The Capitol Security operations center also serves as a back-up dispatch center for State Patrol's Metro Communications Center.

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. LSOs also provide security on an "as needed basis" at the Judicial Center.

There are over 450 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 & Measures

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

PUBLIC SAFETY DEPT

Program: STATE PATROL

Activity: CAPITOL COMPLEX SECURITY

Narrative

1. 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.

2. 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 a mix of general fund appropriation and general fund account. Revenues are generated from security contracts with agencies located in buildings outside the Capitol Complex and for additional security needed by some state agencies.

Contact

Colonel Mark Dunaski, Chief of Minnesota State Patrol

Phone: (651) 201-7145

Web site: <http://www.dps.state.mn.us/patrol/>

PUBLIC SAFETY DEPT

Program: STATE PATROL

Activity: CAPITOL COMPLEX SECURITY

Budget Activity Summary

<i>Dollars in Thousands</i>					
	Current		Governor's Recomm.		Biennium
	FY2010	FY2011	FY2012	FY2013	2012-13
<u>Direct Appropriations by Fund</u>					
General					
Current Appropriation	3,113	3,113	3,113	3,113	6,226
Technical Adjustments					
Operating Budget Reduction			(5)	(5)	(10)
Subtotal - Forecast Base	0	0	(5)	(5)	(10)
Total	0	0	(5)	(5)	(10)
<u>Expenditures by Fund</u>					
Direct Appropriations					
General	2,720	3,501	3,108	3,108	6,216
Statutory Appropriations					
Miscellaneous Special Revenue	1,619	1,022	1,279	1,335	2,614
Total	4,339	4,523	4,387	4,443	8,830
<u>Expenditures by Category</u>					
Total Compensation	3,958	3,960	4,034	4,090	8,124
Other Operating Expenses	381	563	353	353	706
Total	4,339	4,523	4,387	4,443	8,830
Full-Time Equivalents (FTE)	61.2	69.0	69.4	68.7	

Budget Activities

This program includes the following budget activities:

- Vehicle Services
- Driver Services

PUBLIC SAFETY DEPT

Program: DRIVER & VEHICLE SERVICES

Program Summary

Dollars in Thousands					
	Current		Governor Recomm.		Biennium
	FY2010	FY2011	FY2012	FY2013	2012-13
<u>Direct Appropriations by Fund</u>					
Miscellaneous Special Revenue					
Current Appropriation	47,684	47,734	47,734	47,734	95,468
Subtotal - Forecast Base	47,684	47,734	47,734	47,734	95,468
Total	47,684	47,734	47,734	47,734	95,468
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	7,936	8,236	8,236	8,236	16,472
Subtotal - Forecast Base	7,936	8,236	8,236	8,236	16,472
Total	7,936	8,236	8,236	8,236	16,472
<u>Expenditures by Fund</u>					
Direct Appropriations					
Miscellaneous Special Revenue	41,660	48,734	47,734	47,734	95,468
Trunk Highway	0	2	1	1	2
Highway Users Tax Distribution	7,863	8,309	8,236	8,236	16,472
Statutory Appropriations					
Miscellaneous Special Revenue	4,128	16,552	18,050	18,650	36,700
Federal	856	2,864	2,983	3,528	6,511
Reinvest In Minnesota	17	16	16	16	32
Miscellaneous Agency	5,070	4,968	4,968	4,968	9,936
Gift	72	95	66	66	132
Total	59,666	81,540	82,054	83,199	165,253
<u>Expenditures by Category</u>					
Total Compensation	29,034	33,795	33,796	34,092	67,888
Other Operating Expenses	25,547	42,772	43,314	44,163	87,477
Other Financial Transactions	5,085	4,973	4,944	4,944	9,888
Total	59,666	81,540	82,054	83,199	165,253
<u>Expenditures by Activity</u>					
Vehicle Services	34,192	49,226	50,154	50,754	100,908
Driver Services	25,474	32,314	31,900	32,445	64,345
Total	59,666	81,540	82,054	83,199	165,253
Full-Time Equivalents (FTE)	484.8	530.1	530.3	514.1	

Activity at a Glance

During FY 2010:

- Twenty-six percent (26%) of registration renewals completed as self-service transactions (includes 8% Internet and 18% mail renewals), the remaining 74% processed by deputy registrar agents
- Twelve percent (12%) of phone calls completed as self-service

In FY 2010 the division:

- Collected \$910 million in revenue
- Processed 4.6 million vehicle registration-related transactions
- Issued 1.3 million vehicle ownership certificates of title
- Processed 1.2 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 49,660 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 over one million license plates
- Implemented title-checking against the National Motor Vehicle Information System (NMVTIS) to comply with US Department of Justice requirements intended to reduce auto theft and "title washing" of salvage and other brands
- Licensed 3,657 motor vehicle dealers; 42% renewed with self-service online licensing
- Issued 100,802 disability parking certificates
- Public Information Center completed 410,000 motor vehicle information requests by phone and 36,000 by e-mail
- Implemented the Electronic Vehicle Title and Registration (EVTR) program in collaboration with 25 deputy registrars and 49 dealers. Since October 2007, 34,232 transactions have been processed
- Streamlined the application processes for disability parking permits and personalized plate replacements to reduce fulfillment time to one week or less

Activity Description

Vehicle Services is responsible for the regulation of motor vehicles in Minnesota including: collection of vehicle registration taxes and sales tax on motor vehicles, issuance of vehicle license plates and titles, maintenance of motor vehicle records, regulation of motor vehicle dealers, administration of DWI license plate impoundment, issuance of disability parking permits and plates, inspection of salvage and reconstructed vehicles to deter theft, and collection of fuel and road use taxes from interstate motor carriers based in Minnesota. Vehicle Services partners with local and national regulatory and law enforcement agencies to deter auto theft and fraud, promote highway safety, and protect the public's safety.

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 vehicle owners and lien notification cards to lenders.
- Issues and withdraws license plates and registration stickers.
- Issues disability license plates and parking certificates to qualified applicants and organizations.
- 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. Forty-two percent of motor carrier transactions are completed self-service online.
- Partners with appointed public and private deputy registrars to provide motor vehicle services to citizens at over 175 locations throughout the state. Two of those offices also provide services to motor 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 by performing random audits and annual performance reports.
- 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) intranet 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 mailed-in registration applications are fulfilled in four business days or less.
- 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 Practices statutes, register interstate vehicles, and renew dealer licenses, using credit cards as a new form of payment, effective in 2010.
- Issues over 70 varieties of special license plates, including personalized, critical habitat, veteran, collector, and special use plates. In FY 2010, over 88,000 new special plates were issued and almost 509,000 vehicles display special plates.
- Ninety-two deputy offices participate in the FAST Track (expedited services) program. On average, 225 expedited titles are processed daily.
- Conducts over 19,000 annual salvage and reconstructed vehicle inspections to deter fraud and theft. Monitors compliance with state statutes and rules regarding auto dealer and parts operations and maintains over 3,600 dealer license records. Refers criminal investigations to the State Patrol Vehicle Crimes Unit.

Historical Perspective

The Driver and Vehicle Services (DVS) customer service delivery model is based on providing a variety of 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 continues to expand 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 in a standardized form online. Interstate carriers have access to online registration renewal and fuel taxes filing. Auto dealers are able to renew their business licenses 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 & Measures

- Involve DVS stakeholders 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;
- Develop and provide information, training, and education to the public and business partners, with emphasis on safety and regulatory compliance;
- Continue a focus on internal controls, data security, and timeliness and accuracy of delivered products;
- 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;
- Wait times for delivery of service; and
- Access to service and information.

Vehicle Services Performance Targets

The vehicle registration target is two days. The target for processing titles is an average annual turnaround of 14 days or less. The title processing turnaround time historically peaks in summer months and declines in winter months. In FY 2010, the average turnaround time has increased beyond that of past years, due in part to the March 2010 implementation of the National Motor Vehicle Title Information System (NMVTIS).

PUBLIC SAFETY DEPT

Program: DRIVER & VEHICLE SERVICES

Activity: VEHICLE SERVICES

Narrative

Performance Targets FY 2010	Processing Time* for Issuance of Vehicle Title	Processing Time* for Vehicle Registrations	Self Service Transactions**
Quarter 1			
- Actual	42 days	2 days	27%
Quarter 2			
- Actual	49 days	2 days	28%
Quarter 3			
- Actual	34 days	2 days	26%
Quarter 4			
- Actual	33 days	2 days	22%
FY 10 Targets	14 Days	2 Days	30%

* Processing time is when request is received until the title or registration is mailed.

**Self service transactions include vehicle registrations processed through the Internet and by mail.

Activity Funding

A mix of special revenue funds and highway user tax distribution fund appropriations funds this activity. Since 2005 the DVS budget has been primarily funded through the fees it collects. The primary funding of this activity is from the Vehicle Services Operating Account in the special revenue fund.

Contact

Patricia McCormack, Director

Phone: (651) 201-7580

Web site: <http://www.mndriveinfo.org>

PUBLIC SAFETY DEPT

Program: DRIVER & VEHICLE SERVICES

Activity: VEHICLE SERVICES

Budget Activity Summary

<i>Dollars in Thousands</i>					
	Current		Governor's Recomm.		Biennium
	FY2010	FY2011	FY2012	FY2013	2012-13
<u>Direct Appropriations by Fund</u>					
Miscellaneous Special Revenue					
Current Appropriation	18,973	19,023	19,023	19,023	38,046
Subtotal - Forecast Base	18,973	19,023	19,023	19,023	38,046
Total	18,973	19,023	19,023	19,023	38,046
<u>Highway Users Tax Distribution</u>					
Current Appropriation	7,936	8,236	8,236	8,236	16,472
Subtotal - Forecast Base	7,936	8,236	8,236	8,236	16,472
Total	7,936	8,236	8,236	8,236	16,472
<u>Expenditures by Fund</u>					
Direct Appropriations					
Miscellaneous Special Revenue	17,167	19,523	19,023	19,023	38,046
Highway Users Tax Distribution	7,863	8,309	8,236	8,236	16,472
Statutory Appropriations					
Miscellaneous Special Revenue	3,975	16,297	17,795	18,395	36,190
Federal	28	18	50	50	100
Reinvest In Minnesota	17	16	16	16	32
Miscellaneous Agency	5,070	4,968	4,968	4,968	9,936
Gift	72	95	66	66	132
Total	34,192	49,226	50,154	50,754	100,908
<u>Expenditures by Category</u>					
Total Compensation	11,221	13,144	13,148	13,440	26,588
Other Operating Expenses	17,886	31,109	32,062	32,370	64,432
Other Financial Transactions	5,085	4,973	4,944	4,944	9,888
Total	34,192	49,226	50,154	50,754	100,908
Full-Time Equivalents (FTE)	181.1	205.1	205.1	188.9	

Activity at a Glance

During FY 2010 the division has:

- Maintained on-line processing for driver's licenses at less than 6 days
- Scheduled over 140,000 road test appointments online
- Processed over 364,449 information requests (e.g. phone agent, email, self-service IVR, etc.)
- In FY 2010 the division:
- Issued 1.6 million cards – including driver's licenses, identification (ID) cards, and permits
- Conducted over 363,000 Class D knowledge and skill examinations
- Reinstated the driving privileges of 150,000 drivers
- Suspended, canceled, revoked, or disqualified the driving privileges of 235,000 drivers
- Processed 1,200 FAST Track driver's licenses and 170 ID cards. This service allows licenses and IDs to be processed within three business days.
- Participated in an Enterprise Print Conversion project that saved \$66,058 in postage due to the redesign of DL renewal postcards and lower automated postage rates

Activity Description

In order to protect the public's safety, Driver Services regulates all licensed drivers in Minnesota on issues related to: the identification, examination, licensing, and evaluation of drivers; driver's license and identification card (ID) issuance; the maintenance of driver history and traffic crash data; the 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 6,180,630 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 2010, 550,057 Class D, commercial vehicle, motorcycle, and school bus tests were conducted. Of those, 412,085 were knowledge tests and 137,972 were skill tests. Automated knowledge test machines are used at 26 exam locations. Over 36,000 foreign language knowledge tests were administered in seven languages at 24 testing facilities.
- Offers 139 state sites to renew or apply for a Minnesota driver's license, identification card, or permit in partnership with 125 appointed driver's license agents.
- 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, ID cards, and permits. An on-line application process delivers a duplicate or renewed license, permit, or ID card to the customer in less than seven days in comparison to 14 days (including average mailing time) using the manual issuance process primarily for first-time applicants.
- Provides driver compliance evaluations for problem drivers throughout the state. Evaluators were in contact with over 175,000 individuals on driver license related issues in FY 2010.
- Provides information services to the public by phone, letter, and email.
- Licenses over 126 commercial driver education schools and over 557 driver education instructors.
- Approves the 251 public and private high school driver education programs which employ over 1,100 instructors; approves motorized bicycle courses, accident prevention courses for drivers 55 or older, and DWI clinics.
- Approves and regulates seven motorcycle third party testing programs and 194 individual testers who administer motorcycle endorsement tests to their students.
- Approves and regulates 53 CDL third party testing programs and 73 individual testers who administer CDL road tests with strict limitations.
- Maintains Minnesota traffic crash records on-line.
- 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 to the courts.
- Administers the Driver License Diversion Pilot Program, allowing individuals to maintain valid driving privileges under certain conditions; 339 drivers participated in the program in FY 2010.

PUBLIC SAFETY DEPT

Program: DRIVER & VEHICLE SERVICES

Activity: DRIVER SERVICES

Narrative

- Administers a Partial Pay reinstatement program for 167 drivers who meet statutory criteria; 120 of these drivers have made the first of two reinstatement fee payments.
- Monitors over 1,250 participants enrolled in a pilot Ignition Interlock program.
- Administers a Facial Recognition project which includes analysis of the 11 million driver's license photos in its database. The project's goal is to ensure driver license data reflects one driver, one record and to identify any fraudulent records. Twelve percent of the 11 million photos analyzed have been identified for further investigation and are under review.
- Inspects records at Minnesota auto dealerships and inspects rebuilt motor vehicles across the state.
- Provides support to appointed 125 driver's license agents across the state.
- Conducts school bus driver background checks—6,310 background checks were completed in FY 2010.
- Processes medical waivers for qualified CDL drivers—over 750 waivers were processed during FY 2010.

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 online 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 with licenses being produced in three to six days. The provision of online services has simplified the process for the end user and streamlined the process for DVS, 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. Since its deployment in December 2004, 8,836,996 cards (including duplicate licenses) have been issued using the current card design.

Key Activity Goals & Measures

- Analyze current business processes in order to re-engineer business requirements to help create an automated information system that supports driver license and motor vehicle programs so as to provide service 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 to provide staff with the tools necessary to effectively deliver internal and external customer service;
- Develop systematic workforce planning processes that include review of staff competencies, process documentation, training, and analysis of the tools necessary to help staff provide quality service;
- Wait times for delivery of service; and
- Access to service and information.

Driver Services Performance Targets:

Performance Targets	Wait for Skill (Road) Test Appointments*	Processing Time** for Issuance of Driver's License
FY 2010:		
Quarter 1		
- Target	15 Days	14 days
- Actual	17 Days	23 Days
Quarter 2		
- Target	10 Days	14 Days
- Actual	10 Days	19 Days
Quarter 3		
- Target	10 Days	14 Days
- Actual	8 Days	26 Days
Quarter 4		
- Target	15 Days	14 Days
- Actual	8 Days	29 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.

Activity Funding

Since 2005 the DVS budget has been primarily supported by the fees that it collects. The primary funding is from the Driver's License Operating Account in the special revenue fund, Motorcycle Safety Account (driver license motorcycle endorsement fee), and DWI Reinstatement Account (driver license reinstatement fee).

Contact

Patricia McCormack, Director

Phone: (651) 201-7580

Web site: <https://www.Mndriveinfo.org>

PUBLIC SAFETY DEPT

Program: DRIVER & VEHICLE SERVICES

Activity: DRIVER SERVICES

Budget Activity Summary

<i>Dollars in Thousands</i>					
	Current		Governor's Recomm.		Biennium
	FY2010	FY2011	FY2012	FY2013	2012-13
<u>Direct Appropriations by Fund</u>					
Miscellaneous Special Revenue					
Current Appropriation	28,711	28,711	28,711	28,711	57,422
Subtotal - Forecast Base	28,711	28,711	28,711	28,711	57,422
Total	28,711	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>					
Direct Appropriations					
Miscellaneous Special Revenue	24,493	29,211	28,711	28,711	57,422
Trunk Highway	0	2	1	1	2
Statutory Appropriations					
Miscellaneous Special Revenue	153	255	255	255	510
Federal	828	2,846	2,933	3,478	6,411
Total	25,474	32,314	31,900	32,445	64,345
<u>Expenditures by Category</u>					
Total Compensation	17,813	20,651	20,648	20,652	41,300
Other Operating Expenses	7,661	11,663	11,252	11,793	23,045
Total	25,474	32,314	31,900	32,445	64,345
Full-Time Equivalents (FTE)	303.7	325.0	325.2	325.2	

Budget Activities

This program includes the following budget activities:

- Gambling Enforcement
- Alcohol Enforcement

PUBLIC SAFETY DEPT

Program: GAMBLING & ALCOHOL ENFORCEMENT

Program Summary

Dollars in Thousands					
	Current		Governor Recomm.		Biennium
	FY2010	FY2011	FY2012	FY2013	2012-13
<u>Direct Appropriations by Fund</u>					
General					
Current Appropriation	1,610	1,586	1,586	1,586	3,172
Technical Adjustments					
Operating Budget Reduction			(3)	(3)	(6)
Subtotal - Forecast Base	1,610	1,586	1,583	1,583	3,166
Total	1,610	1,586	1,583	1,583	3,166
<u>Expenditures by Fund</u>					
Direct Appropriations					
General	1,542	1,654	1,583	1,583	3,166
Miscellaneous Special Revenue	152	153	653	653	1,306
Statutory Appropriations					
General	1	117	2	2	4
Miscellaneous Special Revenue	679	939	820	828	1,648
Federal	98	104	104	104	208
Miscellaneous Agency	5	0	0	0	0
Gift	3	0	0	0	0
Total	2,480	2,967	3,162	3,170	6,332
<u>Expenditures by Category</u>					
Total Compensation	1,944	1,950	1,957	1,965	3,922
Other Operating Expenses	536	1,017	705	705	1,410
Transfers	0	0	500	500	1,000
Total	2,480	2,967	3,162	3,170	6,332
<u>Expenditures by Activity</u>					
Gambling Enforcement	1,759	2,230	1,966	1,974	3,940
Alcohol Enforcement	721	737	1,196	1,196	2,392
Total	2,480	2,967	3,162	3,170	6,332
Full-Time Equivalents (FTE)	23.6	21.7	21.4	22.6	

Activity at a Glance

- Approximately 22,000 background check requests and 8,400 fingerprint submissions were processed on behalf of tribal casinos, Minnesota State Lottery, Gambling Control Board, and the two Pari-mutuel racetrack/card room facilities in FY 2010.
- 25,000 Lottery/Sweepstakes fraud complaints were reported in FY 2010 along with reported losses of \$886,548.00. In working the reported scams, 9,117 scam phone numbers and e-mail address were investigated for termination/shutdown. Gambling Enforcement intercepted and returned approximately \$191,500 back to fraud victims.
- Conducted 281 gambling related investigations involving lawful and illegal gambling complaints and 14 background investigations of manufacturers/distributors of gambling equipment/devices. Number of investigations includes collaborative compliance/enforcement sweeps of liquor establishments by AGED agents with other state agencies, e.g. Minnesota Revenue Dept and Gambling Control Board for gambling and liquor violations.

Activity Description

The Gambling Enforcement side of the Alcohol and Gambling Enforcement Division conducts background investigations and criminal investigations relating to lawful gambling, the Minnesota Lottery, the two pari-mutuel horse racetracks/card rooms, and tribal reservation gambling. Additionally, Gambling Enforcement enforces laws relating to illegal gambling such as illegal sports wagering, lottery fraud scams 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 side provides the following services:

- Criminal investigative services related to lawful, regulated gambling in Minnesota and illegal gambling such as illegal sports wagering activities and lottery scam complaints;
- Work in collaboration with alcohol enforcement to conduct Retail Alcohol Vendor Enforcement (RAVE) visits to liquor establishments and the larger community events and festivals to conduct compliance checks and enforce state liquor laws that prohibit alcohol service to

obviously intoxicated and underage individuals. In FY 2010, 370 RAVE visits were conducted in 110 cities spread over ten counties;

- Regulation, approval and issuance of gambling device distributor and manufacturing licenses as authorized under statute M.S. 299L;
- Class III (slot machine and black jack) gaming inspections conducted at the state tribal casinos as authorized under the state/tribal Indian gaming compacts;
- Background investigations and criminal/civil checks on Minnesota State Lottery, Gambling Control Board, Minnesota Racing Commission and AGED gaming licensees, contractors and vendors;
- 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 gaming regulators;
- Training and education for gaming regulators, local law enforcement and government officials, and related industries, on timely and relevant gaming issues; and
- Management of proceeds from forfeitures involving illegal gambling devices and prizes.

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 & Measures

- Ongoing efforts to provide a paperless e-commerce environment in which licensees, the gaming industry, and the general public are able to conduct business with the Alcohol and Gambling Enforcement Division.
- Maintain the integrity of the gambling industry by providing consistent regulation and collaborative enforcement efforts as it relates to lawful gaming, tribal gaming, illegal gambling, fraud, and other forms of gambling-related crimes.
- Educate Minnesota citizens through anti-lottery fraud campaign literature, billboards and public speaking campaigns. Provide and maintain a reporting data base that collects, stores, tracks and forwards to other agencies lottery fraud complaints that are received in the U.S. Mail, telephone complaint hotline, and Minnesota SCAMS website. Gambling Enforcement staff worked on 9,677 lottery/sweepstakes fraud complaints that resulted in joint investigations with other state/federal and foreign government jurisdictions. Follow-up investigation used various regulatory and other enforcement means to prevent and stop financial losses from occurring while identifying the perpetrators for further enforcement action.
- **The number of background checks conducted.** Annually, the Gambling Enforcement Division conducts approximately 22,000 background history checks and processes 8,400 fingerprint submissions on individuals involved in the gaming industry in Minnesota.
- **The number of civil and criminal incidents reported.** Two hundred and ninety-five (295) criminal and civil incidents were investigated by the Gambling Enforcement Division in FY 2010.
- **The number of complaints taken regarding Lottery/Sweepstakes Fraud.** The Lottery/Sweepstakes fraud campaign implemented by the Alcohol and Gambling Enforcement Division in FY 2008 has already resulted in over 50,000 complaints by individuals who reported fraudulent solicitations. In FY 2010, \$191,500 was intercepted and returned to fraud victims.

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.

Contact

John Willems, Director

Phone: (651) 201-7529

Web site: <http://www.dps.state.mn.us>

PUBLIC SAFETY DEPT

Program: GAMBLING & ALCOHOL ENFORCEMENT

Activity: GAMBLING ENFORCEMENT

Budget Activity Summary

<i>Dollars in Thousands</i>					
	Current		Governor's Recomm.		Biennium
	FY2010	FY2011	FY2012	FY2013	2012-13
<u>Expenditures by Fund</u>					
Direct Appropriations					
General	1,076	1,175	1,145	1,145	2,290
Statutory Appropriations					
General	1	117	2	2	4
Miscellaneous Special Revenue	679	938	819	827	1,646
Gift	3	0	0	0	0
Total	1,759	2,230	1,966	1,974	3,940
<u>Expenditures by Category</u>					
Total Compensation	1,368	1,366	1,404	1,412	2,816
Other Operating Expenses	391	864	562	562	1,124
Total	1,759	2,230	1,966	1,974	3,940
Full-Time Equivalents (FTE)	15.1	14.1	13.8	14.7	

Activity at a Glance

- Provides consistent, prompt, world class customer and regulatory oversight services to approximately 12,500 liquor licensees, 853 cities, and officials in 87 counties;
- Provides no cost training on alcohol awareness issues, licensing procedures, liquor laws and regulations to 2,369 alcohol servers and 318 city clerks and government officials;
- Collects liquor license fees which totaled \$2,473,000 in fiscal year 2010.
- Conducts proactive visits to licensed liquor establishments through the Retail Alcohol Vendor Enforcement (RAVE) program, which serves to educate liquor establishments on state liquor laws and conduct on premise observations for sales of alcohol to obviously intoxicated individuals. RAVE has been conducted in 110 cities spread out over ten counties. In FY 2010, there were 370 in person visits to licensed liquor establishments, which resulted in 11 warnings and 17 fines issued; and
- 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 2010 imposed 86 penalties amounting to \$20,000 in fines.

Activity Description

The Alcohol Enforcement side of Alcohol and Gambling Enforcement Division (AGED) maintains the integrity of the liquor industry through on-going regulation and education efforts along with enforcement of state liquor statutes that impact three general areas:

- Manufacturers and Importers;
- Wholesalers; and
- Retailers.

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 and Gambling 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, prohibited alcohol sales to underage and obviously intoxicated persons, illegal

gambling occurring on liquor-licensed premises, civil investigations into trade practice violations, after hour liquor sales, failure to register kegs sold at off-sale, illegal alcohol promotion and advertising, tax 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 FY 2010, alcohol investigators worked 2,379 hours in response to 1,075 alcohol related complaints and industry inquiries. Eighty-six (86) cases resulted in \$20,000 in administrative penalties being imposed.

Alcohol Enforcement staff are constantly 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.

The AGED receives funding from the Office of Traffic Safety in the form of a EUDL (Enforcing Underage Drinking Laws) grant to fund an alcohol liaison position. The alcohol liaison travels to participating communities and provides free alcohol awareness training to licensed liquor establishments, local law enforcement departments, and other community officials prior to compliance checks and alternative enforcement activities. In FY 2010, the alcohol liaison conducted 98 alcohol awareness classes for 2,369 alcohol servers, community event organizers, and law enforcement professionals. The demand for alcohol awareness training, server training, and training

PUBLIC SAFETY DEPT

Program: ALCOHOL AND GAMBLING ENFORCEMENT

Activity: ALCOHOL ENFORCEMENT

Narrative

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.

In addition to the EUDL sponsored training, liquor investigators provide training and education to Minnesota's law enforcement community and local liquor licensing authorities, e.g. city clerks. The training covers alcohol licensing procedures and requirements and alcohol beverage laws and regulations. In FY 2010, 318 city clerks and local government officials attended this AGED sponsored training.

The division collects, approves, verifies, and acts as the sole state repository for over 12,500 intoxicating liquor licenses and permits, 3.2% malt liquor licenses and liquor liability insurance, and records and maintains over 52,000 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. 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 & 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.
 - Conducted 479 liquor license inspections and 358 liquor industry and advertising inquiries and other liquor related investigations.
- Reduce the incidence of alcohol sales to minors, adult providers of alcohol to minors and serving of obviously intoxicated individuals through alcohol education and server training classes provided to community festivals and celebrations, college campuses, bar/restaurant owners and related industry providers.
 - Conducted 121 alcohol server training classes attended by 2,369 participants. Conducted alcohol training related to state liquor statutes and compliance checks to local law enforcement and government officials.
 - Conducted 370 RAVE (Retail Alcohol Vendor Enforcement) education and compliance visits. Seventeen (17) fines and eleven (11) warnings issued in FY 2010 versus eighteen (18) fines and twenty-one (21) in FY 2009. Early statistical results for the pilot county in which RAVE started indicate that in 2008 RAVE was a contributing factor in a 22% reduction in minor consumption violations, 5% reduction in DWI arrests, and 26% in total arrests for alcohol-related offenses.
- Work in collaboration with local authorities to reduce alcohol related incidents such as drunken driving, disorderly conduct, assaults and other aggressive behavior. Statistics show that alcohol is a factor in four out of ten incidents that require emergency personnel services resources and attention, e.g., police, fire, medical.

Activity Funding

This activity is funded by a mix of a general fund appropriation, special revenue fund appropriation, and federal funds. During fiscal year 2010, the division collected \$2,473,000 in fees and received \$461,000 in appropriations.

Contact

Marlene Kjelsberg, Supervisor Alcohol Enforcement Division

Phone: (651) 201-7503

Website: <http://www.dps.state.mn.us>

PUBLIC SAFETY DEPT

Program: GAMBLING & ALCOHOL ENFORCEMENT

Activity: ALCOHOL ENFORCEMENT

Budget Activity Summary

<i>Dollars in Thousands</i>					
	Current		Governor's Recomm.		Biennium
	FY2010	FY2011	FY2012	FY2013	2012-13
<u>Expenditures by Fund</u>					
Direct Appropriations					
General	466	479	438	438	876
Miscellaneous Special Revenue	152	153	653	653	1,306
Statutory Appropriations					
Miscellaneous Special Revenue	0	1	1	1	2
Federal	98	104	104	104	208
Miscellaneous Agency	5	0	0	0	0
Total	721	737	1,196	1,196	2,392
<u>Expenditures by Category</u>					
Total Compensation	576	584	553	553	1,106
Other Operating Expenses	145	153	143	143	286
Transfers	0	0	500	500	1,000
Total	721	737	1,196	1,196	2,392
Full-Time Equivalents (FTE)	8.5	7.6	7.6	7.9	

Program at a Glance

- 160 grants covering 280 local units of government and 75 counties. Fifty statewide grants to other state agencies, other divisions of Public Safety, courts, and nonprofits. Thirty contracts to organizations and individuals
- Approximately \$37 million annually in grants and programs, requiring OTS applications for at least seven different federal programs
- Staff of 20 provide expertise in critical traffic safety program areas and provide research analyses and program evaluation to determine Minnesota traffic crash trends and emerging issues

Program Description

Traffic crashes are the number one cause of death and serious injury for Minnesotans from the age of one through 34 years. The Office of Traffic Safety (OTS) was created to reduce traffic fatalities and serious injuries through strategies to influence motorists' behavior including public education and outreach, traffic enforcement, policy development, and community safety programs in addition to crash data improvement, traffic crash analysis, and program evaluation.

Population Served

OTS collaborates with other divisions in the Department of Public Safety (DPS), state and local agencies representing enforcement, public health, and traffic engineering as well as the media, local communities, academia, judiciary,

advocacy groups, and other private and public traffic safety stakeholders to improve the safety-related behaviors of drivers, passengers, pedestrians, bicyclists, and motorcyclists on Minnesota roadways.

Services Provided

Federal traffic safety funds allow OTS to support action programs and innovative solutions to address a wide range of traffic safety strategies – from overtime patrols for law enforcement, to the purchase of in-squad digital cameras and alcohol breath-testing devices, to crash data system solutions within the DPS Driver and Vehicle Services and more. OTS is committed to sound stewardship of public funds through investing in traffic crash countermeasures to reduce both the economic cost of crashes in Minnesota but also the emotional toll on families of crash victims.

The OTS director 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 programs, OTS manages two state-funded programs including the Minnesota Motorcycle Safety Program and the Child Seats for Needy Families Program as well as other federal grant programs (e.g., block grant and discretionary grants through the Federal Office of Juvenile Justice and Delinquency Prevention to combat underage drinking). Annually, OTS produces the *Minnesota Impaired Driving Facts* and the *Minnesota Motor Vehicle Crash Facts*; the latter satisfies the requirements of M.S. 169.10.

OTS state program administrators serve as grant coordinators and project designers interacting 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, pedestrian and bicycle safety, distracted driving, older drivers, and traffic records) who help shape innovative programming in Minnesota and nationwide, provide legislative testimony, address media and the public's traffic safety information needs, and advise policy makers and legislative staff on issues and strategies related to the program areas they coordinate. OTS researchers analyze Minnesota traffic crash data and identify traffic safety problem areas and crash trends, conduct program evaluation, develop the *Minnesota Motor Vehicle Crash Facts* and the *Minnesota Impaired Driving Facts* publications, and respond to crash data needs of the general public, the media, legislative members, the Governor's office, and all stakeholders. OTS also supports Minnesota's participation in the Fatal Analysis Reporting System, a national database on fatal motor vehicle crashes.

OTS employs a variety of methods to gather input from stakeholders involved in traffic safety issues. Key advisory boards and networks used include the Minnesota Toward Zero Deaths (TZD) Leadership Team and Program Team, 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 the Child Passenger Safety Advisory Board. In addition, OTS uses advisory committees at the policy and technical levels to support project specific needs.

Historical Perspective

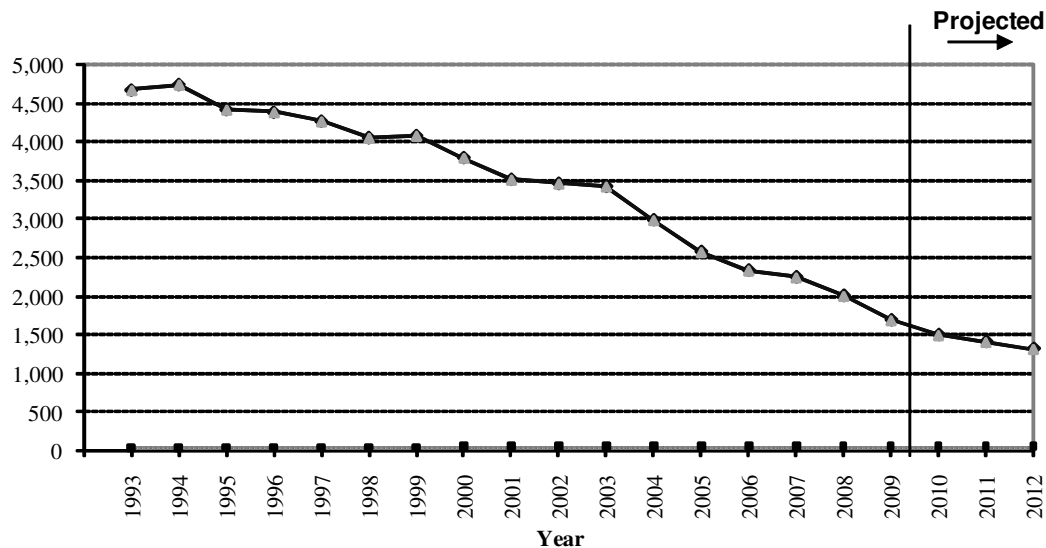
Since 1977, licensed drivers in Minnesota have increased by 50%, registered vehicles have increased 76%, and vehicle miles traveled have more than doubled. During the same time period, the state's population increased by 35%. In summary, there are more of us, more of us drive, and we drive more than we used to. Consequently, Minnesota motorists' exposure to the risk of a traffic crash has increased and traffic crashes remain a critical public health problem. Following are a few highlights comparing 1977 Minnesota data with 2009 data.

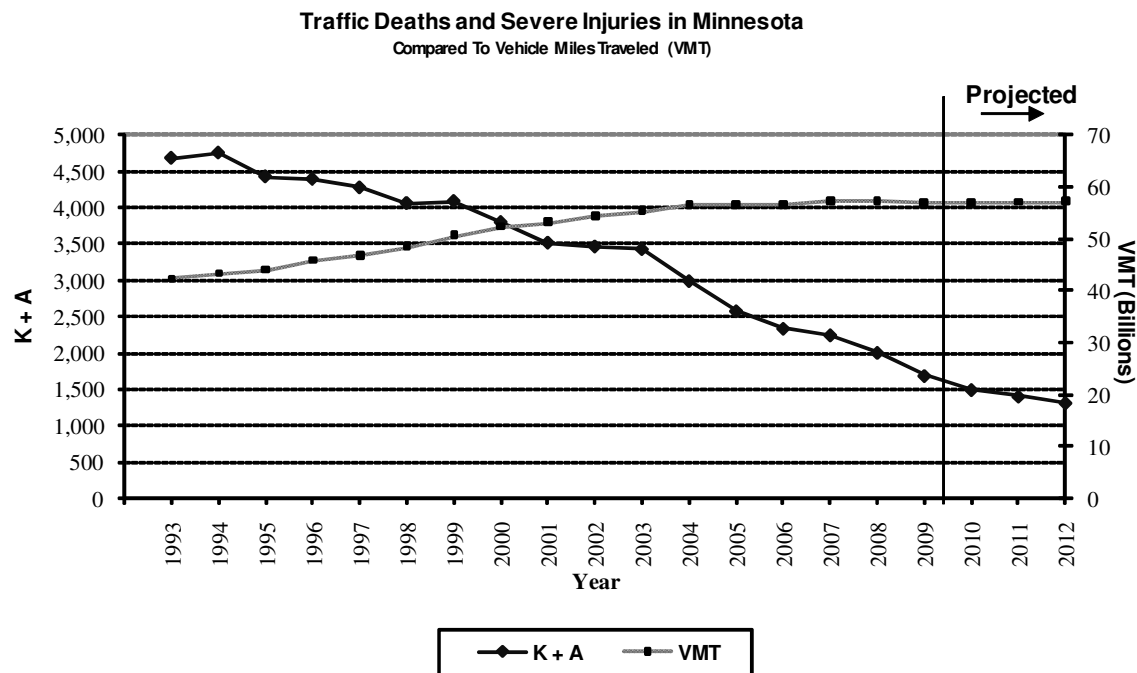
- From 1977 to 2009, the number of traffic-related deaths declined 51% and severe injuries declined 80%. Today's vehicles are better designed to protect motorists in the event of a crash and more of our travel is done on four-lane divided highways having limited access and incorporating advanced road safety features.
- The traffic safety improvement most responsible for the declining fatalities and severity of crashes is the twelve-fold increase in occupant belt use over the past 33 years – from less than 7% in 1977 (when many cars on the road weren't equipped with seat belts) to 90% in 2009.
- Of the drivers killed who tested positive for alcohol, 89% were male in 1977 and 83% were male in 2009. In 1977, when the legal drinking age was 19 years old, 27% of the killed drinking drivers were under the age of 21. In 2009, those drivers under 21 represented only 9% of the drinking drivers killed.
- Crash costs include emergency medical services, hospitalization, hospital staff, rehabilitation, administrative, and liability expenses. In Minnesota, crash costs have increased three and a half times since 1977. In 2009, Minnesota taxpayers and insurance policy holders paid nearly \$1.5 billion in costs.

Key Program Goals & Measures

- 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 34;
- OTS will lead the implementation of the multi-discipline, statewide Towards Zero Deaths (TZD) Program to support the recently created TZD strategic plan;
- 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;
- Reduce the number of traffic deaths and serious injuries in Minnesota;
- Increase seat belt use in Minnesota; and
- Decrease impaired driving in Minnesota.

Seat-Belt Use in Minnesota
from Annual Observation Survey





Program Funding

The Office of Traffic Safety 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.

Contact

Cheri Marti, Director
Office of Traffic Safety
Phone: (651) 201-7070
Email: Cheri.marti@state.mn.us
Website: <http://www.dps.state.mn.us/ots/>

PUBLIC SAFETY DEPT

Program: TRAFFIC SAFETY

Program Summary

Dollars in Thousands					
	Current		Governor Recomm.		Biennium
	FY2010	FY2011	FY2012	FY2013	2012-13
<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	269	601	435	435	870
Statutory Appropriations					
Miscellaneous Special Revenue	522	714	662	662	1,324
Federal	18,271	42,553	37,397	37,397	74,794
Gift	0	11	5	5	10
Total	19,062	43,879	38,499	38,499	76,998
<u>Expenditures by Category</u>					
Total Compensation	1,426	1,671	1,686	1,731	3,417
Other Operating Expenses	2,341	5,082	4,818	4,811	9,629
Local Assistance	15,295	37,126	31,995	31,957	63,952
Total	19,062	43,879	38,499	38,499	76,998
<u>Expenditures by Activity</u>					
Traffic Safety & Research	19,062	43,879	38,499	38,499	76,998
Total	19,062	43,879	38,499	38,499	76,998
Full-Time Equivalents (FTE)	17.3	20.0	20.2	20.2	

Program at a Glance

- Minnesota's 12 inspectors have nearly 73,000 miles of pipelines to inspect; which includes 9,459 miles of large diameter high pressure interstate transmission pipelines
- There are 30 municipal gas systems, 12 private gas distribution systems, and over 100 pipeline facility operators in Minnesota's program
- Minnesota's Damage Prevention program conducted 65 presentations to 6,000 people in 2010
- The Office of Pipeline Safety is funded up to 70% by U.S. Department of Transportation grant and 30-60% from a special revenue account

Program Description

The Minnesota Office of Pipeline Safety (MNOPS) protects Minnesotan'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

MNOPS protects the public safety of all Minnesotans by inspecting over 30 municipal gas systems, 12 private gas systems, over 100 total pipeline facility operators (which operate nearly 73,000 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 inspections of the natural gas and hazardous liquid pipeline facilities. As agents for the U.S. DOT, Minnesota staff inspects 9,459 miles of interstate pipelines in addition to over 63,000 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 majority of the staff is located in St. Paul; MNOPS does have field personnel located in Mankato.

Damage Prevention:

- MNOPS 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

MNOPS 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, MNOPS must continue to train its inspectors, meet federal standards, pass an annual program audit and periodic financial audits.

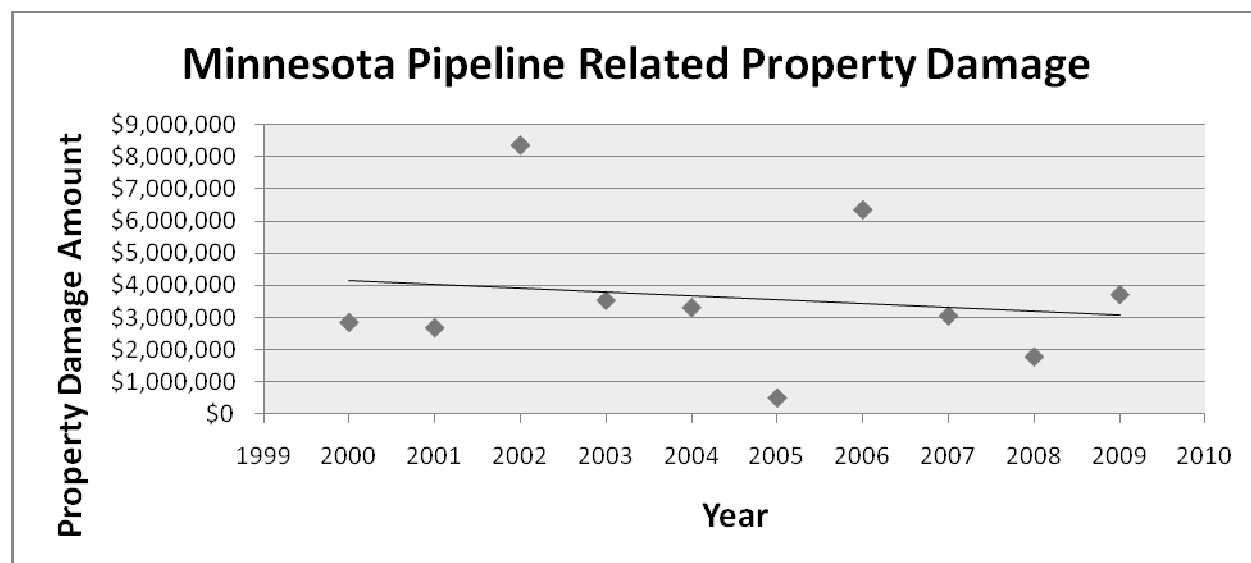
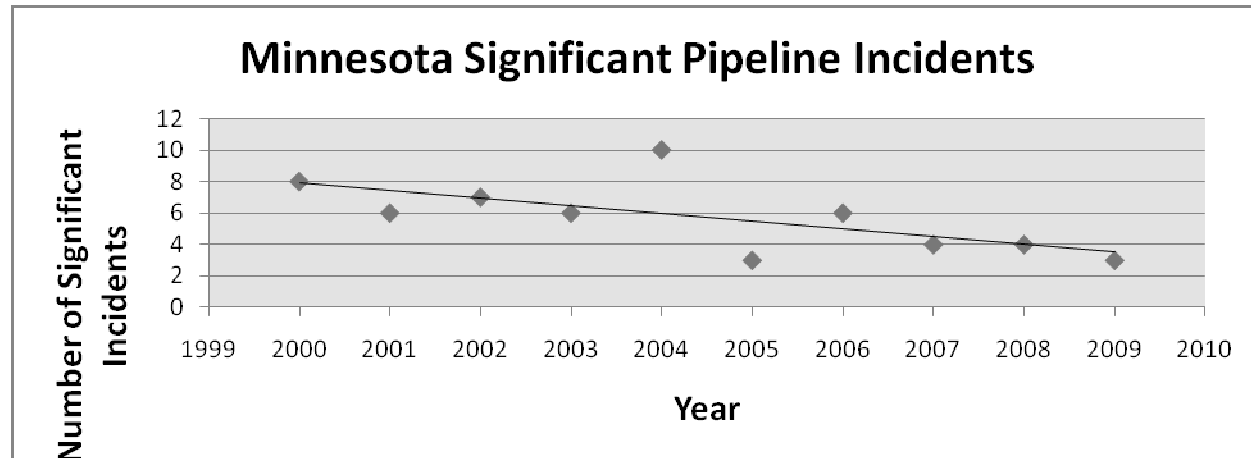
Federal program changes have placed increased federal inspection requirements in risk and integrity management, operator qualifications and anti-drug/alcohol programs. The federal training curriculum for new and experienced inspectors has nearly doubled the number of required classroom and computer based courses that must be attended and successfully completed within the first three years for the full spectrum of inspections to be conducted.

Minnesota has continued efforts with industry to inform local communities and emergency responders about responding to pipeline facility incidents. Responder meetings are held by pipeline operators in communities across the state each year.

MNOPS has identified over 12,000 violations since 1994. In CY 2009, 34 compliance actions were distributed, relating to 147 issues resulting in the resolution of 138 issues, with 16 civil penalties being assessed against pipeline operators totaling \$44,500.

Key Program Goals & Measures

- Minnesotans will be safe;
- Minnesotans will be healthy; and
- The number and consequences of significant pipeline incidents will be reduced.

**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).

Contact

Elizabeth Skalneek, Chief Engineer

Phone: (651) 201-7239

Fax: (651) 296-9641

Web site: <http://www.dps.state.mn.us/pipeline/index.html>

PUBLIC SAFETY DEPT

Program: PIPELINE SAFETY

Program Summary

Dollars in Thousands					
	Current		Governor Recomm.		Biennium
	FY2010	FY2011	FY2012	FY2013	2012-13
<u>Direct Appropriations by Fund</u>					
Miscellaneous Special Revenue					
Current Appropriation	1,354	1,354	1,354	1,354	2,708
Subtotal - Forecast Base	1,354	1,354	1,354	1,354	2,708
Total	1,354	1,354	1,354	1,354	2,708
<u>Expenditures by Fund</u>					
Direct Appropriations					
Miscellaneous Special Revenue	924	1,354	1,354	1,354	2,708
Statutory Appropriations					
Miscellaneous Special Revenue	63	41	46	46	92
Federal	781	2,226	1,754	1,754	3,508
Total	1,768	3,621	3,154	3,154	6,308
<u>Expenditures by Category</u>					
Total Compensation	1,285	2,050	1,944	1,944	3,888
Other Operating Expenses	483	1,571	1,210	1,210	2,420
Total	1,768	3,621	3,154	3,154	6,308
<u>Expenditures by Activity</u>					
Pipeline Safety	1,768	3,621	3,154	3,154	6,308
Total	1,768	3,621	3,154	3,154	6,308
Full-Time Equivalents (FTE)	14.6	18.5	19.7	19.7	

Budget Activities

This program includes the following budget activities:

- Crime Victims Services
- Crime Victims Assistance Grants
- Battered Women/Shelter Service
- Law Enforcement & Community Grants

PUBLIC SAFETY DEPT

Program: OFFICE OF JUSTICE PROGRAMS

Program Summary

Dollars in Thousands					
	Current		Governor Recomm.		Biennium
	FY2010	FY2011	FY2012	FY2013	2012-13
<u>Direct Appropriations by Fund</u>					
General					
Current Appropriation	35,053	34,596	34,596	34,596	69,192
Technical Adjustments					
Approved Transfer Between Appr			(300)	(300)	(600)
Operating Budget Reduction			(5)	(5)	(10)
Subtotal - Forecast Base	35,053	34,596	34,291	34,291	68,582
Governor's Recommendations					
Network for Better Futures		0	2,900	0	2,900
Total	35,053	34,596	37,191	34,291	71,482
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	34,549	34,499	37,191	34,291	71,482
State Government Spec Revenue	96	96	96	96	192
Statutory Appropriations					
Miscellaneous Special Revenue	614	1,241	1,154	1,118	2,272
Federal	20,500	37,631	20,811	20,913	41,724
Federal Stimulus	6,789	7,656	5,020	2,484	7,504
Gift	1	0	0	0	0
Total	62,549	81,123	64,272	58,902	123,174
<u>Expenditures by Category</u>					
Total Compensation	3,287	3,367	3,339	3,367	6,706
Other Operating Expenses	3,860	8,685	5,175	5,131	10,306
Local Assistance	55,302	69,071	55,758	50,404	106,162
Other Financial Transactions	100	0	0	0	0
Total	62,549	81,123	64,272	58,902	123,174
<u>Expenditures by Activity</u>					
Crime Victims Services	3,309	6,803	4,490	4,466	8,956
Crime Victims Assistance Grant	20,557	24,607	17,782	17,788	35,570
Battered Women	19,098	18,812	18,811	18,811	37,622
Law Enforcement & Comm. Grts.	19,585	30,901	23,189	17,837	41,026
Total	62,549	81,123	64,272	58,902	123,174
<u>Full-Time Equivalents (FTE)</u>					
	40.3	40.7	41.1	41.0	

PUBLIC SAFETY DEPT

Program: OFFICE OF JUSTICE PROGRAMS

Activity: CRIME VICTIMS SERVICES

Narrative

Activity at a Glance

- 1,700 individuals file claims for reimbursement each year
- \$2.4 million in claims awarded in FY 2010

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.

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.

Historical Perspective

The Reparations Board was created by the legislature in 1974. Since that time, over 37,000 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 & Measures

The goal of the reparations program is 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*. The program also strives 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.

- The number of days it takes to process claims - (National average = 110).

2006	2007	2008	2009	2010
125	112	106	127	110

- Amount of restitution collected.

2006	2007	2008	2009	2010
\$403,524	\$496,564	\$502,570	\$443,222	\$382,705

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.

Contact

Jeri Boisvert

Executive Director

Phone: (651) 201-7305

Website: <http://www.dps.state.mn.us/ojp/>

PUBLIC SAFETY DEPT

Program: OFFICE OF JUSTICE PROGRAMS

Activity: CRIME VICTIMS SERVICES

Budget Activity Summary

<i>Dollars in Thousands</i>					
	Current		Governor's Recomm.		Biennium
	FY2010	FY2011	FY2012	FY2013	2012-13
<u>Expenditures by Fund</u>					
Direct Appropriations					
General	2,201	2,379	2,344	2,344	4,688
Statutory Appropriations					
Miscellaneous Special Revenue	380	970	912	886	1,798
Federal	357	3,454	1,234	1,236	2,470
Federal Stimulus	370	0	0	0	0
Gift	1	0	0	0	0
Total	3,309	6,803	4,490	4,466	8,956
 <u>Expenditures by Category</u>					
Total Compensation	784	791	801	808	1,609
Other Operating Expenses	2,525	6,012	3,689	3,658	7,347
Total	3,309	6,803	4,490	4,466	8,956
 Full-Time Equivalents (FTE)	 11.2	 11.4	 11.4	 11.4	

PUBLIC SAFETY DEPT

Program: OFFICE OF JUSTICE PROGRAMS

Activity: CRIME VICTIMS ASSISTANCE GRANT

Narrative

Activity at a Glance

- 250 crime victim programs received funding for the period 10/01/2009 - 9/30/2010
- Approximately 100,000 primary crime victims received services
- Annually, approximately \$13.5 million in state and federal grant funds go to serve victims with *non-shelter* needs

Activity Description

State and federal grants for crime victim assistance are administered by the Minnesota Office of Justice Programs (OJP) Crime Victim Grants Team and support local programs in serving crime victims across the state.

Population Served

OJP annually funds approximately 250 crime victim programs throughout Minnesota providing direct services to victims of domestic abuse, child abuse, sexual assault and/or general crime. Approximately 100,000 primary victims received services in FY 2009.

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 childcare 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 2009, funding is approximately \$2.5 million less than FY 2001.

Key Activity Goals & Measures

Crime Victim Grants staff work to ensure quality programming and financial management practices through monitoring, training and technical assistance to crime victim program grantees. This is demonstrated through:

- Number of site visits and desk reviews completed;
- Number of training and/or technical assistance sessions provided;
- Number of requests for reimbursement processed within 14 days;
- Number of progress reports reviewed within 30 days;
- Number of federal monitoring site visits completed with no findings; and
- Number of federal reports submitted on time.

	Site Visits	Desk Reviews	Training & TA	Timely Reimbursements Processed	Timely Reports Reviewed	No Finding Federal Site Visits	Timely Federal Reports
FY2010	53	22	29	2016	1100	2	22

Activity Funding

This activity is funded by a mix of general fund appropriations and federal funds.

Contact

Jeri Boisvert, Executive Director

Phone: (651) 201-7305

Website: <http://www.dps.state.mn.us/ojp/>

PUBLIC SAFETY DEPT

Program: OFFICE OF JUSTICE PROGRAMS

Activity: CRIME VICTIMS ASSISTANCE GRANT

Budget Activity Summary

<i>Dollars in Thousands</i>					
	Current		Governor's Recomm.		Biennium
	FY2010	FY2011	FY2012	FY2013	2012-13
<u>Expenditures by Fund</u>					
Direct Appropriations					
General	5,418	5,602	5,476	5,476	10,952
State Government Spec Revenue	96	96	96	96	192
Statutory Appropriations					
Miscellaneous Special Revenue	27	59	42	42	84
Federal	13,334	17,283	12,168	12,174	24,342
Federal Stimulus	1,682	1,567	0	0	0
Total	20,557	24,607	17,782	17,788	35,570
<u>Expenditures by Category</u>					
Total Compensation	1,064	1,077	1,079	1,090	2,169
Other Operating Expenses	925	1,672	1,027	1,028	2,055
Local Assistance	18,565	21,858	15,676	15,670	31,346
Other Financial Transactions	3	0	0	0	0
Total	20,557	24,607	17,782	17,788	35,570
Full-Time Equivalents (FTE)	13.4	13.2	13.4	13.4	

PUBLIC SAFETY DEPT

Program: OFFICE OF JUSTICE PROGRAMS

Activity: BATTERED WOMEN

Narrative

Activity at a Glance

- Programs receiving shelter funding for the period 10-01-08 - 9-30-09 include:
- 27 emergency shelters; and
- 31 hotel/motel/safehome programs.
- 4,222 women and 4,193 children were housed in emergency shelters for a total of 221,657 bed days.
- 538 women, 646 children, and 20 men were housed in hotel/motel/safehome programs for a total of 4,972 bed days

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 are on tribal reservations.

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 reviews. 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 7-01-99. 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 7-01-03. 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 FY 2001, at 662 beds.

Key Activity Goals & Measures

The Crime Victim Services grant team works to ensure quality programming and proper fiscal administration through monitoring, training and technical assistance to grantees. This is demonstrated through:

- Number of site visits and desk reviews completed;
- Number of training and/or technical assistance sessions provided;
- Number of requests for reimbursement processed within 14 days;
- Number of progress reports reviewed within 30 days;
- Number of federal monitoring site visits completed with no findings; and
- Number of federal reports submitted on time.

	Site Visits	Desk Reviews	Training & TA	Timely Reimbursements Processed	Timely Reports Reviewed	No Finding Federal Site Visits	Timely Federal Reports
FY2010	17	13	9	254	138	2	12

Activity Funding

This activity is funded through a combination of general fund appropriations and federal funds.

Contact

Jeri Boisvert, Executive Director

Phone: (651) 201-7305

Website: <http://www.dps.state.mn.us/ojp/>

PUBLIC SAFETY DEPT**Program: OFFICE OF JUSTICE PROGRAMS**

Activity: BATTERED WOMEN

Budget Activity Summary

<i>Dollars in Thousands</i>					
	Current		Governor's Recomm.		Biennium
	FY2010	FY2011	FY2012	FY2013	2012-13
<u>Expenditures by Fund</u>					
Direct Appropriations					
General	19,098	18,812	18,811	18,811	37,622
Total	19,098	18,812	18,811	18,811	37,622
<u>Expenditures by Category</u>					
Local Assistance	19,098	18,812	18,811	18,811	37,622
Total	19,098	18,812	18,811	18,811	37,622

PUBLIC SAFETY DEPT

Program: OFFICE OF JUSTICE PROGRAMS

Activity: LAW ENFORCEMENT & COMM. GRTS.

Narrative

Activity at a Glance

- Administered approximately 250 grants in FY 2010
- Administered over \$5.2 million in state funds in FY 2010
- Administered over \$10.3 million of federal funds in FY 2010

Activity Description

The Office of Justice Programs (OJP) Justice and Community Team, administers state and federal grant programs for prevention, intervention, law enforcement and criminal and juvenile justice system improvement activities. The Statistical Analysis Center (SAC), which provides criminal and juvenile justice information, conducts research and develops reports on a variety of criminal and juvenile justice topics, is also part of this budget activity.

Population Served

OJP staff work in partnership with state, local and tribal units of government, and nonprofit and community organizations throughout the state of Minnesota.

Services Provided

Over 250 grants were awarded to prevent and/or reduce crime and juvenile delinquency, increase community livability and improve the criminal justice system. Staff provide grants administration and program development services including: fiscal, administrative and program performance monitoring, training, and technical assistance.

Key Activity Goals & Measures

- Grant staff work to ensure quality programming and proper fiscal administration through monitoring, training, and providing technical assistance. This is demonstrated through the:
 - Number of site visits and desk reviews completed;
 - Number of training and/or technical assistance sessions provided;
 - Number of requests for reimbursement processed within 14 days;
 - Number of progress reports reviewed within 30 days;
 - Number of federal monitoring site visits completed with no findings;
 - Number of federal reports submitted on time; and
 - Number of juvenile and adult facilities inspected for compliance with the Juvenile Justice Act.

	Site Visits	Desk Reviews	Training & TA	Timely Reimbursements Processed	Timely Reports Reviewed	No Finding Federal Site Visits	Timely Federal Reports	Inspected Facilities
FY2010	111	34	324	1541	702	9	28	68

- Statistical Analysis Center staff work to provide accurate and timely criminal and juvenile justice information to a variety of customers. This is demonstrated through:
 - Number of scheduled data collection series and/or special analyses completed;
 - Number of reports required by state or federal entities submitted on time; and
 - Number of products available to customers.

	Data Analyses	Timely Reports submitted to state legislature and/or NIJ	Products
FY 2010	5	5 (all)	6

Given the broad array of program activities, OJP 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 or number of guns seized and outcome measures such as reduced delinquency or reduced recidivism.

Activity Funding

These activities are funded by a mix of general fund appropriations, special revenue and federal funds.

Contact

Jeri Boisvert

Executive Director

Phone: (651) 201-7305

Website: <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
	FY2010	FY2011	FY2012	FY2013	2012-13
<u>Expenditures by Fund</u>					
Direct Appropriations					
General	7,832	7,706	10,560	7,660	18,220
Statutory Appropriations					
Miscellaneous Special Revenue	207	212	200	190	390
Federal	6,809	16,894	7,409	7,503	14,912
Federal Stimulus	4,737	6,089	5,020	2,484	7,504
Total	19,585	30,901	23,189	17,837	41,026
<u>Expenditures by Category</u>					
Total Compensation	1,439	1,499	1,459	1,469	2,928
Other Operating Expenses	410	1,001	459	445	904
Local Assistance	17,639	28,401	21,271	15,923	37,194
Other Financial Transactions	97	0	0	0	0
Total	19,585	30,901	23,189	17,837	41,026
Full-Time Equivalents (FTE)	15.7	16.1	16.3	16.2	

Program at a Glance

The following activity statistics help illustrate the size and scope of the Division of Emergency Communication Networks:

- 100% statewide Emergency 9-1-1 coverage
- Enhanced wireless Emergency 9-1-1 coverage from all wireless carriers in Minnesota
- 9-1-1 calls are answered at 105 local Public Safety Answering Points and 10 regional State Patrol PSAPs
- 9-1-1 system routes over two million calls annually
- Dozens of emergency response organizations use ARMER for day-to-day radio communications and incident management
- Implementation of ARMER backbone in Minnesota is 50% complete with substantial completion slated by the end of 2012
- 70 of 87 counties and the cities within are on ARMER or are at some phase of migration to the ARMER system

Program Description

Minnesota Statewide 9-1-1, Interoperability, Allied Radio Matrix for Emergency Responders (ARMER) programs oversee:

- 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;
- Migration to Internet Protocol (I.P.) based Next Generation capable 9-1-1 network;
- Assists local jurisdictions with PSAP consolidation efforts;
- In accordance with M.S. 403.36, promote coordination and cooperation among local, state, federal, and tribal public safety agencies in addressing statewide public safety communications interoperability within Minnesota, neighboring states and Canada and that integrates with the Minnesota emergency operations plan;
- Develop and adopt guidelines and operational standards for local and private public safety

communications interoperability within Minnesota in accordance with M.S. 403.36;

- Distribution of funds for the shared public safety radio system in accordance with M.S. 403.27 and 403.275;
- Coordination of 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.

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.

The ARMER system which is comprised of 328 towers and associated infrastructure across Minnesota will serve as the foundational infrastructure necessary for establishing interoperable radio communications with every emergency response organization in Minnesota or to agencies that provide services to Minnesota residents. The backbone currently covers over 85% of the state's population and is used by over a 1000 different emergency response disciplines. Currently, there are over 35,000 active radios on the ARMER system.

Historical Perspective

The Minnesota Statewide 9-1-1 Program provides immediate access from all telephones to critical public safety services. The 9-1-1 Program, which has been administered by the Department of Public Safety since December 2003, coordinates the maintenance of 9-1-1 systems and is charged with formulation of concepts, methods and procedures which will improve the operation and maintenance of 9-1-1 systems that handle more than two million emergency calls annually.

The Allied Radio Matrix for Emergency Response program began in January of 2004 with a mission to develop a strategy for statewide emergency communications that addressed the existing lack of interoperability between emergency response agencies. The development and implementation of that strategy has demonstrated a comprehensive approach to interoperability through the creation of a representative governance structure that brings all emergency response disciplines together in the process.

The ARMER system is owned and operated by the Minnesota Department of Transportation. The basic communication system uses the Motorola Smart Zone technology which is a 700/800 megahertz (MHz) digital trunked radio communication system rooted in the non-proprietary APCO P25 architecture.

The Minnesota Statewide 9-1-1 Program costs were funded from the state's general fund until December 1986. In 1987, the state began collecting a 9-1-1 service fee on wired telephone lines to pay expenses related to the 9-1-1 program. Beginning July 1994, the fee was extended to include wireless telephone lines and today it includes voice-over internet protocol providers. Revenues from the 9-1-1 fee are deposited into a special revenue account from which the Division of Emergency Communication Networks costs are paid. In the 2010–2011 biennium, nearly \$137 million was appropriated from the 9-1-1 Special Revenue Account to fund the 9-1-1, Interoperability and ARMER Programs within the Division of Emergency Communication Networks. More specifically, the special revenue account provides funding for 9-1-1 wire line and wireless carrier cost recovery, 9-1-1 PSAP equipment and proficiency, the east and west medical resource communications centers, debt service on the revenue bonds sold to construct the ARMER system, ARMER backbone maintenance and operation costs, and Minnesota's interoperability program. The current 9-1-1 fee assessed is 80 cents per line with the authority to raise the fee up to 95 cents.

Key Program Goals & Measures

- Successfully implement Phase 1 and 2 of the NG9-1-1 (Next Generation 9-1-1) project. Analyze the outcomes of Phase 2 and determine Go/No Go decision to move forward with Phase 3.
 - Complete Phase 1 testing;
 - Analyze Phase 1 testing data and prepare network for Phase 2 testing; and
 - Complete Phase 2 testing.
- Assist counties pursuing PSAP Consolidation Feasibility Studies on network and radio recommendations.
 - Attend local meetings and provide network and operational information;
 - Review draft local PSAP consolidation reports; and
 - Provide technical and financial support for PSAP consolidation integrations.
- Develop Statewide Radio Board NG9-1-1 subcommittee and provide SME support
 - Achieve support from SRB for standing NG9-1-1 committee;
 - Develop customer consensus on committee size, members, chair and content scope; and
 - Implement committee into SRB governance structure and hold regularly scheduled meetings.
- Develop plans to address the continued enhancement of the ARMER system, the changing dynamics of local participation, enhanced ability to provide cross spectrum interoperability, and to monitor, respond to and adapt to changing Federal Communication Commission regulations and relevant standards adopted by various standards organizations.
 - Provide technical support as necessary to develop plans to address the continued evolution of wireless communication technologies and to monitor, respond to, and design, approaches to adapt to changing regulatory and standards environment; and
 - Identify and implement ways to communicate current public safety communication and interoperability topics to interested regional radio board members and committee chairs, as necessary to support continued engagement and to elicit comments and input on important public safety interoperable communication issues.
- Substantially complete (95 percent of base radio sites operational) the construction of the ARMER backbone by the end of 2012.
 - Construction of 65% of base radio sites. (12-31-10); and
 - Construction of 85% of base radio sites. (12-31-11)

- Develop a strategy to provide the highest level of broadband data to public safety officials throughout the state.
 - Identify the potential and opportunities to leverage the ARMER system (spectrum, towers and microwave) to make broadband data available to public safety officials across the state through a public and private partnership;
 - Seek information from commercial wireless telecommunication vendors upon the possibility to pursue a public private partnership to expand the availability of broadband data services to public safety agencies across the state;
 - Monitor and comment, where appropriate, upon the status of the public safety 700 MHz data channels (D-Block) before the Federal Communication Commission (FCC); and
 - Determine a viable approach to implement public safety data and develop a strategy for the implementation of the strategy (1 year after resolution of D-Block issue).

Program 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 95 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 80 cents) with the approval of the commissioner of Minnesota Management and Budget.

Contact

Jackie Mines, Director
Division of Emergency Communication Networks
Phone: (651) 201-7546
Email: jackie.mines@state.mn.us
Website: <http://www.911.state.mn.us/>

PUBLIC SAFETY DEPT

Program: EMERGENCY COMM NETWORKS

Program Summary

<i>Dollars in Thousands</i>					
	Current		Governor Recomm.		Biennium
	FY2010	FY2011	FY2012	FY2013	2012-13
<u>Direct Appropriations by Fund</u>					
State Government Spec Revenue					
Current Appropriation	66,470	70,233	66,708	63,743	130,451
Subtotal - Forecast Base	66,470	70,233	66,708	63,743	130,451
Governor's Recommendations					
ARMER Maintenance and Operations		0	3,240	3,590	6,830
Total	66,470	70,233	69,948	67,333	137,281
<u>Expenditures by Fund</u>					
Direct Appropriations					
State Government Spec Revenue	31,908	48,231	69,948	67,333	137,281
Statutory Appropriations					
Miscellaneous Special Revenue	0	66	0	0	0
Federal	2,025	6,336	987	0	987
Total	33,933	54,633	70,935	67,333	138,268
<u>Expenditures by Category</u>					
Total Compensation	652	717	727	743	1,470
Other Operating Expenses	14,871	31,802	22,475	18,622	41,097
Local Assistance	18,410	22,114	14,079	13,964	28,043
Transfers	0	0	33,654	34,004	67,658
Total	33,933	54,633	70,935	67,333	138,268
<u>Expenditures by Activity</u>					
911 Emergency Services	33,933	54,633	70,935	67,333	138,268
Total	33,933	54,633	70,935	67,333	138,268
<u>Full-Time Equivalents (FTE)</u>					
	7.9	8.7	9.0	9.0	

Program at a Glance

The MBFTE governs the licensing of fulltime firefighters and 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 fire departments for firefighter training.
- Develops standards for firefighter training and education in Minnesota.

Program Description

The Minnesota Board of Firefighter Training and Education (MBFTE) is responsible for developing training standards for firefighters and to administer the licensing of fulltime firefighters. MBFTE identifies training needs, develops and enforces procedures and assures quality education which contributes to the safety and well-being of the people of Minnesota.

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. MBFTE is charged with administering the licensing of fulltime firefighters. 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, devices, and endowments that any entity may make to the board for the purposes of this chapter. The board may use any money given to it for the stated purpose and is consistent with the terms and conditions. When deemed necessary, MBFTE will 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.

Historical Perspective

The MBFTE was created by the Minnesota State Legislature in 2000 with a sunset date of December 31, 2003. In 2005, the Minnesota State Legislature revived and reenacted the Board after placed into sunset for two years. July 2008 the MBFTE hired an Executive Director team.

Key Program Goals & Measures

- 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.”**
- Maintain a list of qualified instructors for fire service training with the qualifications required by: MBFTE for Fire Service Instructor Professional Qualifications approved are classes by National Fire Protection Association, National Fire Academy and OSHA standards was created.
 - All National Fire Academy Classes, all Federal FEMA classes dealing with Incident Command (*i.e. IS 100, 200, 300, etc.*)
 - NFPA 472 – Standard for Competence of Responders to Hazardous Materials/Weapons of Mass Incidents (*i.e. Haz-Mat Awareness, Operations*)
 - NFPA 1001 - Standards for Firefighter Professional Qualifications (*i.e. Firefighter I & II classes - currently only Live Fires that are part of NFPA 1001 course –FF I & II*)
 - NFPA 1002 - Standard for Fire Apparatus Driver/Operator Professional Qualifications (*i.e. Pumping, Driving, Water Supply, EVOC*)
 - NFPA 1003 - Standard for Airport Firefighting Professional Qualifications
 - NFPA 1021 – Standard for Fire Officer Professional Qualifications (*i.e. Tactics & Strategies, Command, Leadership*)
 - NFPA 1031 – Standard for Professional Qualifications for Fire Inspector & Plan Examiner (*i.e. Building Inspections, Construction*)

PUBLIC SAFETY DEPT

Program: MN FIREFIGHTERS TRNG. & EDUC.

Narrative

- NFPA 1033 – Standard for Professional Qualifications for Fire Investigator (*i.e. Arson classes, Fire Investigation classes, BCA classes*)
 - NFPA 1035 - Standard for Professional Qualification for Public Educator & Life Safety Educator
 - NFPA 1037 – Standard for Professional Qualifications for Fire Marshal
 - NFPA 1041 – Standard for Fire Service Instructor Professional Qualifications
 - NFPA 1051 – Standard for Wildland Firefighter Professional Qualifications (*i.e. S-130, S-190*)
 - NFPA 1061 – Standard for Professional Qualifications for Public Safety Telecommunicator
 - NFPA 1407 – Standard for Fire Service Rapid Intervention Crews (*i.e. RIT training*)
 - NFPA 1670 – Standard on Operations and Training for Technical Search & Rescue Incidents. (*i.e. Rope Rescue –high & low angle, Structural Collapse Rescue, Confined Space Rescue, Vehicle Rescue, Water & Ice Rescue, Wilderness Search & Rescue, Trench & Excavation Rescue, Machinery Rescue, Cave Rescue, Mine & Tunnel Rescue, Helicopter Rescue*), All OSHA Classes Required (*i.e. Blood-borne Pathogen, Right-to-Know*)
- Develop a reimbursement program for funding firefighter education and training using the funds allocated by the Fire Service Advisory Committee.
 - The reimbursement program was accessible and communication about the program was extended to all Minnesota firefighters departments, Minnesota statewide media, township clerks and legislators.
 - Funds for firefighter training and education were distributed with special attention paid to geographic fairness and equity. Funds were paid to Minnesota fire departments who applied to be reimbursed for training. Award amounts were determined through an application process. Award funds were distributed to fire department recipients through the Department of Public Safety. Every applicant was awarded funds.
 - The MBFTE produced documentation for the Fire Service Advisory Committee and the MN State Legislature demonstrating the benefit of firefighter training and education funding.
 - MBFTE will administer the licensing program of fulltime firefighters as defined and directed by enabling legislation 299N.04 and 299N.05. Details of firefighter licensing:
 - All full-time firefighters must be licensed by July 1, 2011 as a condition of their employment.
 - Paid-on-call and volunteer firefighters may be licensed, but must meet the same standards and conditions of licensing as full time firefighters. There is one license regardless of the employment status of a firefighter.
 - Starting in January 1, 2011 and until July 1, 2011 all firefighters employed or associated with a fire department will be grandfathered into licensing.
 - After July 1, 2011 firefighters will be required to have specific training and pass a test in order to be licensed.
 - The license fee is \$75.
 - The license must be renewed every three years, each renewal costing \$75.
 - Every three years a licensed firefighter must complete 72 hours of MBFTE approved continuing firefighter education.

Program Funding

In the summer of 2007 home and business owners began paying a new “Fire Safety Surcharge” when they renewed their insurance premiums. The surcharge is separately stated on premium notices and is equal to .65% of their overall premium. 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. Money raised by the new surcharge is placed into the Fire Safety Account, which pays for the majority of the Minnesota State Fire Marshal’s office budget, 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.

Contact

Richard Loveland, Chairman MBFTE

Phone: (218) 299-5432

Website: mfd@arvig.net

PUBLIC SAFETY DEPT

Program: MN FIREFIGHTERS TRNG. & EDUC.

Program Summary

Dollars in Thousands					
	Current		Governor Recomm.		Biennium
	FY2010	FY2011	FY2012	FY2013	2012-13
<u>Expenditures by Fund</u>					
Direct Appropriations					
Miscellaneous Special Revenue	1,459	2,480	1,470	1,470	2,940
Statutory Appropriations					
Miscellaneous Special Revenue	0	63	67	69	136
Gift	2	3	0	0	0
Total	1,461	2,546	1,537	1,539	3,076
<u>Expenditures by Category</u>					
Total Compensation	0	26	161	166	327
Other Operating Expenses	240	295	151	148	299
Local Assistance	1,221	2,225	1,225	1,225	2,450
Total	1,461	2,546	1,537	1,539	3,076
<u>Expenditures by Activity</u>					
Mn Firefighters Trng. & Educ.	1,461	2,546	1,537	1,539	3,076
Total	1,461	2,546	1,537	1,539	3,076
Full-Time Equivalents (FTE)	0.0	0.4	2.3	2.3	

Federal Award Name + Brief Purpose	New grant	Required state match/MOE? Yes/No Match MOE		SFY 2010 Revenues	SFY 2011 Revenues	Estimated SFY 2012 Revenues	Estimated SFY 2013 Revenues
PROGRAM 01 ADMINISTRATION & RELATED							
Information and Public Education, National Highway Traffic Safety Administration (NHTSA). Programs 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.	No	No	No	196	235	235	235
NHTSA Highway Safety Paid Media. Grant designed to reduce the number and severity of traffic crashes that occur in Minnesota by changing driver behavior through advertising.	No	No	No	2,207	2,700	2,700	2,700
Homeland Security. Provides grant monies to fund homeland security preparedness and prevention activities through external communication dealing with homeland security topics.	No	No	No	116			
Motorcycle Safety Public Information. Funding to improve motorcycle safety by funding communications activity for information and public education awareness.	No	No	No	101	27	124	124
Program 01 ADMINISTRATION & RELATED TOTAL				2,620	2,962	3,059	3,059
PROGRAM 02 HOMELAND SECURITY AND EMERGENCY MANAGEMENT							
Disaster Assistance Grants (Public Assistance). Funding provided to the state after a presidential declaration of a major disaster. 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).Funding provided to the state after a presidential declaration of a major disaster. Provides assistance to eligible disaster victims for serious needs and necessary expenses caused by the disaster. Other individual assistance programs are available for disaster unemployment and crisis counseling. The federal government contribution to IHP is 75%; the state is obligated to pay the remaining 25%.	No	Yes	No	31,571	77,685	968	981
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.	No	Yes	No	5,862	5,395	5,277	5,277
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.	No	Yes	No	381	400	420	420

		Required state match/MOE? Yes/No					
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.	No	No	No	1,919	7,305	172	174
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.	No	No	No	2,458	3,163	381	381
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.	No	No	No	23			
Homeland Security. This program provides funding for a number of homeland security preparedness and prevention activities through planning and training, equipment acquisitions and exercises: <ul style="list-style-type: none"> • 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. 	No	Yes	No	26,310	75,484	29,351	29,351
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.	No	No	No	378	314	350	300
Program 02 HOMELAND SECURITY AND EMERGENCY MANAGEMENT TOTAL				68,902	169,746	36,919	36,884

		Required state match/MOE? Yes/No					
PROGRAM 03 BUREAU OF CRIMINAL APPREHENSION							
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.	No	No	No	904	300		
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.	No	No	No	136	125		
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.	No	No	No	72	136	10	
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.	No	No	No	183	275		
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.	No	No	No	140	140	140	140
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.	No	No	No	496	75		
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).	No	No	No	416	301		
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.	No	No	No	287	501	493	259

		Required state match/MOE? Yes/No					
Breath Test Enhancement and Integration Project. Funds to be used to replace all existing breath test instruments in the state and connect them to the BCA via a secure network. The new breath testing instruments will be integrated with the eCharging system that will provide for law enforcement to electronically file forms to administratively revoke a person's driver's license and criminally charge for driving impaired.	No	No	No	25	2,758	900	
MN Office of Justice Programs Technology Improvement. Infrastructure funding that supports criminal justice information must be kept up to date to support the integration efforts needed for agencies to access necessary data to keep our citizens safe.	No	No	No	450			
National Criminal History Improvement Program (NCHIP). Funding enables States to improve criminal history records through technology projects that improve public safety by facilitating accurate and timely identification of persons by enhancing the quality, completeness and accessibility of the nation's criminal history record systems.	No	Yes	No	137	300	92	
Operation Stone Garden. Funds are used by counties and tribal law enforcement agencies working with federal agencies to enhance capabilities to jointly secure United States borders with Canada and Mexico and to increase our presence along the borders. Funds are for law enforcement personnel and overtime pay.	No	No	No	26			
Missing Persons Grant. Grant to laboratories with capability to perform DNA analysis on samples from missing persons cases and funds identification, selection, and transportation of samples; sample analysis; and review and upload of DNA profiles into CODIS.	No	No	No	58			
MN Financial Crimes. Infrastructure funding that supports the functioning of the MN Financial Crimes Task Force and the integration of information from multiple law enforcement agencies statewide in the investigation of financial crimes.	No	No	No		200		
Sex Offender Monitoring, Apprehending, Registering and Tracking. Funding to implement and Electronic Document Management System for the Predatory Offender Registration unit.	N	No	No	21			
Program 03 BUREAU OF CRIMINAL APPREHENSION TOTAL				3,351	5,111	1,635	399
PROGRAM 04 STATE FIRE MARSHAL							
None							
Program 04 STATE FIRE MARSHAL TOTAL				0	0	0	0

		Required state match/MOE? Yes/No					
PROGRAM 05 STATE PATROL							
Motor Carrier Safety Assistance Program (MCSAP). Individual MCSAP grants are requested and approved throughout the year. New Entrant Safety Assurance Program (NESAPP 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.	No	Yes	Yes	4,527	2,448	4,592	4,592
National Highway Traffic Safety Administration (NHTSA). Grants issued through the DPS Office of Traffic Safety (OTS) and provides funding for Impaired Driving and Seat Belt enforcement, and Drug Recognition Experts. The State Patrol also administers grants to local agencies under Impaired Driving and Seat Belts to enforce DWI and Seat Belt laws.	No	No	No	2,723	1,671	1,852	1,852
Highway Enforcement of Aggressive Traffic Program (HEAT). Funded by NHTSA and MnDOT; administered by MnDOT and State Patrol to provide enhanced speed enforcement saturations on a statewide basis and is key tool in the Toward Zero Deaths (TZD) effort.	No	No	No	1,315	627	1,641	1,641
Surface Transportation Act – Red-dyed fuel. Grant issued through MnDOT 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.	No	No	No	94	163	117	117
Bullet Proof Vest Partnership (BPV). Funds up to 50% of the cost of each vest purchased or replaced by the State Patrol for State Troopers.	No	No	No	31	30	30	30
Federal Emergency Management. To enhance the ability of the State, local and tribal governments to prepare, prevent, respond to, and to recover from the devastating effects of terrorist attacks and other disasters.	No	No	No	143	3		
Program 05 STATE PATROL TOTAL				8,833	4,942	8,232	8,232
PROGRAM 07 DRIVER & VEHICLE SERVICES							
Commercial Drivers License Information System (CDLIS) Program Improvement. Used to target technical modifications to State's database in order to meet CDLIS specifications and pass structured testing, to achieve compliance with requirements of unresolved elements of the Motor Carrier Safety Improvement Act of 1999 (MCSIA), and to address findings of the CDL audits.	No	No	No	765	953	973	973
Performance and Registration Information Systems Management (PRISM). Used 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.	No	No	No	28	10	50	50

		Required state match/MOE? Yes/No					
Facial Recognition Verification. 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.	No	No	No		495	800	800
Real ID Demonstration. Used to enhance current business processes, further investigate conflicting information within DVS records, 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.	No	No	No	5	689	694	694
Driver's License Security. FEMA grant to facilitate the State's ability to improve security and integrity of driver's license and identification card issuance processes to include IT systems, facilities, source document verification and the required security protection of an individual's personal identification information.	No	No	No	5	829		834
Ignition Interlock. Used to administer and oversee the Ignition Interlock Program to enhance public safety by giving eligible DWI offenders the opportunity to have ignition interlock devices installed in their vehicles to ensure they are driving safely and legally.	No	No	No	53	163	177	177
Program 07 DRIVER & VEHICLE SERVICES TOTAL				856	3,139	2,694	3,528
PROGRAM 10 ALCOHOL & GAMBLING ENFORCEMENT							
Youth and Alcohol Prevention. Alcohol & Gambling Enforcement Division conducts statewide training for local and county law enforcement agencies on correct procedures for conducting alcohol compliance checks in their communities, provides alcohol awareness training to licensed alcohol retailers, tribal councils, community event officials, county health departments, community coalitions and licensing officials.	No	No	No	98	104	104	104
Program 10 ALCOHOL & GAMBLING ENFORCEMENT TOTAL				98	104	104	104
PROGRAM 11 OFFICE OF TRAFFIC SAFETY							
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 164HE funding for hazard elimination projects at MnDOT.	No	Yes	No	9,041	19,607	15,431	15,431
NHTSA 164AL and 164PM Repeat DWI Offender: Support state and local activities to improve operations related to DWI including paid media.	No	No	No	5,192	10,900	11,073	11,073

		Required state match/MOE? Yes/No					
NHTSA 406 Seat Belt Performance Incentive: Funds may be used for any program eligible for 402 activities.	No	No	No	1,140	2,994	2,194	2,194
NHTSA 410 Impaired Driving: Support state and local activities related to reducing the incidence of impaired driving.	No	Yes	Yes	1,890	5,543	5,550	5,550
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.	No	No	No	69	68	77	77
NHTSA 2010 Motorcycle: Support state and local activities related to motorcycle safety.	No	No	No	160	162	27	27
NHTSA 405 Occupant Protection: Funds may be used only to implement occupant protection programs and enforce those laws.	No	No	No		276	276	276
NHTSA 408 Information Systems: Support state and local activities related to improving traffic crash data collection, analysis, and reporting systems.	No	Yes	Yes	295	1,907	1,907	1,907
NHTSA 1906 Prohibit Racial Profiling: Support activities related to developing and implementing programs to reduce the occurrence and perception of racial profiling, including programs to train law enforcement officers and to provide in-squad cameras.	No	Yes	Yes	4	450	450	450
NHTSA 2011 Child Safety and Child Booster Seat. No more than fifty percent of these funds can be used to purchase and distribute child safety and booster seats to low-income families. The remaining amounts support state and local activities related to enforcement, training and education of child restraint laws.	No	Yes	Yes	92	52	52	52
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.	No	No	No	391	398	360	360
Program 11 OFFICE OF TRAFFIC SAFETY TOTAL				18,274	42,357	37,397	37,397
PROGRAM 20 OFFICE OF PIPELINE SAFETY							
Pipeline Safety Operations. Inspection and investigation of inter and intra-state pipelines.	No	No	Yes	1,077	1,609	1,609	1,609
Damage Prevention One Call. Increased enforcement and education about Gopher State One Call Law.	No	No	No	162	145	145	145
Program 20 OFFICE OF PIPELINE SAFETY TOTAL				1,239	1,754	1,754	1,754

		Required state match/MOE? Yes/No					
PROGRAM 21 OFFICE OF JUSTICE PROGRAMS							
Victims of Crime Act (VOCA), Victim's Compensation Grant is received annually from the U.S. Department of Justice (USDOJ), Office for Victims of Crime (OVC). 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%.	No	Yes	No	357	3,470	1,227	1,227
Victims of Crime Act (VOCA) grant is received annually from USDOJ, OVC. This funding is awarded to programs that provide direct support services and advocacy for victims of child abuse, domestic violence, general crime and/or sexual assault. This program requires a 20% match.	No	Yes	No	8,756	9,667	7,012	7,012
Violence Against Women Act (VAWA) grant is received annually from USDOJ, Office on Violence Against Women (OVW). These funds support projects that develop and strengthen effective law enforcement and prosecution strategies and strengthen victim services in cases involving violence against women. VAWA requires a 25% match.	No	Yes	No	2,180	3,824	2,317	2,317
Family Violence Prevention Services Act (FVPSA) grant is received annually from the U.S. Department of Health and Human Services (HHS). Grant funds are for emergency shelter and related assistance for battered women and their children. FVPSA requires a 20% match.	No	Yes	No	1,799	1,684	1,619	1,619
Sexual Assault Services Program (SASP) grant is received annually from USDOJ, OVW. These funds are awarded to programs that provide direct intervention and related assistance for victims of sexual assault.	Yes	No	No		456	188	188
Statewide Automated Victim Information and Notification (SAVIN) grant is one time award to enhance the state victim notification system (VINE) by upgrading the Minnesota Department of Corrections notification system. This program requires a 25% match.	No	Yes	No	157	211		
Grant to Encourage Arrest Policies and Enforcement of Protection Orders is a one-time award from USDOJ, OVW to a state collaborative to clarify and enhance policies and provide training to improve the response to and outcomes for victims of domestic violence, dating violence, sexual assault, and stalking.	No	No	No	442	1,511	1,000	1,000
Edward Byrne Memorial Justice Assistance Grant (JAG) is received annually from USDOJ, Bureau of Justice Assistance (BJA). These funds are granted to state, tribal and local entities to support activities that will prevent and control crime and improve the functioning of the criminal and/or juvenile justice systems. This program requires that 58% of the total award be passed through to tribal or local agencies.	No	No	No	4,977	4,639	4,622	4,622

		Required state match/MOE? Yes/No					
Project Safe Neighborhood (PSN) grant is received annually from USDOJ, BJA to support projects that reduce gang and gun violence.	No	No	No	480	607	178	167
Residential Substance Abuse Treatment for State Prisoners (RSAT) grant is received annually from USDOJ, BJA. Funds support the development and implementation of residential substance abuse treatment programs in state and local correctional facilities. RSAT requires a 25% match.	No	Yes	No	85	278	271	271
Statistical Analysis Center (SAC) is an annual award from USDOJ, Bureau of Justice Statistics (BJS) to maintain and enhance the state's capacity to address criminal justice issues through collection and analysis of data.	No	No	No	50	61	61	61
Paul Coverdell Forensic Science Improvement grant is received annually from USDOJ, National Institute of Justice and awarded to certified forensic labs to help improve the quality and timeliness of forensic science services.	No	No	No	220	551	388	388
Juvenile Justice Title II is an annual formula grant received from USDOJ, Office of Juvenile Justice and Delinquency Prevention (OJJDP) to assist in ensuring compliance with the four core requirements of the federal Juvenile Justice and Delinquency Prevention Act and to support activities and goals established by the state advisory group, the Juvenile Justice Advisory Committee (JJAC). A dollar for dollar match is required for the administrative portion of this award.	No	Yes	No	832	1,652	934	934
Juvenile Justice Title V is an annual grant received from USDOJ, OJJDP to fund collaborative, community-based delinquency prevention efforts.	No	No	No	21	149	85	85
Juvenile Accountability Block Grant (JABG) is an annual formula grant received from USDOJ, OJJDP 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. JABG requires a 10% match.	No	Yes	No	842	806	801	801
Program 21 OFFICE OF JUSTICE PROGRAMS TOTAL				21,198	29,566	20,703	20,692
PROGRAM 28 EMERGENCY COMMUNICATION SERVICES							
E-911 Grant program. Funds used for hardware and software necessary to provide Wireless Phase II E-911 service; hardware and software necessary to implement an IP enabled emergency network; training in the use of said hardware and software; consultant costs pursuant to OMB Circular A-87; and ESInets as defined by National Emergency Numbers Association.	Yes	Yes	No		873	872	

		Required state match/MOE? Yes/No					
Interoperable Emergency Communications Grant Program (IECGP). Funding provided to states and territories and to local and tribal governments to support achievement of the goals, objectives, and/or initiatives of the Statewide Communication Interoperability Plans and to ensure achievement of the goals and milestones of the National Emergency Communications Plan.	No	Yes	No	150	354		
State Homeland Security Program (SHSP). Funding supports the implementation of State Homeland Security Strategies to address the identified planning, organization, equipment, training, and exercise needs for acts of terrorism and other catastrophic events. This funding also supports the implementation of the National Preparedness Guidelines, the National Incident Management System and the National Response Framework.	No	No	No	276	2,364	115	
Public Safety Interoperable Communications (PSIC). Funds to assist public safety agencies for acquisition, deployment, 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, deployment or training for interoperable communications equipments, software and systems.	No	Yes	No	1,599	2,745		
Program 28 EMERGENCY COMMUNICATION SERVICES TOTAL				2,025	6,336	987	0
DPS 300 FEDERAL FUND TOTAL:				127,396	266,017	113,484	112,049
AMERICAN REINVESTMENT AND RECOVERY ACT (ARRA)							
PROGRAM 02 HOMELAND SECURITY AND EMERGENCY MANAGEMENT							
School Resource Officer. This is a onetime award to provide training to licensed peace officers who are designated as School Resource Officers statewide.	No	No	No	44	141	32	
PROGRAM 03 BUREAU OF CRIMINAL APPREHENSION							
American Reinvestment and Recovery Act (ARRA). The Recovery Act focuses of job creation or sustainment of jobs that were being eliminated to assist the US economy it its recovery from the recession. The jobs under this grant funded developers to make enhancements to the eCharging system from discoveries during the pilot phase of the project. The enhancements were requested by the pilot users in the criminal justice agencies.	No	No	No	482	598		

		Required state match/MOE? Yes/No				
PROGRAM 21 OFFICE OF JUSTICE PROGRAMS						
Victims of Crime Act (VOCA). This is a one-time award under the ARRA from USDOJ, Office for Victims of Crime (OVC). Funding is awarded to agencies to maintain or hire staff to provide direct support services and advocacy for victims of child abuse, domestic violence, general crime and/or sexual assault. Requires a 20% match.	No	Yes	No	663	182	
Victims of Crime Act (VOCA), Victim's Compensation Grant. This is one-time award received from the U.S. Department of Justice (USDOJ), OVC. Funds are used to reimburse crime victims and their family members for financial losses incurred due to a crime involving personal injury or death.	No	No	No	370		
Violence Against Women Act (VAWA). This one-time award under ARRA from USDOJ, Office on Violence Against Women (OVW) is granted to maintain or add personnel to implement projects that develop and strengthen effective law enforcement, prosecution, and victim services in cases involving violence against women. VAWA requires a 25% match.	No	Yes	No	1,019	1,385	
Edward Byrne Memorial Justice Assistance Grant (JAG). This is a one-time award received from USDOJ, Bureau of Justice Assistance (BJA). Funds are awarded to state, tribal and local entities to maintain or add personnel to implement activities that will prevent and control crime and improve the functioning of the criminal and/or juvenile justice systems. This program requires that 58% of the total award be passed through to tribal or local agencies.	No	No	No	18,210	120	
ARRA DPS 309 FUND TOTAL:				20,788	2,426	32
DEPARTMENT OF PUBLIC SAFETY TOTAL:				148,184	268,443	112,049

PUBLIC SAFETY DEPT

Agency Revenue Summary

Dollars in Thousands

	Actual FY2010	Budgeted FY2011	Governor's Recomm. FY2012 FY2013		Biennium 2012-13
<u>Non Dedicated Revenue:</u>					
Departmental Earnings:					
General	18,817	19,685	19,685	19,685	39,370
Trunk Highway	581	710	710	710	1,420
Environmental	9,184	9,700	9,700	9,700	19,400
Other Revenues:					
General	274	52	52	52	104
Trunk Highway	4,778	6,221	6,221	6,221	12,442
Highway Users Tax Distribution	999	1,039	1,039	1,039	2,078
Taxes:					
General	74,212	30,044	125	125	250
Highway Users Tax Distribution	754,759	809,432	888,015	928,327	1,816,342
Transit Assistance	20,857	19,148	21,760	23,264	45,024
Total Non-Dedicated Receipts	884,461	896,031	947,307	989,123	1,936,430
<u>Dedicated Receipts:</u>					
Departmental Earnings (Inter-Agency):					
Miscellaneous Special Revenue	1,271	1,277	1,277	1,277	2,554
Departmental Earnings:					
General	51	0	0	0	0
State Government Spec Revenue	60,228	63,695	68,216	68,330	136,546
Miscellaneous Special Revenue	98,257	99,104	100,160	99,975	200,135
Grants:					
Miscellaneous Special Revenue	1,441	1,507	1,417	1,417	2,834
Federal	127,321	265,974	113,463	112,028	225,491
Federal Stimulus	20,678	2,306	32	0	32
Other Revenues:					
General	15	17	17	17	34
State Government Spec Revenue	2	15	15	15	30
Miscellaneous Special Revenue	12,696	14,298	14,804	14,839	29,643
Trunk Highway	18	7	7	7	14
Federal	75	43	21	21	42
Federal Stimulus	110	120	0	0	0
Reinvest In Minnesota	3,986	3,916	3,916	3,916	7,832
Gift	121	100	100	100	200
Other Sources:					
Miscellaneous Special Revenue	0	100	480	480	960
Miscellaneous Agency	5,070	4,968	4,968	4,968	9,936
Total Dedicated Receipts	331,340	457,447	308,893	307,390	616,283
Agency Total Revenue	1,215,801	1,353,478	1,256,200	1,296,513	2,552,713

	PAGE
Small Agency Profile	2
Agency Fiscal Page (Gov Rec)	7
Change Summary	8
Agency Change Items	
⇒ Expediting Regulatory Decision-Making	9
Federal Funds Summary	12
Agency Revenue Summary Fiscal Page	13
⇒ Designates that this item is a change item	

Agency Purpose

Minnesota statutes direct the Minnesota Public Utilities Commission (Commission) to protect the public interest in the provision of electric, natural gas and telephone services.

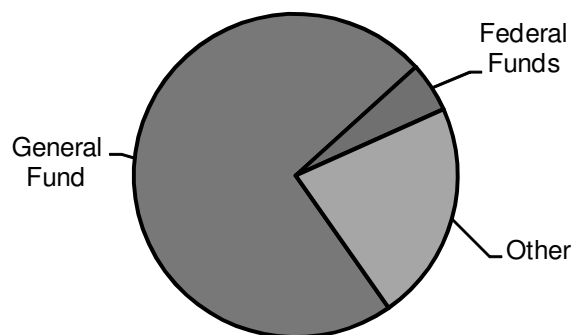
The Commission's broad policy objectives are to

- assure safe and reliable gas and electric services at reasonable rates (M.S. Chapters 216, 216A, 216B);
- determine the need for and location of large energy facilities (M.S. Chapters 216E, 216F and 216G) and
- foster effective competition in Minnesota's telecommunications markets (M.S. Chapter 237).

At a Glance

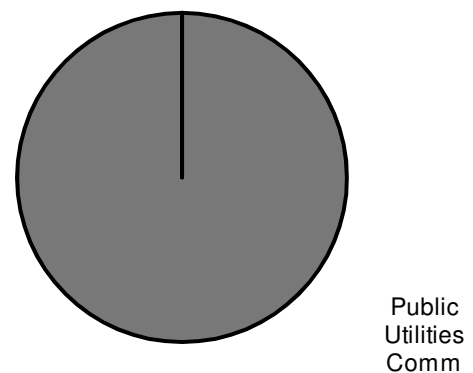
- **Focus on cornerstone industries:** Jurisdiction covers the largest providers of electric, natural gas, and telephone services, with revenues totaling over \$7.7 billion.
- **Decision-making:** Primary output is decision-making dictated by due process. Most cases cleared within 60 to 90 days.
- **Workload:** Average of 1,700 filings annually from 2005 through 2009; i.e., approximately seven filings per business 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 policy forums as well as regional electric transmission grid issues.

Est. FY 2010-11 Expenditures by Fund



Source: MAPS Data 08/2010

Est. FY 2010-11 Expenditures by Program



Source: MAPS Data 08/2010

Strategies

To accomplish its policy objectives, the Commission provides a disciplined decision-making venue to:

- establish just and reasonable rates and terms of service;
- approve energy infrastructure that enhances the public interest;
- establish broad utility and telephone industry policies;
- adjudicate disputes among companies or other stakeholders concerning competitive conduct, service areas and other similar matters;
- provide a public forum for examination of issues and policies pertaining to the utility and telephone industries;
- mediate consumer complaints concerning services of telephone or energy utility providers; and
- represent Minnesota's interests in regional and national electric transmission policy forums.

Operations

The Commission is a quasi-judicial and legislative body.

- The Commission 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.
- The Commission 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 Activity Goals & Measures

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
 - 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:

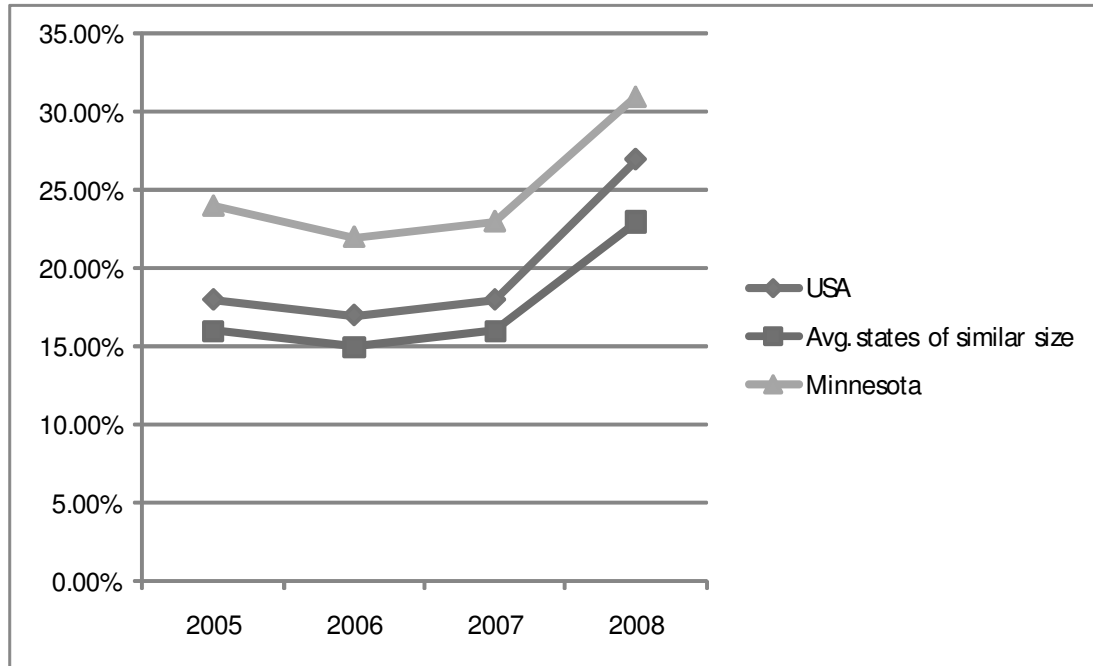
- Create and maintain a regulatory environment that ensures safe, reliable and efficient electric, natural gas and telephone services at fair and reasonable rates.

The following are measures the Commission considers when evaluating its performance on this goal:

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

continued to increase through 2008 and at a pace that exceeded states of comparable population size¹ as well as the nation as a whole.

Figure 1 - Market Share - Competing Firms



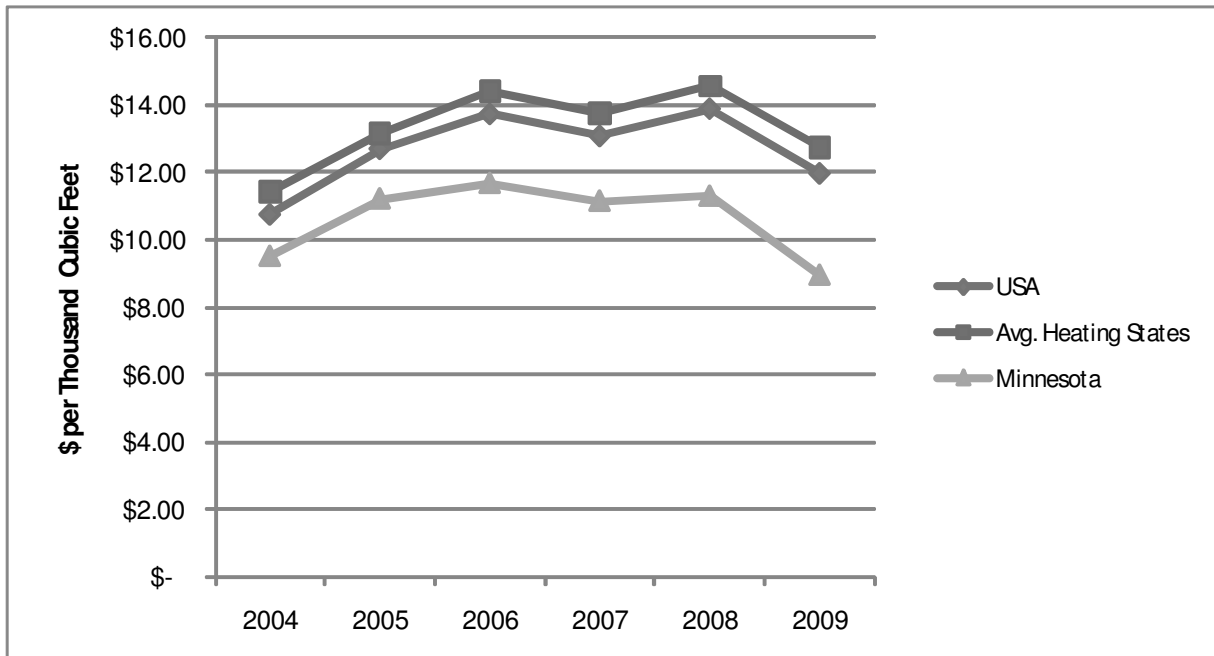
Source: "Table 11: Non-ILEC Share of Total End-User Switched Access Lines and VoIP Subscriptions by State," *Local Telephone Competition: Status as of December, 31, 2008*, U.S. Federal Communications Commission.

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. Likewise, Minnesota's average retail electricity rates from 2005 through 2008 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 Colorado, Kentucky, Louisiana, Maryland, Missouri, South Carolina, Wisconsin

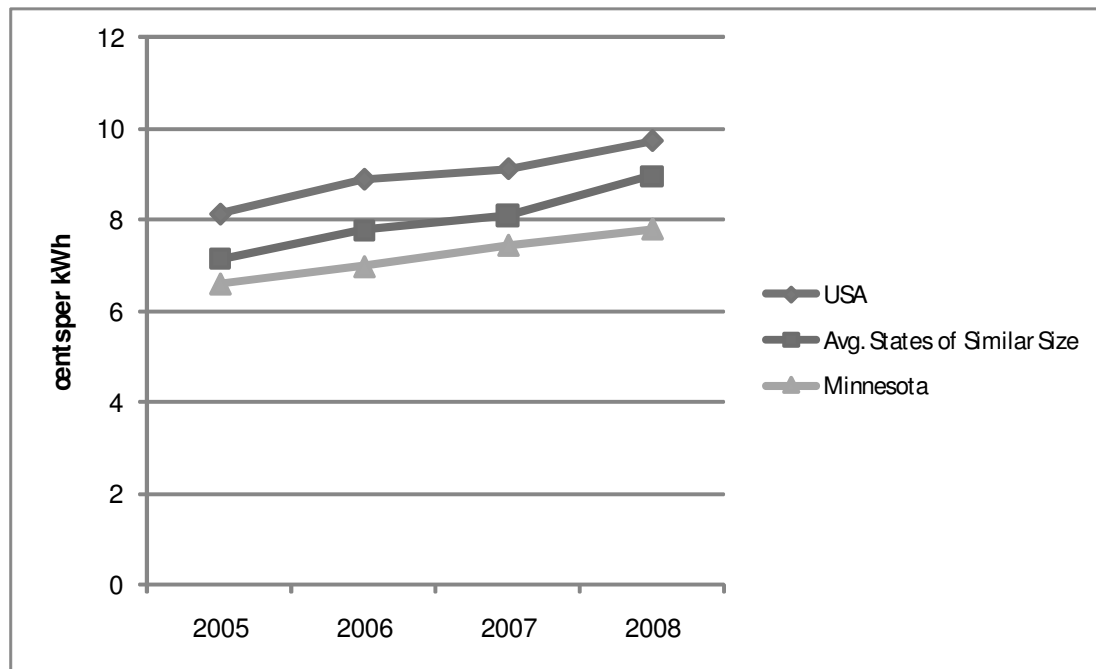
² Connecticut, Delaware, Illinois, Indiana, Iowa, Kansas, Maine, Massachusetts, Michigan, Nebraska, New Hampshire, New Jersey, New York, North Dakota, Ohio, Pennsylvania, Rhode Island, South Dakota, Vermont, and Wisconsin.

Figure 2 Residential Natural Gas Prices



Source: Natural Gas Prices – Residential Price, U.S. Energy Information Administration

Figure 3 Average Electricity Prices – All sectors



Source: "Table A1. Selected Electric Industry Summary Statistics by State", *State Electricity Profiles* (for the years 2005 through 2008), U. S. Energy Information Administration.

Energy efficiency: The American Council for and Energy Efficient Economy (ACEEE) ranks Minnesota 8th in its 2009 rating of state energy efficiency policies. Minnesota's wide array of energy efficiency programs have been in place for many years and are held up as model for other states. The Commission has contributed to this effort by managing the biennial utility integrated resource planning process, setting financial incentives for meeting efficiency performance goals, leadership on energy efficiency issues through the National Association of

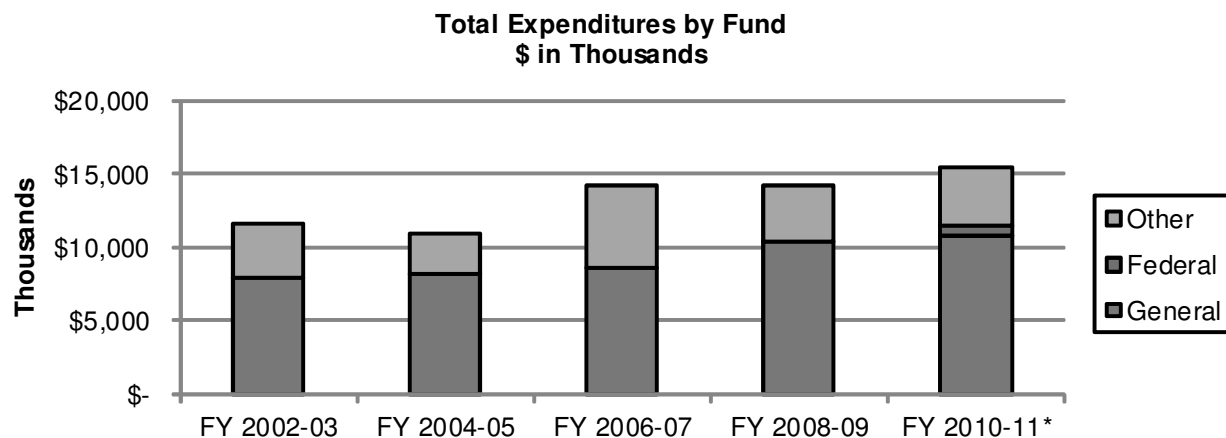
Regulatory Utility Commissioners, and, most recently, establishing criteria and standards for decoupling pilot programs and approving such a program for Minnesota's largest natural gas utility.

Installed Renewable Electric Generation Capacity: The American Wind Energy Association reported that Minnesota's in-state electric generation from wind resources was just over 9% in early 2010, which was 2nd highest among all states. The Commission has contributed to this growth in various ways: a) coordination of the 2006 Minnesota Wind Integration Study, b) approval of 24 large wind energy conversion systems since 2005, accounting for 2,189 MW of permitted capacity, c) approval of various transmission facilities needed to bring the wind resource to load, including a major line from the area of Brookings, South Dakota, to the Twin Cities, 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 42 (72 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 47th of the 50 states (40th if the related OES staff are included).

Budget Trends

100% of the biennial operating budget comes from the general fund. The agency consistently assesses nearly all 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.



* FY 2010-11 is estimated, not actual

Source data for the previous chart is the Minnesota Accounting and Procurement System (MAPS) as of 08/2010.

External factors affecting the Commission's work include

- increased frequency of rate case filings due to economic need and changing policy requirement;
- expanded statutory responsibilities (e.g., permitting of large energy facilities and enforcement of new renewable energy standards);
- expanded transmission planning activities in regional and national forums;
- enhanced policy goals to increase renewable electricity generation, promote energy efficiency and reduce emissions; and
- improved technology-including smart grid technology.

Contact

For additional information on Commission activities and decisions, access the main agency website at <http://www.puc.state.mn.us>.

Office of the Executive Secretary (651) 201-2219

<i>Dollars in Thousands</i>					
	Current		Governor Recomm.		Biennium
	FY2010	FY2011	FY2012	FY2013	2012-13
<u>Direct Appropriations by Fund</u>					
General					
Current Appropriation	5,433	5,433	5,433	5,433	10,866
Recommended	5,433	5,433	6,182	6,182	12,364
Change		0	749	749	1,498
% Biennial Change from 2010-11					13.8%
<u>Expenditures by Fund</u>					
Direct Appropriations					
General	4,961	5,905	6,182	6,182	12,364
Statutory Appropriations					
Miscellaneous Special Revenue	1,587	1,912	1,873	1,918	3,791
Federal Stimulus	57	570	256	0	256
Total	6,605	8,387	8,311	8,100	16,411
<u>Expenditures by Category</u>					
Total Compensation	4,115	4,594	5,163	5,148	10,311
Other Operating Expenses	1,153	2,363	1,675	1,435	3,110
Local Assistance	1,337	1,430	1,473	1,517	2,990
Total	6,605	8,387	8,311	8,100	16,411
<u>Expenditures by Program</u>					
Public Utilities Comm	6,605	8,387	8,311	8,100	16,411
Total	6,605	8,387	8,311	8,100	16,411
Full-Time Equivalents (FTE)	47.2	49.8	47.8	46.3	

<i>Dollars in Thousands</i>				
	FY2011	Governor's Recomm.		Biennium
		FY2012	FY2013	2012-13
<i>Fund: GENERAL</i>				
FY 2011 Appropriations	5,433	5,433	5,433	10,866
Technical Adjustments				
Current Law Base Change		(1)	(1)	(2)
Subtotal - Forecast Base	5,433	5,432	5,432	10,864
Change Items				
Expediting Regulatory Decision-Making	0	750	750	1,500
Total Governor's Recommendations	5,433	6,182	6,182	12,364
<i>Fund: MISCELLANEOUS SPECIAL REVENUE</i>				
Planned Statutory Spending	1,912	1,873	1,918	3,791
Total Governor's Recommendations	1,912	1,873	1,918	3,791
<i>Fund: FEDERAL STIMULUS</i>				
Planned Statutory Spending	570	256	0	256
Total Governor's Recommendations	570	256	0	256
<u>Revenue Change Items</u>				
<i>Fund: GENERAL</i>				
Change Items				
Expediting Regulatory Decision-Making	0	750	750	1,500

PUBLIC UTILITIES COMM

Change Item: Expediting Regulatory Decision-Making

Fiscal Impact (\$000s)	FY 2012	FY 2013	FY 2014	FY 2015
General Fund				
Expenditures	\$750	\$750	\$750	\$750
Revenues	750	750	750	750
Net Fiscal Impact	\$0	\$0	\$0	\$0

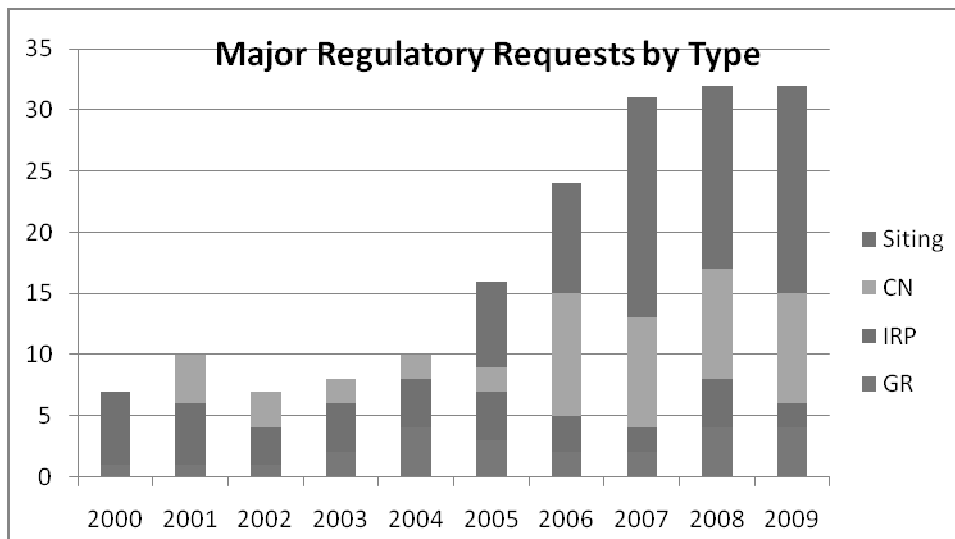
Recommendation

The Governor recommends a General Fund increase of \$1.5 million in FY 2012-2013 for four utility technical analyst positions (economic, financial and statistical), two engineering positions, one attorney position, and one facilities planner position. These additional staff resources are needed to expedite processing of utility filings. Due to the Commission's assessment of utilities, all expenditures are recovered for the General Fund.

Background

The Commission's work has continued to grow in complexity over recent years, due to an expanded role in state regulatory matters.

The Commission's jurisdiction over energy-related matters has dramatically increased in the past five years. The 2005 legislature consolidated permitting and planning requirements for large energy facilities by transferring jurisdiction for Siting and Routing Permits from the Minnesota Environmental Quality Board (MEQB) to the Commission. This legislation also transferred jurisdiction for wind farm siting (216F) and pipeline siting (216G) from the MEQB to the Commission. In addition, there has been a sustained pattern of more frequent rate case filings by electricity and natural gas utilities. The resulting growth in workload is evidenced by the following chart:



It is important to underscore that these are just four categories of filings the Commission must manage. There are many other types of proceedings as well and the Commission has consistently had total annual filings (of all categories) in the 1,800 to 2,200 range over this period. However, the four categories shown on the chart are the most labor-intensive. They account for a large amount of commissioner and staff time and can take from several months to over a year to complete. It is important to note that, during this time period, the complement of the Commission staff has not been increased to meet this burgeoning workload.

As a result of this sustained increase in workload, and particularly, general rate case filings, the Commission has sought greater procedural flexibility. For example, it sought authority from the 2009 legislature to extend statutory deadlines for decision-making in general rate cases from nine months to 12 months. General rate proceedings are among the most demanding proceedings the Commission must manage. Fortunately, that authority was granted. And while this allowed the Commission to "meet" deadlines, utility business plans were delayed as a

result. Nevertheless, utilities supported this procedural change to address these workload issues. They have also expressed support for increasing Commission resources to more expeditiously process their requests.

The Commission seeks four technical analyst positions, one facilities planner position, two engineering positions and one staff attorney position for rate filings, policy compliance and general management of the increased trend of complex and contested filings before the Commission.

With this requested budget item, the Commission would extend the funding for two of three engineer positions currently on staff, but paid for with a federal grant. This federal funding ends on December 31, 2011. The basis for the Commission's need for these engineering positions is several fold: a) the prominence of energy infrastructure upgrades, especially transmission, as part of the State and national energy strategies, and the Commission's role in those issues; b) the emergence of regional operational control as well as planning and expansion of the transmission grid by the Midwest ISO and the corresponding need for active involvement by state regulators in the Midwest ISO's activities; and c) the substantially expanded role of the Commission stemming from the 2005 legislative session to now encompass authority to plan for and approve large energy facilities in the State. In addition, engineering expertise would be valuable in many proceedings dealing with ratemaking as well as resolution of consumer complaints.

Relationship to Base Budget

The proposed change represents approximately 14% of the agency's operating budget. This is a significant increase. However, the Commission's staff size (even if OES is included) has for some time lagged substantially behind utility regulatory agencies in states of comparable size. The Commission's existing staff and structure was geared for an earlier time, when utility and telephone regulation was more staid and predictable. That has changed. Over the years, the Commission has tried to compensate by re-engineering its processes and technology to remain productive without adding substantial staff resources. The aforementioned effort to secure authority to extend rate case deadlines is an example of this. Another example is the implementation of electronic data management technology. However, a point has now been reached where staff resources are needed to address these issues. Minnesota needs to catch up or risk being left behind. Though this is a substantial increase for the Commission, these costs will be recovered for the General Fund through the agency's assessment process.

Key Goals and Measures

This proposal 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
 - 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

The major measurable result of this change item is expected to be faster processing of utility filings. With current resources, process time has unavoidably lagged on some filings. This change item will help to eliminate that lag.

In addition to making more timely decisions, the change item will enhance the Commission's ability to make well-informed decisions. The additional resources will strengthen the staff's ability to ensure case records are well developed and complete.

Alternatives Considered

The primary strategy the Commission has used over the last several biennia to manage its work-load with limited staff resources has been the focused use of technology and stream-lining of decision-making processes. In addition, the Commission has, on occasion, relied on outside sources to address specific needs. However, there are no technological or procedural "fixes" for the assistance needed at this time. In addition, reliance on outside resources for these services would be much more costly than the amount proposed here.

Statutory Change: *Not applicable*

The PUC applied for and received a grant from the U.S. Department of Energy under The American Recovery and Reinvestment Act (ARRA) to facilitate timely PUC consideration of regulatory actions related to electric utility infrastructure modernization in Minnesota and the Midwest. Funding provided resources to hire 3 temporary electricity specialists and train 20 PUC staff and commissioners. This temporary funding provided needed resources to manage increased regulatory activity resulting from electricity-related issues including: energy efficiency, renewable energy, energy storage, Smart Grid, Plug-in Electric Vehicles, demand response, coal with carbon capture and storage, and transmission and distribution planning.

ARRA funding is scheduled to expire December of 2011.

Federal Award Name + Brief Purpose	New grant	Required state match/MOE? Yes/No		SFY 2010 Revenues	SFY 2011 Revenues	Estimated SFY 2012 Revenues	Estimated SFY 2013 Revenues
		Match	MOE				
Recovery Act State Electricity Regulators Assistance: provides funding for additional staff and enhanced training of existing regulatory staff to ensure that sufficient technical expertise will be dedicated to electricity-related regulatory activities.	NO	NO	NO	57,000	570,000	256,000	0
Total				57,000	570,000	256,000	0

PUBLIC UTILITIES COMM

Agency Revenue Summary

Dollars in Thousands

	Actual FY2010	Budgeted FY2011	Governor's Recomm. FY2012 FY2013		Biennium 2012-13
<u>Non Dedicated Revenue:</u>					
Departmental Earnings:					
General	5,119	7,740	6,652	6,652	13,304
Total Non-Dedicated Receipts	5,119	7,740	6,652	6,652	13,304
<u>Dedicated Receipts:</u>					
Departmental Earnings:					
Miscellaneous Special Revenue	2,299	2,394	2,332	2,273	4,605
Grants:					
Federal Stimulus	57	570	256	0	256
Other Revenues:					
Miscellaneous Special Revenue	13	14	14	13	27
Total Dedicated Receipts	2,369	2,978	2,602	2,286	4,888
Agency Total Revenue	7,488	10,718	9,254	8,938	18,192

PAGE

Small Agency Profile	2
Agency Fiscal Page (Gov Rec)	5
Change Summary	6
Agency Revenue Summary Fiscal Page	7

Agency Purpose

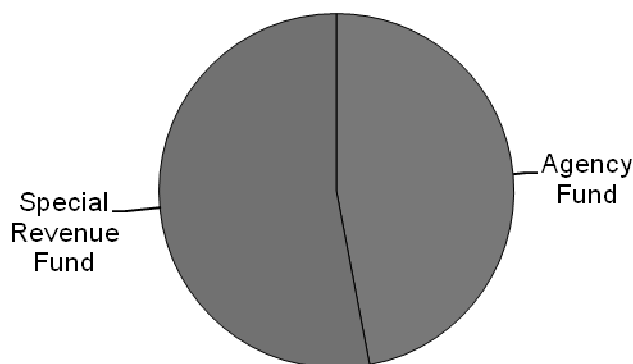
The Minnesota Racing Commission (MRC) was established to regulate horse racing and card playing in Minnesota. The MRC ensures the integrity of pari-mutuel wagering and card playing, the safety and welfare of the human and animal participants, and that it is conducted in the public interest thus promoting the breeding industry in Minnesota in order to stimulate agriculture and rural agribusiness.

At a Glance

The Minnesota Racing Commission:

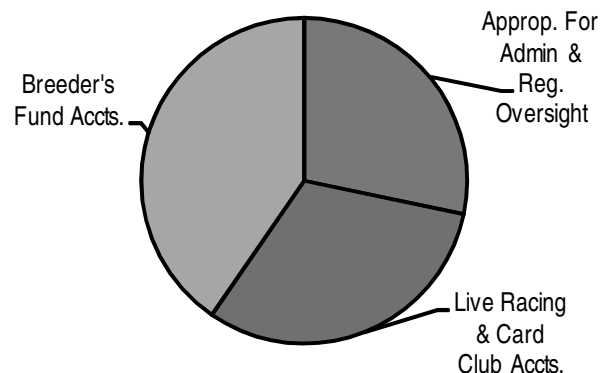
- licenses and regulates Canterbury Park in Shakopee and Running Aces Harness Park in Columbus;
- provided regulatory oversight for 113 days of live horseracing, 364 days of out-of-state simulcasting, and two 24/7 card clubs in 2009;
- licensed over 4,900 individuals, which included a thorough background investigation, to either work or compete at the two racetracks in 2009, representing a 20% increase over 2008;
- during 2009 performed auditing of \$61 million in wagering handle at Canterbury Park and Running Aces Harness Park, representing an 11.6% decrease from 2008;
- collected general fund taxes and fines of \$49,100 in FY 2009; and
- performed 7,495 veterinary pre-race examinations on horses entered to race and maintained veterinary oversight during the running of each race.

Est. FY 2010-11 Expenditures by Fund



Source: Consolidated Fund Statement.

Est. FY 2010-11 Expenditures by Category



Source: MAPS

Strategies

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 and jockeys and drivers; and
- collects and distributes all taxes and fees related to pari-mutuel horse racing and card playing to the general and breeders' funds.

Operations

The MRC includes a board of nine commissioners, appointed by the Governor and confirmed by the Senate for six year terms. They meet on the first Tuesday of each month for a work session and the third Thursday of each month for a full commission meeting during which items are on the agenda for action by the commission.

By statute, the commissioners are authorized to assign race days for each racetrack; approve simulcasting and live pari-mutuel pools, racing officials, and split sample laboratories, and review and decide appeals to judges and stewards rulings.

The MRC employs a full-time staff of 10 to enforce the duties and responsibilities involved in the regulatory oversight of live racing, pari-mutuel wagering and card club operations. During the live racing season the Commission hires seasonal and part-time employees to work in the vet's office and in conjunction with equine drug testing. The MRC also enters into professional/technical contracts with judges, stewards, veterinarians and an equine drug testing laboratory.

As part of the regulatory oversight of live racing and the card club the MRC performs the following general duties:

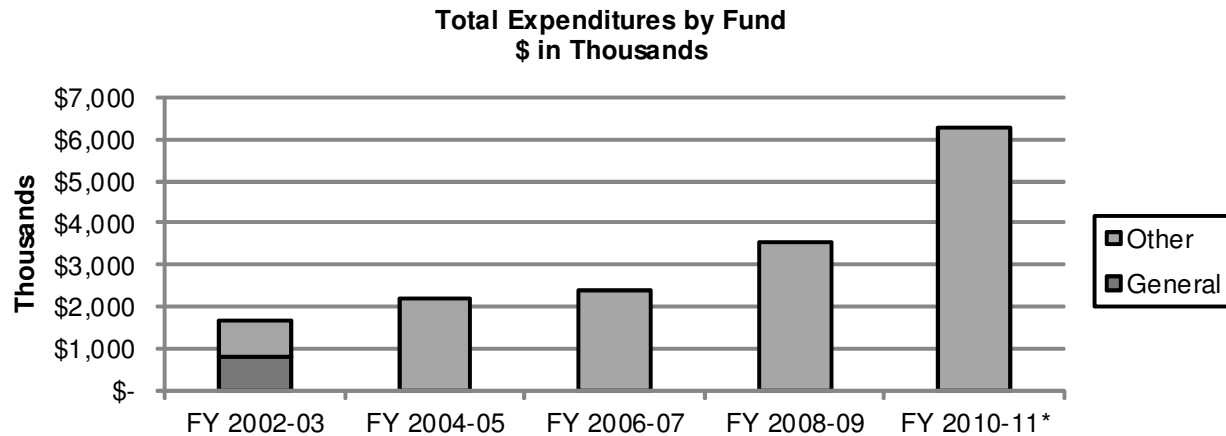
- licenses and conducts background investigations each year of individuals applying to work at the racetracks and card clubs to assure the integrity of the individuals participating in pari-mutuel wagering and card playing in Minnesota and nationally;
- conducts investigations of any suspected violations 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;
- 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; and
- 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.

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, Homeland Security, and the Alcohol and Gambling Enforcement Division of the Department of Public Safety.

Key Goals & Measures

In order to achieve the MRC's objectives of ensuring the integrity of pari-mutuel wagering and card playing, ensuring the safety of the jockeys, drivers, and equine athletes, and stimulating agriculture and rural business the commission:

- licenses approximately 4,900 individuals and business who meet the criteria for licensing contained in statute and rule;
- conducts pre-race exams and veterinary monitoring of the horse prior to and after each race, successfully limiting the number of breakdowns to the extent that they are at a lower annual rate at Minnesota tracks than the national average;
- uses its rulemaking authority, the MRC implemented additional restrictions regarding the use of prohibited substances and medications that directly affect the integrity of racing;
- reviews, on an ongoing basis, 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; and
- has initiated an 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.

Budget Trends

* FY 2010-11 is estimated, not actual

Source data for the previous chart is the Minnesota Accounting and Procurement System (MAPS) as of 08/25/2010.

The expenditures of the Racing Commission, as shown on the above graph, have increased over the current and last biennium. This is the result of a full two years of operation of the metro area's second racetrack, Running Aces Harness Park. Without operation of that racetrack, the Commission's expenditures would have remained stable in its regulatory oversight of Canterbury Park.

Running Aces, in its third year (2010) of operation has shown modest growth as well as the elimination of its debt. However, in future operating years, Running Aces could be challenged with the same factors that have impacted Canterbury Park over the last several years. These factors, which are national in scope, include a recessionary economy, unstable employment, casino competition, internet gambling, and other factors. The result is a dramatic decline, both in Minnesota and nationally, in horse sales, in horse population, and in wagering handle, which drives the revenue needed by racetracks and horsemen to accomplish a return on their investment.

Contact

Minnesota Racing Commission
P.O. Box 630
Shakopee, Minnesota 55379
<http://www.mnrace.commission.state.mn.us>

Phone: (952) 496-7950
Fax: (952) 496-7954

<i>Dollars in Thousands</i>					
	Current		Governor Recomm.		Biennium
	FY2010	FY2011	FY2012	FY2013	2012-13
<u>Direct Appropriations by Fund</u>					
Miscellaneous Special Revenue					
Current Appropriation	880	870	870	870	1,740
Recommended	880	870	899	899	1,798
Change		0	29	29	58
% Biennial Change from 2010-11					2.7%
<u>Expenditures by Fund</u>					
Direct Appropriations					
Miscellaneous Special Revenue	730	870	899	899	1,798
Statutory Appropriations					
Miscellaneous Special Revenue	978	1,126	1,126	1,126	2,252
Miscellaneous Agency	1,105	1,127	1,127	1,127	2,254
Total	2,813	3,123	3,152	3,152	6,304
<u>Expenditures by Category</u>					
Total Compensation	898	994	994	994	1,988
Other Operating Expenses	1,075	1,230	1,259	1,259	2,518
Local Assistance	840	899	899	899	1,798
Total	2,813	3,123	3,152	3,152	6,304
<u>Expenditures by Program</u>					
Racing Commission	2,813	3,123	3,152	3,152	6,304
Total	2,813	3,123	3,152	3,152	6,304
Full-Time Equivalents (FTE)	12.7	12.7	12.7	12.7	

RACING COMMISSION

Change Summary

<i>Dollars in Thousands</i>				
	FY2011	Governor's Recomm.		Biennium
		FY2012	FY2013	2012-13
<i>Fund: MISCELLANEOUS SPECIAL REVENUE</i>				
FY 2011 Appropriations	870	870	870	1,740
Technical Adjustments				
One-time Appropriations		29	29	58
Subtotal - Forecast Base	870	899	899	1,798
Total Governor's Recommendations	870	899	899	1,798
<i>Fund: MISCELLANEOUS SPECIAL REVENUE</i>				
Planned Statutory Spending	1,126	1,126	1,126	2,252
Total Governor's Recommendations	1,126	1,126	1,126	2,252
<i>Fund: MISCELLANEOUS AGENCY</i>				
Planned Statutory Spending	1,127	1,127	1,127	2,254
Total Governor's Recommendations	1,127	1,127	1,127	2,254

RACING COMMISSION

Agency Revenue Summary

Dollars in Thousands

	Actual FY2010	Budgeted FY2011	Governor's Recomm. FY2012 FY2013		Biennium 2012-13
<u>Non Dedicated Revenue:</u>					
Other Revenues:					
General	31	20	20	20	40
Total Non-Dedicated Receipts	31	20	20	20	40
<u>Dedicated Receipts:</u>					
Departmental Earnings (Inter-Agency):					
Miscellaneous Special Revenue	9	0	0	0	0
Departmental Earnings:					
Miscellaneous Special Revenue	796	794	794	794	1,588
Other Revenues:					
Miscellaneous Special Revenue	950	1,061	1,061	1,061	2,122
Miscellaneous Agency	562	518	518	518	1,036
Taxes:					
Miscellaneous Special Revenue	45	50	50	50	100
Miscellaneous Agency	603	610	610	610	1,220
Total Dedicated Receipts	2,965	3,033	3,033	3,033	6,066
Agency Total Revenue	2,996	3,053	3,053	3,053	6,106

	PAGE
Agency Profile	2
Agency Fiscal Page (Gov Rec)	5
Change Summary	6
Agency Change Items	
⇒ Operating Reduction.....	7
⇒ Tax Compliance Initiative.....	8
Programs	
Tax System Management	9
Program Summary	10
Budget Activities	
Compliance Support.....	12
Budget Activity Summary	14
Appeals, Legal Serv & Tax Res.....	15
Budget Activity Summary	18
Tax Payment & Ret Processing.....	19
Budget Activity Summary	22
Tax Compliance & Enforcement.....	23
Budget Activity Summary	27
Technology Dev, Ops & Support.....	28
Budget Activity Summary	30
Property Tax Admin & State Aid.....	31
Budget Activity Summary	34
Debt Collection Management	35
Program Summary	37
Agency Revenue Summary Fiscal Page	38
⇒ Designates that this item is a change item	

Agency Purpose

The Department of Revenue's (DOR) 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.

The department's vision:

- Everyone pays the right amount, no more, no less.
- Citizens have the services and information they need to meet their obligations and to be informed about the revenue system.
- Taxpayers have filing, paying and refund systems that are fast, convenient, easy to use, secure and accurate.
- The revenue system keeps pace with the changes in the economy and in technology.
- Employees perform meaningful and challenging work, and have opportunities to learn and grow.
- Taxpayers trust us to protect their data.

At a Glance

The Department of Revenue is structured into two separate but integrated programs:

Tax System Management

We serve:

- 3.7 million individual taxpayers
- 575,000 Corporate and Sales & Use Taxpayers
- 165,000 Withholding Taxpayers
- 3,300 local units of government

We respond to:

- Over 678,000 callers
- 41,000 e-mails

We process:

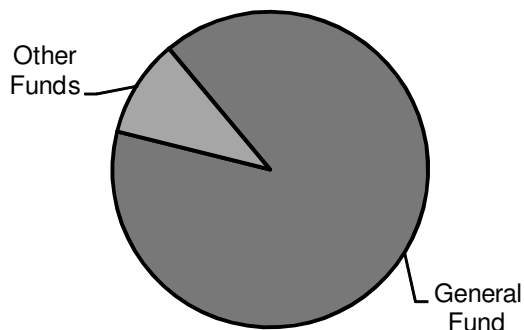
- 2.8 million income tax returns
- 1.6 million business tax returns
- 4.8 million tax payments
- 2.7 million tax refunds

Accounts Receivable Management

We collect:

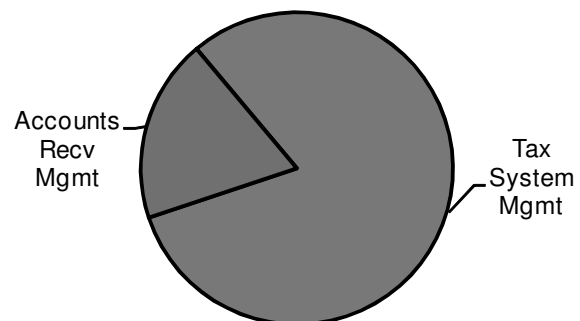
- \$16.5 billion gross in compliance and non-compliance tax revenues and other sources
- \$54.9 million from 167,300 offsets against state refunds
- Collected \$276 million in delinquent tax debt in FY 2010
- \$28.4 million in delinquent non-tax debt in FY 2010
- 155,392 delinquent tax debt cases closed in FY2010
- 18,720 delinquent non-tax debt cases closed in FY2010

**Est. FY 2010-11 Expenditures
by Fund**



Source: Consolidated Fund Statement.

**Est. FY 2010-11 Expenditures
by Program**



Source: Minnesota Accounting and Procurement System (MAPS) as of 08/23/10.

Strategies

The Department of Revenue oversees Minnesota's revenue system, which is made up of 28 state taxes, and state and local 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 \$16.5 billion per year in state taxes, and oversees the uniform application of local property tax laws. Property taxes, which are administered by the counties, raise \$7.9 billion annually for Minnesota's communities. The Department also pays out over \$1 billion annually in state aid to counties, cities, towns and special taxing districts through 29 different state programs.

The strategies the department uses to fulfill its mission and vision include:

- identifying and addressing patterns of noncompliance;
- working in partnership with others to ensure that all citizens receive the best possible services and information;
- deploying systems and processes that helps keep pace with taxpayer and employee needs and expectations;
- identifying and recommending changes to align the revenue system with economic activity;
- creating a more flexible, supportive and rewarding environment for DOR employees;
- ensuring that DOR systems and practices protect the privacy and security of taxpayer information;
- evaluating changes in technology, the economy and demographics, and developing work plans for adapting to our changing environment; and
- integrating outcome measures into our goal-setting and decision-making processes.

Operations

Service, Audit and Enforcement Operations

The Department has six major business activities that focus on customer service, tax processing, audit and enforcement operations. These are:

- **Individual taxes:** serving the needs of 3.7 million individual income taxpayers, 165,000 businesses that withhold income tax, and 758,500 property tax refund applicants.
- **Business taxes:** serving the needs of 284,000 sales tax permit holders and 44,000 corporate franchise taxpayers. This program also administers the S corporation, partnership, fiduciary and estate taxes;
- **Special taxes:** serving the needs of thousands of petroleum tax, alcohol, tobacco, environmental, gambling, insurance, mining and Minnesota Care taxes.
- **Collections:** managing tax and non-tax debt collection on behalf of the State of Minnesota 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.

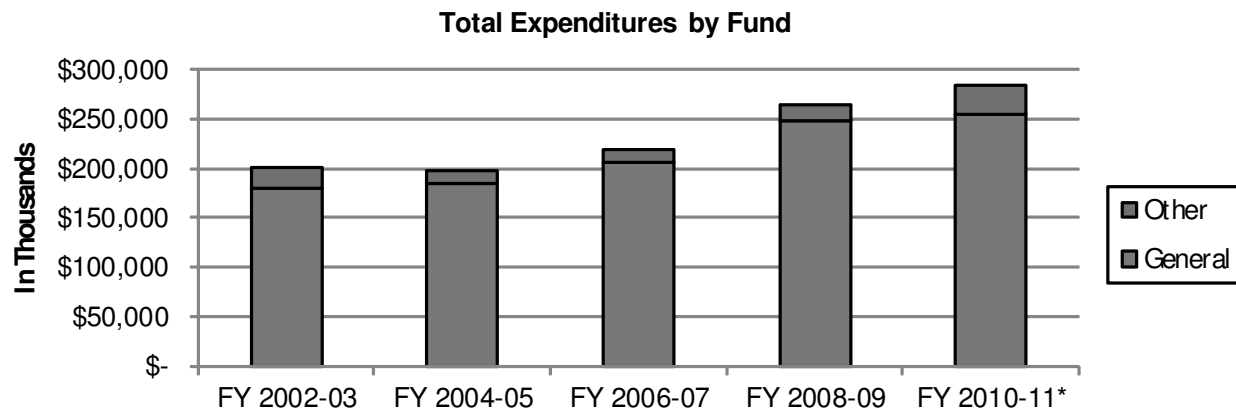
Tax Compliance Support Operations

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 involves processing nearly 9.2 million tax returns and payments, and issuing 2.7 million refunds annually; it also issues tax identification numbers to businesses, manages taxpayer accounts and ensures the security of taxpayer records.
- **Appeals, Legal Services and Tax Research** activities include providing legal support to the agency and resolving disputes between the Department and taxpayers; and forecasting revenue sources and aid expenditures for the state budget, and developing revenue estimates for proposed tax legislation.
- **Compliance 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 Trends



* FY 2010-11 is estimated, not actual. Source data for the previous chart is the Minnesota Accounting and Procurement System (MAPS) as of 08/23/10.

In the coming FY 2012-13 budget biennium, the Minnesota Department of Revenue will continue to confront economic, demographic, technological, and global challenges.

Economic changes: Coming off the most severe economic slump since the great depression, Revenue will face increased tax delinquencies as taxpayers increasingly challenge tax assessments, including property tax assessments. In this environment Revenue will need to strike a delicate balance between creative and aggressive tax collection strategies and a more compassionate, understanding, and sometimes forgiving, relationship with taxpayers.

Demographic changes: As our workforce ages, DOR must find and train new employees to replace the large numbers of highly trained leaders who will be retiring in the next five years. Increasing numbers of replacement hires will come from non-English speaking cultures. By 2015, Minnesota's non-English speaking populations will more than double, enriching and challenging taxpayer and employee relations.

Technology changes: Persistent budget deficits have limited Revenue's ability to deploy state-of-art technical solutions to tax administration. Revenue has been fortunate to receive funding for a new integrated tax processing system, but DOR is continually challenged by the need to assure that DOR systems and confidential taxpayer information are completely secure. Investments in security and disaster recovery technology are critical.

Globalization of economic activity: Revenue and the revenue system will continue to be challenged by globalization. Long-standing institutional arrangements in taxation will need to change. Cyber-transactions lack "place", and challenge states' ability to apply traditional geographic apportionment formulas, for example. States continue to face stiff competition for jobs and investments from low-wage countries. To survive in this new environment we have deliver public services, including tax administration, more efficiently.

Contact

Office of the Commissioner
 Phone: (651) 296-3403
 Website: <http://www.taxes.state.mn.us>

REVENUE DEPT

Agency Overview

Dollars in Thousands

	Current		Governor Recomm.		Biennium
	FY2010	FY2011	FY2012	FY2013	2012-13
<u>Direct Appropriations by Fund</u>					
General					
Current Appropriation	123,487	133,225	134,726	134,778	269,504
Recommended	123,487	133,225	136,257	139,996	276,253
Change		0	1,531	5,218	6,749
% Biennial Change from 2010-11					7.6%
Health Care Access					
Current Appropriation	1,761	1,749	1,749	1,749	3,498
Recommended	1,761	1,749	1,749	1,749	3,498
Change		0	0	0	0
% Biennial Change from 2010-11					-0.3%
Highway Users Tax Distribution					
Current Appropriation	2,183	2,183	2,183	2,183	4,366
Recommended	2,183	2,183	2,183	2,183	4,366
Change		0	0	0	0
% Biennial Change from 2010-11					0%
Environmental					
Current Appropriation	303	303	303	303	606
Recommended	303	303	303	303	606
Change		0	0	0	0
% Biennial Change from 2010-11					0%
<u>Expenditures by Fund</u>					
Direct Appropriations					
General	115,125	140,094	132,348	132,398	264,746
Health Care Access	1,733	1,777	1,749	1,749	3,498
Highway Users Tax Distribution	2,037	2,329	2,183	2,183	4,366
Environmental	301	305	303	303	606
Open Appropriations					
General	1,184	1,930	1,925	1,925	3,850
Statutory Appropriations					
Miscellaneous Special Revenue	3,755	10,042	3,596	3,596	7,192
Building	2,381	14,069	0	0	0
Total	126,516	170,546	142,104	142,154	284,258
<u>Expenditures by Category</u>					
Total Compensation	100,296	113,962	110,561	110,561	221,122
Other Operating Expenses	26,022	55,684	30,643	30,693	61,336
Capital Outlay & Real Property	0	700	700	700	1,400
Local Assistance	198	200	200	200	400
Total	126,516	170,546	142,104	142,154	284,258
<u>Expenditures by Program</u>					
Tax System Management	102,004	138,813	112,365	112,415	224,780
Debt Collection Management	24,512	31,733	29,739	29,739	59,478
Total	126,516	170,546	142,104	142,154	284,258
Full-Time Equivalents (FTE)	1,429.2	1,536.2	1,486.4	1,445.6	

REVENUE DEPT

Change Summary

<i>Dollars in Thousands</i>				
	FY2011	Governor's Recomm.		Biennium
		FY2012	FY2013	2012-13
Fund: GENERAL				
FY 2011 Appropriations	133,225	134,726	134,778	269,504
Technical Adjustments				
One-time Appropriations		(60)	(60)	(120)
Operating Budget Reduction		(68)	(68)	(136)
Subtotal - Forecast Base	133,225	134,598	134,650	269,248
Change Items				
Operating Reduction	0	(2,184)	(2,184)	(4,368)
Tax Compliance Initiative	0	3,843	7,530	11,373
Total Governor's Recommendations	133,225	136,257	139,996	276,253
Fund: HEALTH CARE ACCESS				
FY 2011 Appropriations	1,749	1,749	1,749	3,498
Subtotal - Forecast Base	1,749	1,749	1,749	3,498
Total Governor's Recommendations	1,749	1,749	1,749	3,498
Fund: HIGHWAY USERS TAX DISTRIBUTION				
FY 2011 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 2011 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	1,930	1,925	1,925	3,850
Total Governor's Recommendations	1,930	1,925	1,925	3,850
Fund: MISCELLANEOUS SPECIAL REVENUE				
Planned Statutory Spending	10,042	3,596	3,596	7,192
Total Governor's Recommendations	10,042	3,596	3,596	7,192
Fund: BUILDING				
Planned Statutory Spending	14,069	0	0	0
Total Governor's Recommendations	14,069	0	0	0
Revenue Change Items				
Fund: GENERAL				
Change Items				
Tax Compliance Initiative	0	14,425	29,075	43,500

REVENUE DEPT**Change Item: Operating Reduction**

Fiscal Impact (\$000s)	FY 2012	FY 2013	FY 2014	FY 2015
General Fund				
Expenditures	\$(2,184)	\$(2,184)	\$(2,184)	\$(2,184)
Revenues	0	0	0	0
Other Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact	\$(2,184)	\$(2,184)	\$(2,184)	\$(2,184)

Recommendation

The Governor recommends a reduction of \$2.184 million in FY 2012 and \$2.184 in FY 2013 to the Department of Revenue (DOR) general fund compliance support operating budget. The Governor intends that the DOR 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.

This proposal represents a five percent reduction to DOR's compliance support base general fund forecast budget.

Rationale

The DOR's total base forecast general fund operating budget is \$132.4 million for FY 2012 and \$132.4 million for 2013 and includes amounts budgeted for Tax System Management and Debt Collection Management programs. The DOR is proposing to reduce operating expenditures and positions during the FY 2012-13 biennium. Specifically, DOR will reduce operating budgets by the following amounts:

- Tax System Management – Reduction of \$2.184 million in FY 2012 and \$2.184 million in FY 2013

Cuts in services include:

- Eliminating approximately 22.7 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, tax return processing 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 completion of an integrated tax processing system;
- Saving office rent by shifting employees from smaller offices to telecommuting arrangements.

Statutory Change: Not Applicable.

REVENUE DEPT

Change Item: Tax Compliance Initiative

Preliminary Budget Option

Fiscal Impact (\$000s)	FY 2012	FY 2013	FY 2014	FY 2015
General Fund				
Expenditures	\$3,843	\$7,530	\$7,530	\$7,530
Revenues	14,425	29,075	29,075	29,075
Other Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact	\$(10,582)	\$(21,545)	\$(21,545)	\$(21,545)

Recommendation

The Governor recommends funding of \$3.843 million in FY 2012 and \$7.530 million in FY 2013 to fund 81 additional compliance employees to identify and collect tax liabilities from individuals and businesses that currently under report their tax liabilities or do not file and pay at all. With this effort, the Department of Revenue will collect \$43.5 million in the FY 2012-13 biennium.

Rationale

- The first goal statement in department's Strategic Plan is that everyone pays the right amount of tax, no more, no less. However, there are a significant number of individuals and businesses with Minnesota tax liability that do not pay all that is owed or do not file or pay anything. To create a fairer tax system for all taxpayers and to level the playing field for all businesses, these "underreporters" and "nonfilers" will be identified and brought onto the tax rolls permanently. DOR wants to increase its focus on taxpayers that are furthest from compliance.
- Tax System Management - \$2.187 million in FY 2012 and \$4.278 million in FY 2013.
- Debt Collection Management - \$1.656 million in FY 2012 and \$3.252 million in FY 2013.

With the added resources, the DOR will collect \$43.5 million in revenue in the FY2012-13 biennium and \$29.1 million annually in the future.

Key Goals and Measures

- DOR's goal is to collect \$43.5 million for this tax compliance initiative in FY 2012-13.

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. It helps ensure that citizens have:

- 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.
- Accurate, impartial and complete information to make informed decisions about the structure and operation of the state revenue system.

Budget Activities

- Compliance Support
- Appeals, Legal Services & Tax Research
- Tax Payment & Return Processing
- Tax Compliance & Enforcement (Individual and Business Taxes)
- Technology Development, Operations and Support
- Property Tax Administration & State Aid

Future Challenges

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, demographics, technology and globalization of economic activity.

Economic changes: Coming off the most severe economic slump since the great depression, Revenue will face increased tax delinquencies as taxpayers increasingly challenge tax assessments, including property tax assessments. In this environment Revenue will need to strike a delicate balance between creative and aggressive tax collection strategies and a more compassionate, understanding, and sometimes forgiving, relationship with taxpayers.

Demographic changes: As our workforce ages, DOR must find and train new employees to replace the large numbers of highly trained leaders who will be retiring in the next five years. Increasing numbers of replacement hires will come from non-English speaking cultures. By 2015, Minnesota's non-English speaking populations will more than double, enriching and challenging taxpayer and employee relations.

Technology changes: Persistent budget deficits have limited Revenue's ability to deploy state-of-art technical solutions to tax administration. Revenue has been fortunate to receive funding for a new integrated tax processing system, but DOR is continually challenged by the need to assure that its systems and confidential taxpayer information are completely secure. Investments in security and disaster recovery technology are critical.

Globalization of economic activity: Revenue and the revenue system will continue to be challenged by globalization. Long-standing institutional arrangements in taxation will need to change. Cyber-transactions lack "place", and challenge states' ability to apply traditional geographic apportionment formulas, for example. States continue to face stiff competition for jobs and investments from low-wage countries. To survive in this new environment DOR has to deliver public services, including tax administration, more efficiently.

Contact

Dan Salomone
Deputy Commissioner
Phone: (651)556-6007
E-mail: dan.salomone@state.mn.us

REVENUE DEPT

Program: TAX SYSTEM MANAGEMENT

Program Summary

Dollars in Thousands					
	Current		Governor Recomm.		Biennium
	FY2010	FY2011	FY2012	FY2013	2012-13
<u>Direct Appropriations by Fund</u>					
General					
Current Appropriation	98,990	105,884	107,385	107,437	214,822
Technical Adjustments					
One-time Appropriations			(60)	(60)	(120)
Operating Budget Reduction			(68)	(68)	(136)
Subtotal - Forecast Base	98,990	105,884	107,257	107,309	214,566
Governor's Recommendations					
Operating Reduction		0	(2,184)	(2,184)	(4,368)
Tax Compliance Initiative		0	2,187	4,278	6,465
Total	98,990	105,884	107,260	109,403	216,663
Health Care Access					
Current Appropriation	1,761	1,749	1,749	1,749	3,498
Subtotal - Forecast Base	1,761	1,749	1,749	1,749	3,498
Total	1,761	1,749	1,749	1,749	3,498
Highway Users Tax Distribution					
Current Appropriation	2,183	2,183	2,183	2,183	4,366
Subtotal - Forecast Base	2,183	2,183	2,183	2,183	4,366
Total	2,183	2,183	2,183	2,183	4,366
Environmental					
Current Appropriation	303	303	303	303	606
Subtotal - Forecast Base	303	303	303	303	606
Total	303	303	303	303	606
<u>Expenditures by Fund</u>					
Direct Appropriations					
General	92,398	110,983	105,007	105,057	210,064
Health Care Access	1,733	1,777	1,749	1,749	3,498
Highway Users Tax Distribution	2,037	2,329	2,183	2,183	4,366
Environmental	301	305	303	303	606
Open Appropriations					
General	0	30	25	25	50
Statutory Appropriations					
Miscellaneous Special Revenue	3,154	9,320	3,098	3,098	6,196
Building	2,381	14,069	0	0	0
Total	102,004	138,813	112,365	112,415	224,780
<u>Expenditures by Category</u>					
Total Compensation	79,444	91,064	88,311	88,311	176,622
Other Operating Expenses	22,362	47,549	23,854	23,904	47,758
Local Assistance	198	200	200	200	400
Total	102,004	138,813	112,365	112,415	224,780

REVENUE DEPT

Program: TAX SYSTEM MANAGEMENT

Program Summary

<i>Dollars in Thousands</i>					
	Current		Governor Recomm.		Biennium
	FY2010	FY2011	FY2012	FY2013	2012-13
<u>Expenditures by Activity</u>					
Compliance Support	3,713	4,414	3,910	3,910	7,820
Appeals, Legal Serv & Tax Res	4,969	5,895	5,487	5,587	11,074
Tax Payment & Ret Processing	13,283	13,859	13,341	13,341	26,682
Tax Compliance & Enforcement	56,747	73,213	65,177	65,177	130,354
Technology Dev, Ops & Support	20,358	37,811	21,161	21,161	42,322
Property Tax Admin & State Aid	2,934	3,621	3,289	3,239	6,528
Total	102,004	138,813	112,365	112,415	224,780
<i>Full-Time Equivalents (FTE)</i>	1,098.7	1,175.7	1,136.2	1,103.8	

Activity at a Glance

- Write and design more than 300 tax forms and instruction booklets
- 15 million pieces printed and mailed
- 218,319 forms and instructions for individual income tax downloaded from website in April 2010
- 16,000 pages of information available on website
- Over 2,560 cases resolved last year by the Taxpayer's Advocate Office
- Manages facilities for nearly 1,500 employees in 16 locations
- Manages roughly 100 contracts amounting to over \$12 million

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 3.7 million individual income tax filers and 644,000 registered businesses, the Department's nearly 1,500 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 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; identify obstacles to taxpayer compliance with tax laws; and identify unclear, ambiguous or conflicting provisions of tax laws. It also develops proposals to improve tax law understandability, fairness, ease of compliance and administration.

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;

REVENUE DEPT

Program: TAX SYSTEM MANAGEMENT

Activity: COMPLIANCE SUPPORT

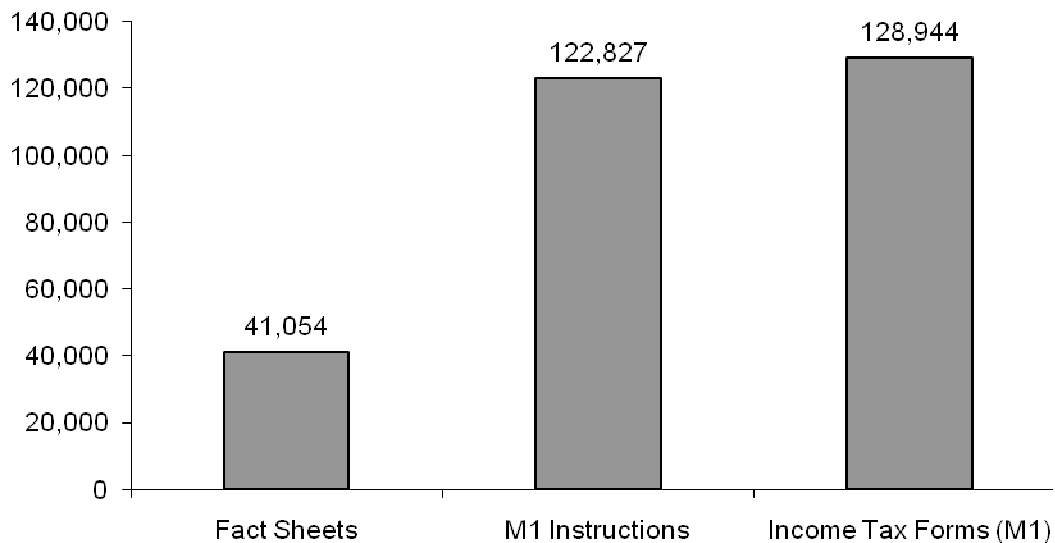
Narrative

- the growing erosion of the state tax structure; and
- the threat of workplace disruptions

Key Activity Goals & Measures

Taxpayers are relying heavily on the Department's website to obtain income tax forms, instructions and fact sheets. The more taxpayers use DOR's electronic services, the more resources are available for direct compliance and education efforts in the tax system.

Website Downloads for Income Tax
FY 2010



Activity Funding

The Compliance support budget activity constitutes 2.9% of the department's budget. Of the total budget for the biennium for the compliance support budget activity, 96.0% comes from general fund tax dollars, 2.0% comes from dedicated funds and 2.0% comes from special revenue funds for administering the local option sales tax and the revenue recapture program.

Contact

Dan Salomone
Deputy Commissioner
Phone: (651)556-6007
E-mail: dan.salomone@state.mn.us

REVENUE DEPT

Program: TAX SYSTEM MANAGEMENT

Activity: COMPLIANCE SUPPORT

Budget Activity Summary

<i>Dollars in Thousands</i>					
	Current		Governor's Recomm.		Biennium
	FY2010	FY2011	FY2012	FY2013	2012-13
<u>Expenditures by Fund</u>					
Direct Appropriations					
General	3,560	4,234	3,793	3,793	7,586
Health Care Access	75	91	83	83	166
Statutory Appropriations					
Miscellaneous Special Revenue	78	89	34	34	68
Total	3,713	4,414	3,910	3,910	7,820
<u>Expenditures by Category</u>					
Total Compensation	3,225	3,449	3,309	3,309	6,618
Other Operating Expenses	488	965	601	601	1,202
Total	3,713	4,414	3,910	3,910	7,820
Full-Time Equivalents (FTE)	39.8	39.8	38.3	36.9	

Activity at a Glance

In fiscal year 2009, this activity:

- Prepared 13 revenue notices and spent over 4,118 hours on preparing or analyzing legislative bills and over 9,970 hours providing legal advice to the agency
- Completed approximately 2047 administrative appeals
- Developed nearly 350 formal revenue estimates

Activity Description

This activity includes legal and legislative services, tax appeal services and tax research services.

Population Served

Taxpayers, tax administrators, legislators and 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 communicate 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. It is 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 legislative proposals that require revenue estimates, drafts of legislation and legal analysis.

Key Activity Goals & Measures

Legal: The department publishes revenue notices which advise taxpayers on how tax laws will be administered. The number of revenue notices are an indication of the volume of legal counsel provided to taxpayers by agency legal staff.

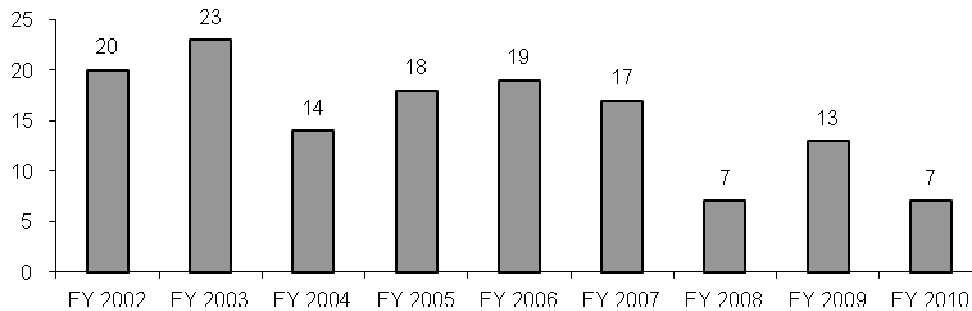
REVENUE DEPT

Program: TAX SYSTEM MANAGEMENT

Activity: APPEALS,LEGAL SERV & TAX RES

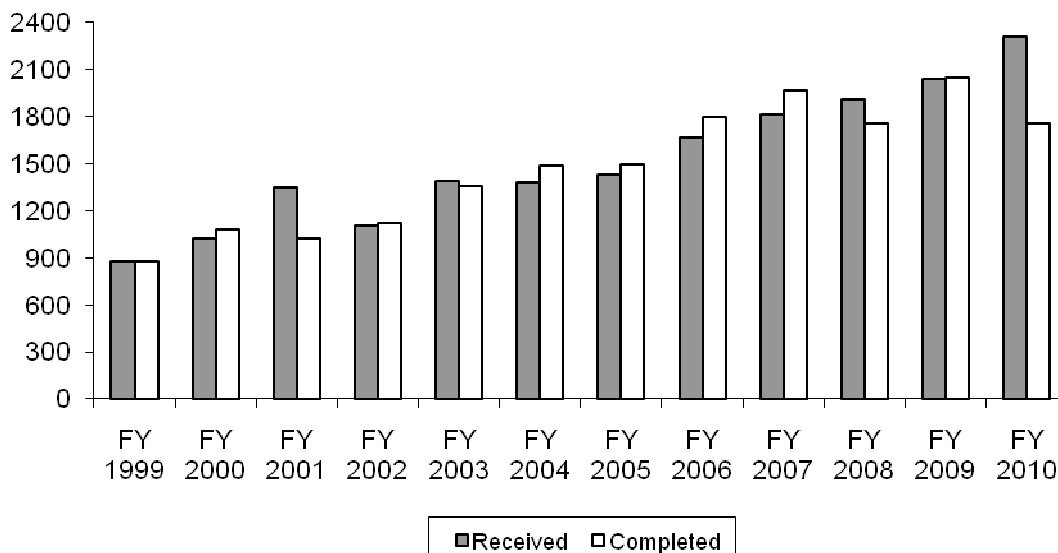
Narrative

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 complexities to the tax laws.

Administrative Appeals Received and Completed



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.

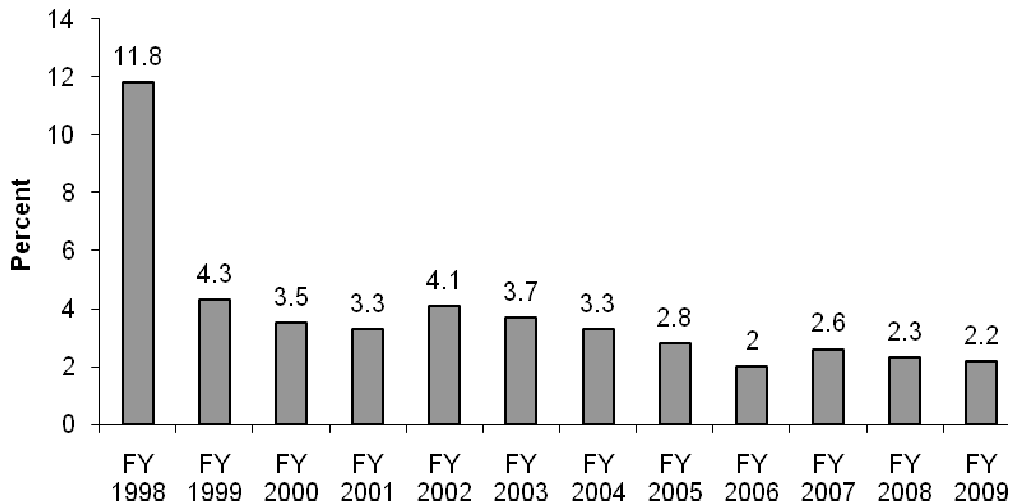
REVENUE DEPT

Program: TAX SYSTEM MANAGEMENT

Activity: APPEALS,LEGAL SERV & TAX RES

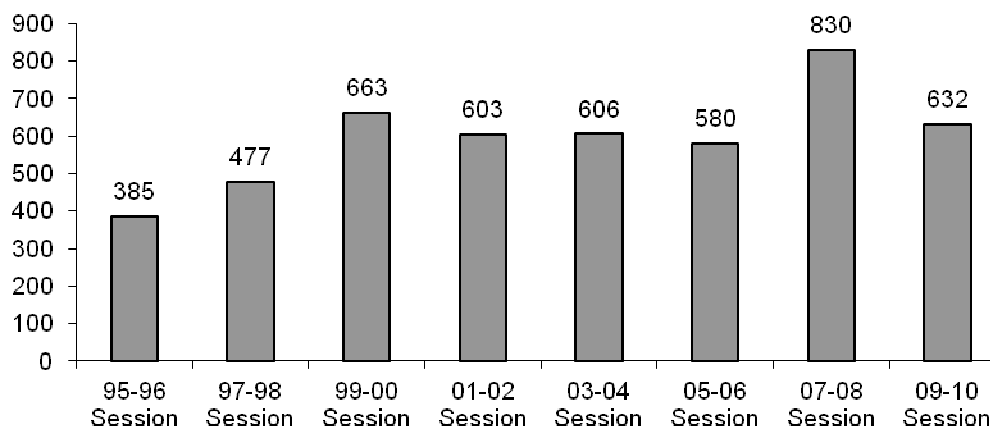
Narrative

**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
(excludes property tax revenue estimates prior to 2008)**



Activity Funding

This activity's biennial budget is about 3.8% of the department's total budget. Of the total budget for the biennium for the legal and research budget activity, 94.3% comes from General Fund tax dollars, 3.2% comes from dedicated funds and 2.5% comes from special revenue funds for administering the Local Option Sales Tax program.

Contact

Beth Kadoun
Senior Admin Officer, Tax Policy
Phone: 651-556-6006
E-mail: beth.kadoun@state.mn.us

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
	FY2010	FY2011	FY2012	FY2013	2012-13
<u>Expenditures by Fund</u>					
Direct Appropriations					
General	4,712	5,530	5,228	5,328	10,556
Health Care Access	170	174	172	172	344
Statutory Appropriations					
Miscellaneous Special Revenue	87	191	87	87	174
Total	4,969	5,895	5,487	5,587	11,074
<u>Expenditures by Category</u>					
Total Compensation	4,471	4,986	4,912	4,912	9,824
Other Operating Expenses	498	909	575	675	1,250
Total	4,969	5,895	5,487	5,587	11,074
Full-Time Equivalents (FTE)	51.7	55.7	53.4	51.6	

REVENUE DEPT

Program: TAX SYSTEM MANAGEMENT

Activity: TAX PAYMENT & RET PROCESSING

Narrative

Activity at a Glance

- Processes 2.8 million income tax returns annually
- Processes over 1.58 million business tax returns
- Processes 4.8 million payments
- Issues 2.67 million refunds
- Registered 33,500 new businesses in FY2010
- Receives and sorts over 3.2 million pieces of incoming mail annually

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

- 3.7 million individual income taxpayers who file 2.8 million individual income tax returns
- 165,000 employers and 806 third-party bulk filers who

remit income tax withholding payments

- 758,500 property tax refund applicants
- 284,000 businesses that collect and remit sales and use tax
- 44,000 corporations and 99,000 S corporations and partnerships that pay corporate franchise and income taxes
- 48,000 fiduciary income taxpayers
- 1,700 estate taxpayers who pay and submit \$149 million in estate taxes
- 649 petroleum product distributors who pay \$760 million in gasoline, special and aviation fuel taxes and various fees
- 57 cigarette and 160 tobacco distributors who remit \$432 million in cigarette and tobacco taxes and fees
- 59 wine and liquor distributors, 234 brewers and beer importers, 16 alcohol commercial carriers and 38 farm wineries, who pay approximately \$75 million in liquor, wine and beer taxes
- 1,511 insurance companies who pay \$269 million in gross premium taxes
- 7,826 hospitals, health care providers and prescription drug wholesalers who collect approximately \$458 million in health care taxes
- 1,265 organizations licensed to conduct lawful gambling, 12 licensed gambling equipment distributors and seven licensed gambling equipment manufacturers who collect approximately \$36 million in lawful gambling taxes
- 5,110 hazardous waste generators; 4,181 water quality and 2,247 air quality permit holders and 800 solid waste management services and 78 e-waste registrants who collect approximately \$64 million in solid waste taxes and fees
- Seven mining companies that pay approximately \$74.3 million in taconite production taxes.
- 174 dry cleaning facilities that pay dry cleaner taxes and three solvent distributors who pay approximately \$109,000 in dry cleaner fees
- 87 counties that remit approximately \$161 million in deed and mortgage registry taxes
- 1021 state and county agencies whose debts are collected through revenue recapture

Services Provided

This activity processes all electronic and paper state tax returns and payments. Services include:

- receiving and sorting over 3.2 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
- 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:

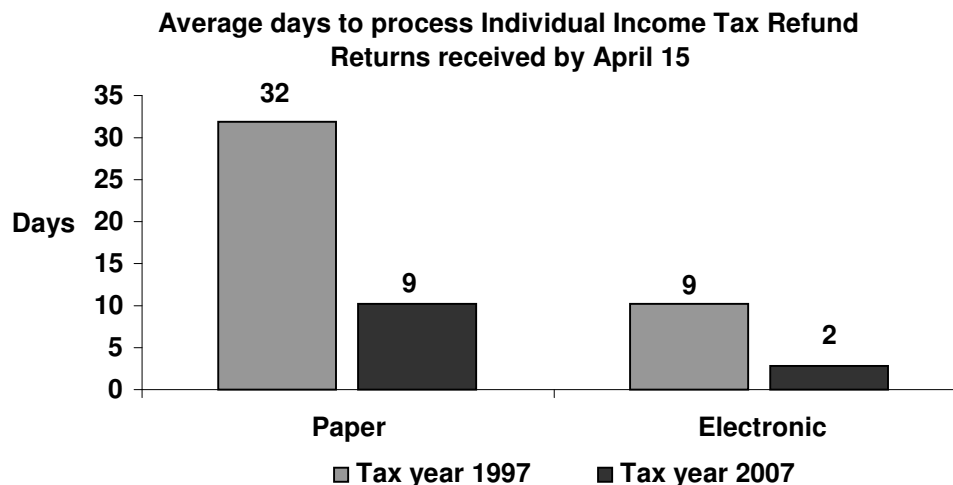
- electronic filing systems for sales and use tax, withheld income taxes, corporate franchise tax, S-Corporation tax, fiduciary tax, partnerships, Minnesota Care tax, and motor fuel taxes; and accepts payment for all tax types, including estimated individual income taxes;
- a web-based business registration system;
- a modernized individual income tax computer system that is regularly adding features that permit taxpayers to serve themselves;
- individual income tax and property tax forms that can be scanned, which has eliminated the need for storage of paper returns.

In CY 2009, over 1.91 million individual income tax returns were filed electronically, and over 1.39 million tax refunds were issued within five days. Over 1.37 million business tax filing transactions were processed electronically during CY 2009. In FY 2009, over three million payment transactions were processed electronically.

Key Activity Goals & Measures

- Increase the speed, accuracy, convenience, and ease of tax filing and paying.
- Increase e-services for citizens.

Average days to process individual income tax refund returns calculated from the date the return is received to the date the refund is issued.



In FY 2010 66 percent of all tax payments representing 87 percent of the total dollar value were made electronically.

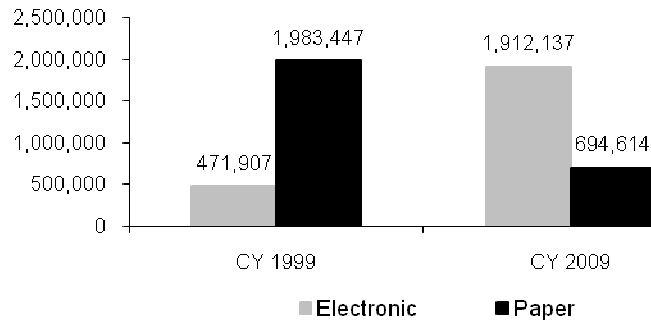
REVENUE DEPT

Program: TAX SYSTEM MANAGEMENT

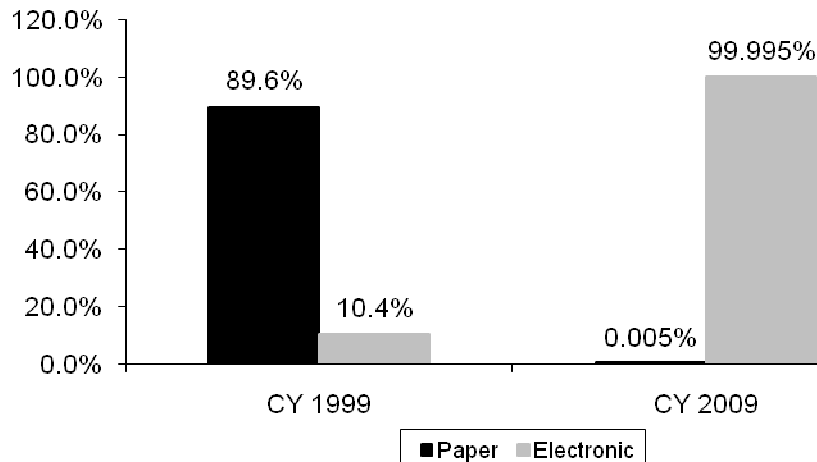
Activity: TAX PAYMENT & RET PROCESSING

Narrative

**Individual Income Tax
Paper vs Electronic Returns**



**Business Tax - Paper vs Electronic
For Sales & Use and Withholding Tax**



Activity Funding

This activity's biennial budget is about 9.7% of the department's total budget. Of the total budget for the biennium for the Tax Filing and Payments budget activity, 96.2% comes from General Fund tax dollars, 0.5% comes from dedicated funding, and 3.3% comes from special revenue funds for administering the Local Option Sales Tax and Revenue Recapture program.

Contact

Terri Steenblock
Assistant Commissioner
Phone: (651) 556-6366
E-mail: terri.steenblock@state.mn.us

Jack Mansun
Assistant Commissioner
Phone: (651) 556-6009
E-mail: jack.mansun@state.mn.us

REVENUE DEPT

Program: TAX SYSTEM MANAGEMENT

Activity: TAX PAYMENT & RET PROCESSING

Budget Activity Summary

<i>Dollars in Thousands</i>					
	Current		Governor's Recomm.		Biennium
	FY2010	FY2011	FY2012	FY2013	2012-13
<u>Expenditures by Fund</u>					
Direct Appropriations					
General	12,973	13,410	13,016	13,016	26,032
Health Care Access	61	63	62	62	124
Statutory Appropriations					
Miscellaneous Special Revenue	249	386	263	263	526
Total	13,283	13,859	13,341	13,341	26,682
<u>Expenditures by Category</u>					
Total Compensation	10,803	11,193	11,024	11,024	22,048
Other Operating Expenses	2,480	2,666	2,317	2,317	4,634
Total	13,283	13,859	13,341	13,341	26,682
Full-Time Equivalents (FTE)	179.3	181.3	176.0	171.8	

REVENUE DEPT

Program: TAX SYSTEM MANAGEMENT

Activity: TAX COMPLIANCE & ENFORCEMENT

Narrative

Activity at a Glance

- Respond to over 678,000 phone calls
- Perform approximately 120,000 tax audits
- Perform 102,000 pre-audit adjustments
- Provide tax forms, instructions, and other information to more than 4 million taxpayers
- Respond to 41,000 e-mail inquiries

Activity Description

The compliance activity administers and enforces Minnesota's 28 individual and business taxes. These taxes raise \$16.5 billion gross annually, which amounts to 53.8% of the state's total revenue.

Population Served

- 3.7 million individual income taxpayers
- 758,500 homeowner and renter property tax refund applicants

- 8,000 professional tax preparers
- 284,000 businesses that collect and remit sales and use tax
- 48,000 fiduciary and 1,700 estate taxpayers
- 165,000 employers that withhold tax and over 800 third-party bulk withholding filers
- 44,000 corporations, 99,000 S corporations, and 61,000 partnerships
- 649 petroleum product distributors
- 57 cigarette and 160 tobacco distributors
- 59 wine and liquor distributors; 234 brewers and beer importers, and 16 alcohol commercial carriers and 38 farm wineries/vineyards
- 1,511 insurance companies
- 7,826 hospitals, health care providers, and prescription drug wholesalers
- 1,265 organizations licensed to conduct lawful gambling, 12 licensed gambling equipment distributors and seven licensed gambling equipment manufactures
- 5,110 hazardous waste generators, 800 solid waste management service providers and 78 e-waste registrants
- Eight iron ore mining companies
- 174 dry cleaning facilities, three dry cleaner suppliers, 2247 air emissions filers and 4181 water quality filers
- 7,600 unrelated business income tax (UBIT) filers
- 87 county treasurers and recorders
- County attorneys and other law enforcement agencies
- 900 individuals who file and pay consumer use tax
- 3,240 individuals and businesses who file sales and use tax refund claims

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 e-mail, written and telephone inquiries;
- conducting audits to identify and resolve tax filing and payment discrepancies, identify non-residents and non-filers, detect tax evasion, and measure levels of compliance;
- interpreting laws and making recommendations for law changes; and
- providing training courses and seminars to tax preparers and businesses.

Historical Perspective

In 2002 and 2004, the Department of Revenue commissioned two separate landmark studies of the degree of tax compliance in Minnesota. The first study focused on sales tax compliance, and the second looked at individual income tax compliance. These academic studies used economic and demographic information to estimate the amount of sales taxes and income taxes that would be collected if taxpayers paid the correct amount of tax.

REVENUE DEPT

Program: TAX SYSTEM MANAGEMENT

Activity: TAX COMPLIANCE & ENFORCEMENT

Narrative

Resulting estimates were compared with actual collections to estimate the “tax gap” for the tax years studied (tax year 2000 for the sales tax, and tax year 1999 for the income tax). For the two taxes combined the total gap was over \$1.3 billion. The findings of these studies prompted legislators to fund special compliance initiatives aimed at reducing the tax gap. Starting in FY2002, the Department of Revenue has undertaken seven compliance initiatives. It's important to note that tax gap estimates are theoretical, and not based on actual tax assessments.

Tax Compliance Initiative Summary:

(Amounts in Millions)

			Expected	Actual Tax Revenue	Actual Expenditures	Actual ROI
<u>Biennium</u>	<u>Revenue Target</u>	<u>Appropriation</u>	<u>ROI</u>			
2002/03	\$60.1	\$10.3	5.8	97.2	9.7	10.0
2004/05	\$59.8	\$12.8	4.7	92.2	12.3	7.5
2006/07	\$90.7	\$17.8	5.1	114.3	17.8	6.4
2008/09	\$102.4	\$20.5	5.0	133.7	20.2	6.6
2009	\$21.0	\$7.0	3.0	29.8	6.8	4.4
2010/2011*	\$41.5	\$10.4	4.0	n/a	n/a	n/a
2011*	\$26.9	\$6.7	4.0	n/a	n/a	n/a

** estimated revenues and expenditures*

The increase in appropriations for stepped-up tax enforcement activities has been partially offset by budget cuts 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 284,000 in 2009 – or 60%. 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. Products such as musical recordings, software programs and books solely existed in the form of tangible personal property. Today 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.
- The individual income tax does not always conform to the federal income tax, which leads to more complex state tax forms and additional calculations.

REVENUE DEPT

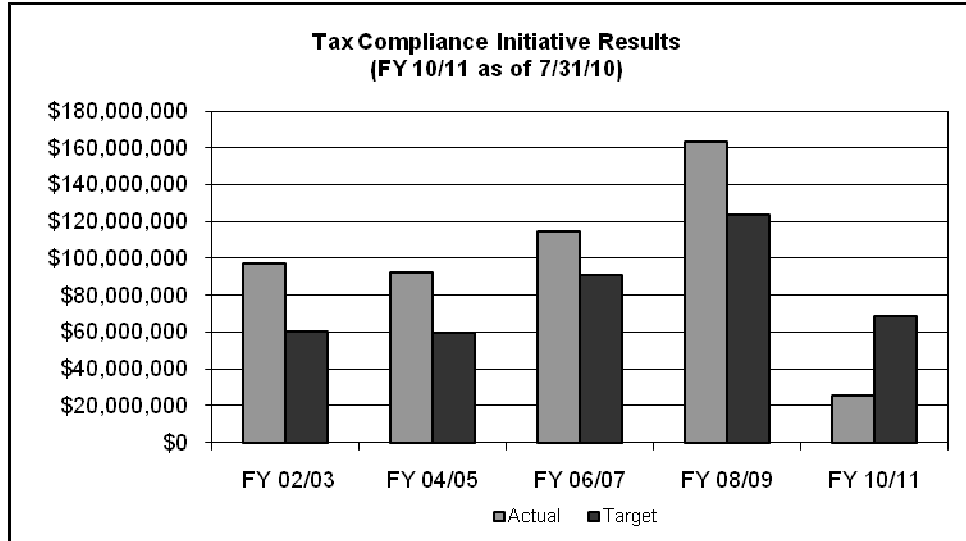
Program: TAX SYSTEM MANAGEMENT

Activity: TAX COMPLIANCE & ENFORCEMENT

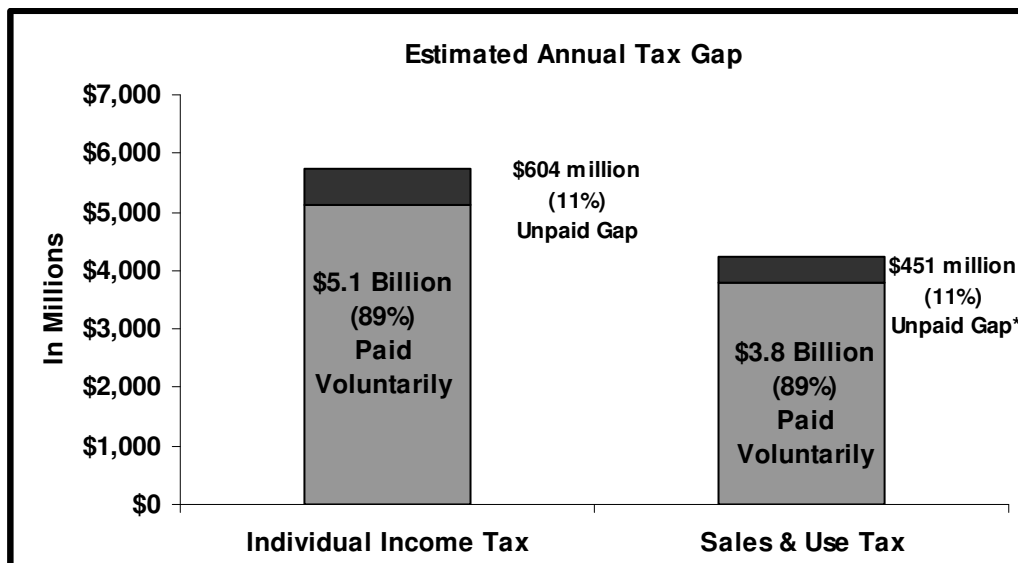
Narrative

Key Activity Goals & Measures

- Improve compliance with the tax system.



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, \$23.6 million over for FY 2006-07 biennium and \$40.1 million over for FY 2008--09. As of 7/31/10, \$25.3 million has been generated for FY 2010-11.



** 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* (June 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).

REVENUE DEPT

Program: TAX SYSTEM MANAGEMENT

Activity: TAX COMPLIANCE & ENFORCEMENT

Narrative

Activity Funding

This activity's biennial budget is about 47.8% of the department's total budget. Of the total budget for the biennium for the tax compliance budget activity, 88.2% comes from General Fund tax dollars, 5.6% comes from dedicated funds, and 6.2% comes from special revenue funds for administering the Local Option Sales Tax, Revenue Recapture and Cigarette Stamp account activities.

Contact

Jack Mansun

Assistant Commissioner

Phone: (651) 556-6009

E-mail: jack.mansun@state.mn.us

Terri Steenblock

Assistant Commissioner

Phone: (651) 556-6366

E-Mail: terri.steenblock@state.mn.us

REVENUE DEPT**Program: TAX SYSTEM MANAGEMENT**

Activity: TAX COMPLIANCE & ENFORCEMENT

Budget Activity Summary

<i>Dollars in Thousands</i>					
	Current		Governor's Recomm.		Biennium
	FY2010	FY2011	FY2012	FY2013	2012-13
<u>Expenditures by Fund</u>					
Direct Appropriations					
General	51,769	61,995	59,961	59,961	119,922
Health Care Access	1,380	1,402	1,385	1,385	2,770
Highway Users Tax Distribution	1,978	2,270	2,124	2,124	4,248
Environmental	284	288	286	286	572
Statutory Appropriations					
Miscellaneous Special Revenue	1,336	7,258	1,421	1,421	2,842
Total	56,747	73,213	65,177	65,177	130,354
<u>Expenditures by Category</u>					
Total Compensation	49,642	58,234	56,342	56,342	112,684
Other Operating Expenses	6,907	14,779	8,635	8,635	17,270
Local Assistance	198	200	200	200	400
Total	56,747	73,213	65,177	65,177	130,354
Full-Time Equivalents (FTE)	706.1	777.1	752.4	732.2	

REVENUE DEPT

Program: TAX SYSTEM MANAGEMENT

Activity: TECHNOLOGY DEV, OPS & SUPPORT

Narrative

Activity at a Glance

- 1,500 employees served in 16 different office locations
- 221 business computer applications, and 322 software tools running on seven different platforms or operating systems
- Most agency provided service and information for citizens is available on-line or by other electronic means
- over 6.6 million electronic filing and payment transactions

Activity Description

This activity oversees the development and maintenance of computer systems for all major state taxes administered by the department. It maintains 221 business computer applications, and 322 software tools running on seven different platforms or operating systems that serve more than 1,500 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.

Population Served

This activity serves policymakers, all citizens and businesses that interact with or are served by our tax systems, local units of government, other state agencies, and about 1,500 department 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's business systems planning team, which aligns and integrates business needs with computer systems and operations;
- 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 7%. Yet, the demands for technology have increased as DOR has added audit and collection compliance personnel to meet agency compliance commitments.

To strengthen compliance, enhance taxpayer service and help address its constrained technology budget DOR was able to secure legislative funding for the procurement and implementation of a comprehensive Commercial-Off-The-Shelf (COTS) Integrated Tax system. With this \$28.9 million appropriation and significant internal resource commitments DOR has begun to implement "GenTax" procured from Fast Enterprises. This funding will be used to complete the \$40 million effort. DOR is currently preparing roll-out three, and the fourth and final roll-out is planned for February 2012. This effort is currently on time and within budget.

Key Activity Goals & Measures

To measure its success in implementing information technology applications, this activity uses a self-assessment process that evaluates effectiveness in four major categories, including the overall use and management of technology.

REVENUE DEPT

Program: TAX SYSTEM MANAGEMENT

Activity: TECHNOLOGY DEV, OPS & SUPPORT

Narrative

The agency was graded using a scale of one to five in the following categories as identified in *Government Reform through Technology*. (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** – DOR leads the nation in Individual Income tax electronic filings and have a 99% e-file adoption rate for sales and withholding taxes. Most of DOR’s core services for citizens, businesses, and governmental groups are available on-line.

Enterprise Orientation – **Grade: 4** – For the past two years DOR has been the most significant player in OET’s data center consolidation initiative. The department has a standing team in place that promotes sharing and collaboration initiatives. Additionally, DOR actively leads or participates in the exploration of shared service opportunities with state agencies and other partners.

Customer Focus – **Grade: 4** – DOR develops strategic business technology and process improvement plans in collaboration with customers. DOR approaches the management of the agency and projects from a collaborative perspective and have successfully used a shared approach on projects. DOR has defined and consistently used processes for gathering business partner/customer (user) feedback. DOR continues to have many successes in the delivery of service within the agency and in collaboration with others.

Strategy and Standards – **Grade: 5** – Internally, DOR develops and supports strategies and standards designed to meet agency business needs. DOR also collaborate with the Office of Enterprise Technology in support of state-wide technology standards. DOR provides leadership and is recognized by its 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 about 14.6% of the department’s total budget. The sources of activity’s total biennial budget are: 79.5% from General Fund tax dollars, 0.6% from dedicated funds and 19.9% from special revenue funds for administering the Local Option Sales Tax and the Revenue Recapture program.

Contact

Steve Kraatz

Chief Information Officer

E-mail: Steve.kraatz@state.mn.us

Phone: (651) 556-4786

REVENUE DEPT

Program: TAX SYSTEM MANAGEMENT

Activity: TECHNOLOGY DEV, OPS & SUPPORT

Budget Activity Summary

<i>Dollars in Thousands</i>					
	Current		Governor's Recomm.		Biennium
	FY2010	FY2011	FY2012	FY2013	2012-13
<u>Expenditures by Fund</u>					
Direct Appropriations					
General	16,450	22,238	19,745	19,745	39,490
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					
Miscellaneous Special Revenue	1,404	1,381	1,293	1,293	2,586
Building	2,381	14,069	0	0	0
Total	20,358	37,811	21,161	21,161	42,322
<u>Expenditures by Category</u>					
Total Compensation	8,581	10,060	9,723	9,723	19,446
Other Operating Expenses	11,777	27,751	11,438	11,438	22,876
Total	20,358	37,811	21,161	21,161	42,322
Full-Time Equivalents (FTE)	85.5	85.5	81.2	77.5	

REVENUE DEPT

Program: TAX SYSTEM MANAGEMENT

Activity: PROPERTY TAX ADMIN & STATE AID

Narrative

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 \$750 million payable in 2010
- Responsible for providing compliance and assistance to local government officials who assess and calculate property taxes for 2.6 million parcels of property and generates nearly \$8 billion in tax revenue.
- Responds to 15,000 phone and 21,000 email inquiries from taxpayers and administrators

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.

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 airflight 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 (CPA), 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 \$750 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**

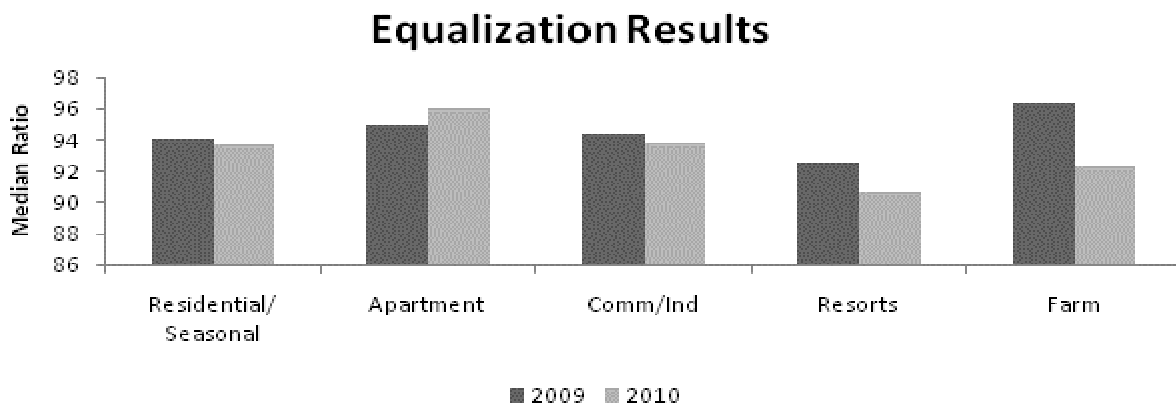
Activity: **PROPERTY TAX ADMIN & STATE AID**

Narrative

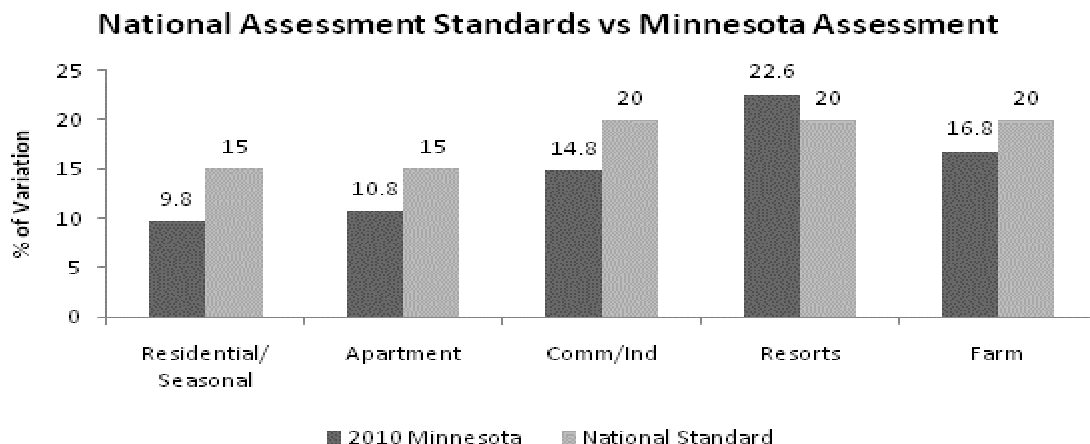
This activity's ability to gather property tax information quickly and efficiently is hampered by the failure of the division and local governments to invest in new technologies and computer systems. However, the division is in the process of aggressively modernizing business processes and computer systems that should result in the timelier gathering of property data and will lay the groundwork for improving property tax administration.

Key Activity Goals & 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 within the recommended range of 90 to 105 percent. The results for individual jurisdictions vary from these averages.



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.



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	2009	2010 Preliminary*	2011 Budgeted*
Local Government Aid	\$481,529	\$426,535	\$527,100
County Program Aid (incl. Court Aid Adj, Transition Aid)	194,883	164,887	197,455
Residential Homestead MV Credit	191,582	95,214	189,523
Agricultural Homestead MV Credit	19,107	17,899	17,960
DNR-PILT	21,824	21,584	26,612
Disparity Reduction Aid	10,163	10,914	10,943
Supplemental Taconite Aid Reimbursement	5,178	5,230	5,282
Border City Credit (DRC)	4,671	4,856	5,099
Indian Casino County Aid	669	669	669
Public Defender Costs	500	500	500
Disaster Credit/Revenue	151	38	0
Enterprise Zone Credit	<u>0</u>	<u>0</u>	<u>0</u>
Sub Total	\$930,257	\$748,326	\$981,143
 Payment to Schools			
Residential Hmstd MV Credit-School	\$46,758	\$52,378	\$65,322
Agricultural Hmstd MV Credit - School	4,683	5,391	6,208
Disparity Reduction Aid-School	6,566	8,455	10,151
Border City Credit (DRC) - School	811	1,025	1,258
Disaster Credit/Rev - School	66	69	3
Enterprise Zone Credit - School	<u>0</u>	<u>0</u>	<u>0</u>
Sub Total	\$58,884	\$67,318	\$82,942
 Pension Related Payments (payments made to jurisdiction or pension plan)			
Police, Fire, & Ins. Sur. Aid	\$80,492	\$83,572	\$86,988
PERA Rate Increase Aid	<u>14,390</u>	<u>14,390</u>	<u>14,390</u>
Sub Total	<u>94,882</u>	<u>97,962</u>	<u>101,378</u>
 TOTAL	\$1,084,023	\$913,606	\$1,165,463

Activity Funding

This activity's biennial budget is about 2.3 percent of the department's total budget. Of this total, 99.8 percent comes from the general fund and 0.2 percent comes from special revenue funds.

Contact

John Hagen
 Director, Property Tax Division
 E-mail: john.hagen@state.mn.us
 Phone: (651) 556-6106

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
	FY2010	FY2011	FY2012	FY2013	2012-13
<u>Expenditures by Fund</u>					
Direct Appropriations					
General	2,934	3,576	3,264	3,214	6,478
Open Appropriations					
General	0	30	25	25	50
Statutory Appropriations					
Miscellaneous Special Revenue	0	15	0	0	0
Total	2,934	3,621	3,289	3,239	6,528
<u>Expenditures by Category</u>					
Total Compensation	2,722	3,142	3,001	3,001	6,002
Other Operating Expenses	212	479	288	238	526
Total	2,934	3,621	3,289	3,239	6,528
Full-Time Equivalents (FTE)	36.3	36.3	34.9	33.8	

Program at a Glance

- Managed an average of 219,600 delinquent tax debts and an average of \$648 million in delinquent tax debt in FY 2010
- Managed an average of 47,475 delinquent non-tax debts and an average of \$127 million in delinquent non-tax debt in FY 2010
- Collected \$276 million in delinquent tax debt in FY 2010

Program 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:

- **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.
- **Ten Judicial Districts:** In August 2010, the Department of Revenue started collecting Court Debts. District Courts are located in each of the state's 87 counties and are divided among ten judicial districts for administration purposes. The debts are being referred by Judicial Districts and the process is expected to be completed by November 2010.

Services include locating debtors, billing, contracting 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.

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 \$304.4 million collected during FY 2010 by this activity, approximately \$28.4 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 20% when the debt is referred to the Department of Revenue.

The average tax debt portfolio managed by this activity has climbed from \$439 million in FY 2005 to about \$648 million in FY 2010. About \$266 million of the \$648 million is being collected through payment plans or is considered uncollectible. Uncollectible debt includes bankruptcies, amounts owed by deceased debtors, debts for which the statute of limitations has expired, or debts for which all collection efforts have been exhausted. The activity collected about \$276 million of the \$648 million tax debt managed during FY 2010 – up from \$181 million collected in FY 2005.

Other factors that have contributed to the rise in the tax debt portfolio include the recent deterioration of economic conditions, worsening personal and business income statements and balance sheets, and increased bankruptcies.

REVENUE DEPT

Program: DEBT COLLECTION MANAGEMENT

Narrative

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 and Measures

One of DOR Debt Collection Management's key measures is the amount of revenue collected from delinquent taxpayers and the number of cases closed per fiscal year. The more revenue collected helps the state's general fund balance. The more cases closed allows the department to focus on more delinquent taxpayers throughout the fiscal year.

FY 2010

Delinquent tax collections	\$ 265.7 Million
Delinquent Non-tax collections	\$ 28.4 Million
Tax Compliance Initiative	\$ 10.3 Million
Total dollars collected	\$ 304.4 Million

Delinquent tax cases closed	155,392
Delinquent non-tax cases closed	18,720
Total cases closed	174,112

Program Funding

This activity's biennial budget is about 18.8% of the department's total budget. Of the total budget for the biennium for the Collection budget activity, 97.5% comes from general fund tax dollars, and 2.5% comes from special revenue funds for administering the local option sales tax and the revenue recapture program.

Contact

Terri Steenblock
Assistant Commissioner
Phone: (651) 556-6366
E-Mail: terri.steenblock@state.mn.us

REVENUE DEPT

Program: DEBT COLLECTION MANAGEMENT

Program Summary

<i>Dollars in Thousands</i>					
	Current		Governor Recomm.		Biennium
	FY2010	FY2011	FY2012	FY2013	2012-13
<u>Direct Appropriations by Fund</u>					
General					
Current Appropriation	24,497	27,341	27,341	27,341	54,682
Subtotal - Forecast Base	24,497	27,341	27,341	27,341	54,682
Governor's Recommendations					
Tax Compliance Initiative		0	1,656	3,252	4,908
Total	24,497	27,341	28,997	30,593	59,590
<u>Expenditures by Fund</u>					
Direct Appropriations					
General	22,727	29,111	27,341	27,341	54,682
Open Appropriations					
General	1,184	1,900	1,900	1,900	3,800
Statutory Appropriations					
Miscellaneous Special Revenue	601	722	498	498	996
Total	24,512	31,733	29,739	29,739	59,478
<u>Expenditures by Category</u>					
Total Compensation	20,852	22,898	22,250	22,250	44,500
Other Operating Expenses	3,660	8,135	6,789	6,789	13,578
Capital Outlay & Real Property	0	700	700	700	1,400
Total	24,512	31,733	29,739	29,739	59,478
<u>Expenditures by Activity</u>					
Ar Mgmt	24,512	31,733	29,739	29,739	59,478
Total	24,512	31,733	29,739	29,739	59,478
Full-Time Equivalents (FTE)	330.5	360.5	350.2	341.8	

REVENUE DEPT

Agency Revenue Summary

Dollars in Thousands

	Actual FY2010	Budgeted FY2011	Governor's Recomm. FY2012 FY2013		Biennium 2012-13
<u>Non Dedicated Revenue:</u>					
Other Revenues:					
General	(34)	71	71	71	142
Total Non-Dedicated Receipts	-34	71	71	71	142
<u>Dedicated Receipts:</u>					
Departmental Earnings:					
Miscellaneous Special Revenue	779	570	570	570	1,140
Other Revenues:					
Miscellaneous Special Revenue	3,838	3,026	3,026	3,026	6,052
Other Sources:					
Building	16,450	0	0	0	0
Total Dedicated Receipts	21,067	3,596	3,596	3,596	7,192
Agency Total Revenue	21,033	3,667	3,667	3,667	7,334

PAGE

Agency Profile.....	2
Agency Fiscal Page (Gov Rec)	4

Agency Purpose

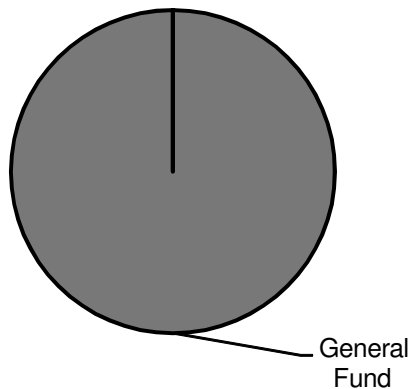
The Minnesota Science and Technology Authority (STA) was created by Laws of 2010, Chapter 347, Article 1 effective July 1, 2010. The STA will bring together government, industry and academia to develop a long-range science and technology economic development plan that addresses job creation, workforce preparation and commercialization of critical technology. STA's statutory authority resides in M.S. Chapter 116W.

STA membership consists of the commissioners of employment and economic development, management and budget, revenue, commerce, and agriculture. The commissioner of employment and economic development serves as the chair and chief executive officer of the STA.

At a Glance

- Created July 1, 2010
- The Science and Technology Economic Development Plan will be submitted to the Legislature by January 15, 2011.

**Est. FY 2010-11 Expenditures
by Fund**



Source data for the previous charts is the Minnesota Accounting and Procurement System (MAPS) as of 08/20/10.

Strategies

The Science and Technology Authority was created to:

- coordinate public and private efforts to obtain federal funding for collaborative research and development projects of primary benefit to small and medium-sized businesses;
- promote contractual relationships between Minnesota businesses that are recipients of federal grants and prime contractors, and Minnesota-based subcontractors;
- work with Minnesota nonprofit institutions including the University of Minnesota, Minnesota State Colleges and Universities, and the May Clinic in promoting collaborative efforts to respond to federal funding opportunities;
- develop a framework for Minnesota companies to establish sole-source relationships with federal agencies;
- provide grants or other forms of financial assistance to eligible recipients;
- coordinate workshops, assistance with business proposals, licensing, intellectual property protection, commercialization, and government auditing with the University of Minnesota and Minnesota State Colleges and Universities; and

- develop and implement a comprehensive science and technology economic development strategy for the state.

Operations

The STA is served by an executive director and small business innovation research (SBIR) and small business technology transfer (STTR) program director. The executive director works with the 18-member advisory commission to prepare and implement the long range science and technology economic development plan. The SBIR/STTR program director assists high-tech entrepreneurial companies to obtain federal grant funding for proof of concept studies through prototype development.

The Science and Technology Advisory Commission of 18 members was established to advise and assist the STA and is comprised of:

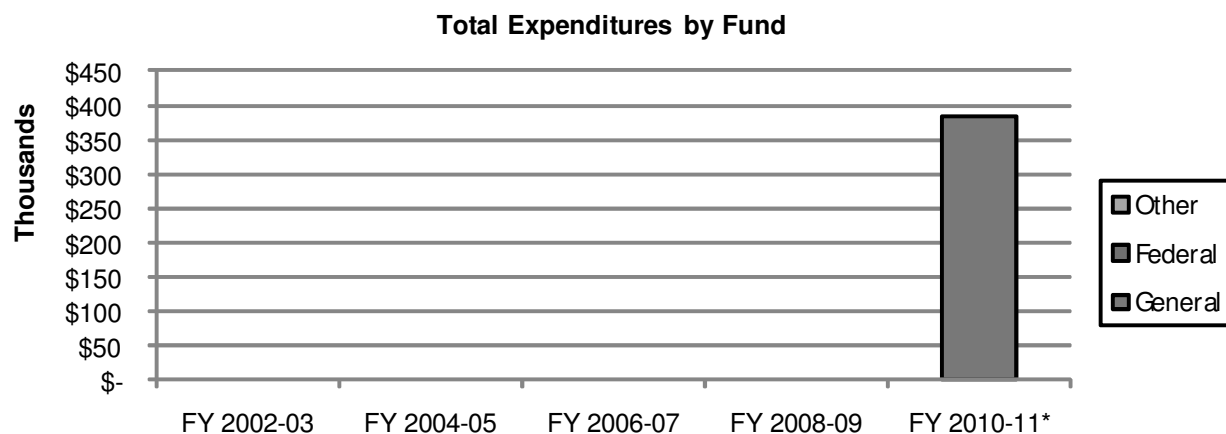
- two representatives of the University of Minnesota, selected by the president of the university, including a faculty member actively involved in science and technology research;
- two representatives of the Minnesota State Colleges and Universities, selected by the chancellor, including a faculty member actively involved in science and technology research;

- the chief executive officer of Mayo Clinic or a designee;
- six chief executive officers or designees from science-oriented or technology-oriented companies;
- four representatives from science-oriented and technology-oriented organizations;
- one representative of organized labor;
- a venture capital representative; and
- a representative of angel investors.

Key Activity Goals & Measures

The Science and Technology Authority supports the Minnesota Milestones goal that Minnesota will have sustainable, strong economic growth. Performance measures are under development and will be recommended to the legislature in 2011.

Budget Trends



* FY 2010-11 is estimated, not actual. Source data for the previous chart is the Minnesota Accounting and Procurement System (MAPS) as of 08/20/2010.

With regards to science and technology (S&T) innovation, Minnesota faces a crisis of competitiveness. Once a state that led the nation in S&T innovation, Minnesota now ranks 14th – 17th and is accelerating downward in key measures of S&T leadership¹. Global competition has increased as well, making it difficult for the United States as a whole to maintain its leadership. Planning and investment in S&T impacts industries from manufacturing and agriculture to support services. S&T innovation helps to create a robust, self-sustaining economic development and economic growth leading to high paying technology jobs and increased productivity.

Contact

Science and Technology Authority
Executive Director
(651) 259-7441

¹ See the 'Recommendations for a Minnesota Science and Technology Initiative' report available at http://www.positivelyminnesota.com/Data_Publications/Publications/All_Other_DEED_Publications/PDFs/Recommendations_for_a_Minnesota_Science_Technology_Initiative_Report_1-15-10.pdf

<i>Dollars in Thousands</i>					
	Current		Governor Recomm.		Biennium
	FY2010	FY2011	FY2012	FY2013	2012-13
<u>Direct Appropriations by Fund</u>					
General					
Current Appropriation	0	107	107	107	214
Recommended	0	107	107	107	214
Change		0	0	0	0
% Biennial Change from 2010-11					100%
<u>Expenditures by Fund</u>					
Direct Appropriations					
General	0	383	107	107	214
Total	0	383	107	107	214
<u>Expenditures by Category</u>					
Total Compensation	0	177	90	90	180
Other Operating Expenses	0	106	17	17	34
Local Assistance	0	100	0	0	0
Total	0	383	107	107	214
<u>Expenditures by Program</u>					
Mn Science And Technology Auth	0	383	107	107	214
Total	0	383	107	107	214
Full-Time Equivalents (FTE)	0.0	2.0	1.0	1.0	

	PAGE
Small Agency Profile	2
Agency Fiscal Page (Gov Rec)	5
Change Summary	6
Agency Change Items	
⇒ Operating Budget Reduction	7
⇒ Designates that this item is a change item	

Agency Purpose

The Science Museum of Minnesota (SMM) is a private, nonprofit statewide educational resource developing and presenting exhibitions, programs and research to encourage a better informed citizenry more able to make decisions around complex and critical issues of STEM (Science, Technology, Engineering and Math).

SMM succeeds through three primary program strands: our Exhibition and Omnifilm production, presentation and rental draws visitors from around the state and country while providing an important earned revenue stream; formal and informal science education programs such as field trips, teacher professional development and youth and family science classes engage students and families in unique science learning opportunities; original research and outreach programs in areas from archaeology to water quality contribute to the body of science knowledge used by a variety of decision makers in Minnesota and beyond.

At a Glance

Science Exhibitions and Omnifilms:

- 749,619 visitors to Saint Paul
- 1,406,001 visitors around the US and world
- 324 FTE and 1,262 volunteers

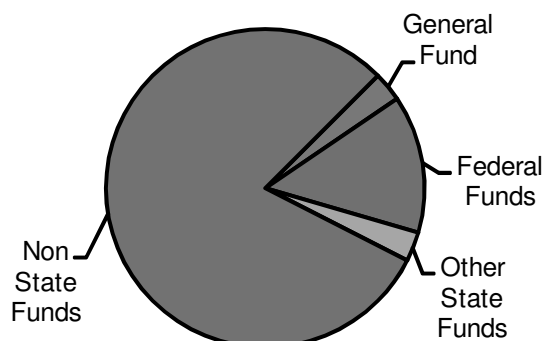
Science Education:

- 98,880 students on field trips
- 1,399 teachers in Professional Development
- 74,693 students visited with in-school programs

Science Research:

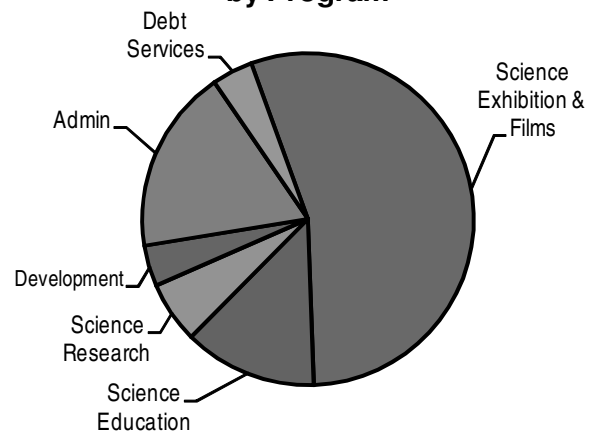
- Four federal competitive grant awards for total of \$4,144,567
- Winner of 2009 Gulf Guardian award for water quality research affecting the Gulf of Mexico region
- 1,750,000 items in collections

Est. FY 2010-11 Expenditures by Fund



Source: SMM.

Est. FY 2010-11 Expenditures by Program



Source: SMM

*Administration costs include facility and maintenance upkeep expenses totaling 11% of program expenditures.

Strategies

- Inspire excitement and engagement for informal science learning in individuals and families by offering a broad and accessible range of programs and exhibitions.
- Support formal science learning structures through partnerships and services for teachers and administrators and through programming directly tied to student outcomes.

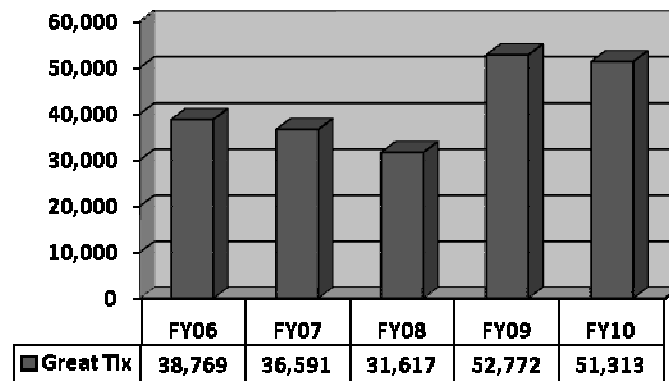
- Increase our relevancy to decision makers by offering data and facts to help scientists and policy makers speak a common language the public understands.
- Cultivate a flexible and responsible financial base with appropriate diversification of funding streams, the majority coming as earned and privately contributed income.

Operations

- Five long-term galleries, rotating special exhibits and a convertible dome theater present exhibitions and Omnifilms to nearly 750,000 visitors to our flagship location in downtown Saint Paul.
- SMM School Outreach teachers visited 64 Minnesota counties bringing programming to over 75,000 students in their classrooms.
- 3000+ students from across Minnesota participated in special group programming such as overnight stays in the museum galleries.
- 26 cities in seven different countries showed our Omnifilms while 17 cities in the United States and Canada hosted our exhibitions, reaching over one million people worldwide.
- SMM is a valued science education and research partner with a variety of institutions including the Minnesota Pollution Control Agency, the University of Minnesota, the Minnesota Historical Society, Winona State University and the White Earth Reservation.

Key Activity Goals & Measures

The museum's strategic framework identifies key goals tied to each of our program strands. Our first strategic goal is building sustained relationships with a broader, more diverse array of local and regional communities. Providing access to the museum for low income families is a measure of progress towards this goal we review annually. The chart illustrates the demand for the Great Tix program for low income families over the past 5 fiscal years.



Tracking the attendance to SMM-designed exhibitions “on tour” nationally and internationally measures our reach to broader communities. As an example, our exhibit, *RACE, Are We So Different* opened in Rochester, Minnesota in May 2010 and to date has hosted over 30,000 visitors in that city.

Another strategic goal is to develop and implement the next generation of science learning. We are committed to science education through formal and informal means. Over 1400 teachers received SMM-led professional development in FY 2010, more than any other provider in the state. Teen-specific programs provide informal science learning and outreach experiences for youth typically underrepresented in the STEM disciplines. This table shows the numbers of youth participating in the program and how many people have benefitted by their outreach work:

	<u>FY08</u>	<u>FY09</u>	<u>FY10</u>
Youth Participants	94	120	123
Outreach Audiences	3066	2475	4098

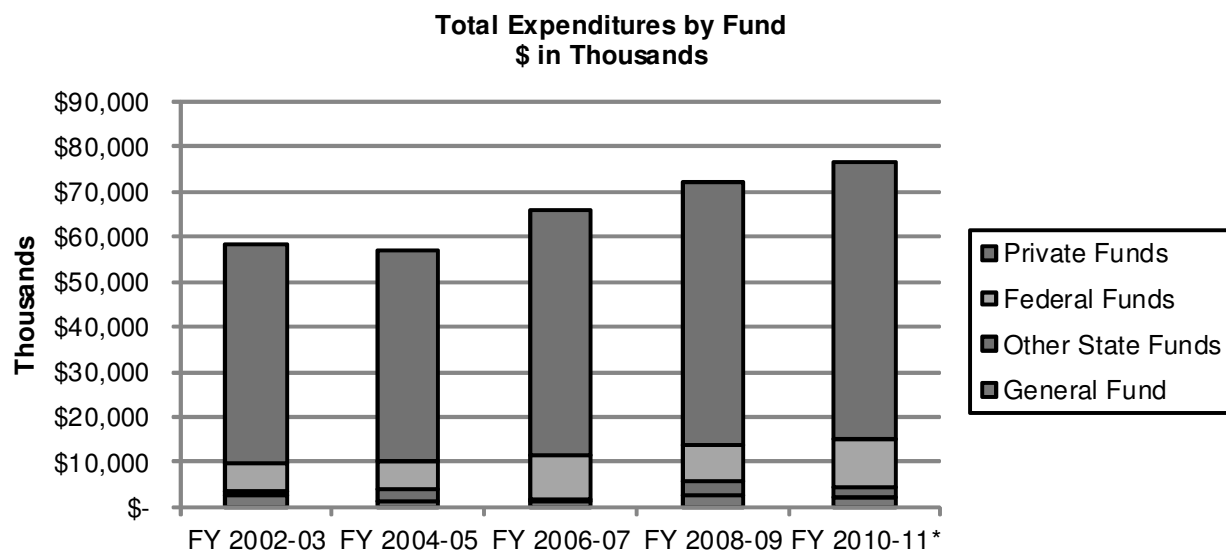
A third goal in our strategic framework is to deepen our science and science communication capabilities and reputation. One of the most effective ways SMM does this is through our capacity to reach general audiences with

specific scientific information. In 2009, SMM organized a set of three collaborative workshops to provide training about nonpoint source pollution, teaching 53 municipal officers how to mitigate its impact in their communities. SMM also leads the development and evaluation of public engagement activities for the more than 400 institutions across the country making up NISENet (Nanoscale Informal Science Education Network). As an example of this work, in May 2010, the second annual NanoDays drew over 352,000 participants at locations around the country.

The fourth goal in our strategic framework crosscuts all our program strands, speaking to strengthening our financial base through increased income, investment diversification, and prudent monitoring of ongoing expenses and progress toward all our goals. Key measures we use to hold ourselves accountable to this goal include keeping our earned income (including competitive grant awards) over 50% of our total budget. A primary piece of our earned income includes the exhibit construction work other museums contract us to do. As a nonprofit, our contracted work comes with specific obligations for most of the money received from this work. Additionally, private and corporate donors are increasingly placing program specific stipulations on their donations. As a result, the unrestricted funding from the state's general fund, while only 3% of our total budget, is very significant to us. Those unrestricted funds are essential to providing the clean, safe and welcoming space our visitors expect while also demonstrating the state's steadfast commitment to the museum.

Within all our goals, SMM uses its internal evaluation and learning research department as well as external evaluators to consistently measure how our work achieves our objectives.

Budget Trends



* FY 2010-11 is estimated, not actual. Source data are SMM audits

Our budget is based significantly on earned income from both attendance-based and privately contributed sources. The economic downturn impacted individual's capacity to participate at levels we previously experienced and our low income ticket program maintains a steady demand for reduced price tickets. Additionally, while we have experienced great success with federal competitive grant awards, recent budget reductions to those federal sources coupled with revised funding priorities have the potential to negatively impact that revenue stream. In response to these trends, we continually explore ways to keep our funding base diversified and healthy while striving to provide a stellar visitor experience at a cost that is affordable to families of all incomes.

Contact

Science Museum of Minnesota, Government Relations: (651) 221-9499
<http://www.smm.org>

<i>Dollars in Thousands</i>					
	Current		Governor Recomm.		Biennium
	FY2010	FY2011	FY2012	FY2013	2012-13
<u>Direct Appropriations by Fund</u>					
Environment & Natural Resource					
Current Appropriation	300	0	0	0	0
Recommended	300	0	0	0	0
Change		0	0	0	0
% Biennial Change from 2010-11					-100%
General					
Current Appropriation	1,187	1,187	1,187	1,187	2,374
Recommended	1,187	1,187	1,157	1,157	2,314
Change		0	(30)	(30)	(60)
% Biennial Change from 2010-11					-2.5%
<u>Expenditures by Fund</u>					
Direct Appropriations					
Environment & Natural Resource	169	171	51	0	51
General	1,187	1,187	1,157	1,157	2,314
Total	1,356	1,358	1,208	1,157	2,365
<u>Expenditures by Category</u>					
Total Compensation	827	827	736	736	1,472
Other Operating Expenses	529	531	472	421	893
Total	1,356	1,358	1,208	1,157	2,365
<u>Expenditures by Program</u>					
Science Museum Of Minn	1,356	1,358	1,208	1,157	2,365
Total	1,356	1,358	1,208	1,157	2,365
Full-Time Equivalents (FTE)	26.0	26.0	10.0	10.0	

SCIENCE MUSEUM

Change Summary

<i>Dollars in Thousands</i>				
	FY2011	Governor's Recomm.		Biennium
		FY2012	FY2013	2012-13
<i>Fund: ENVIRONMENT & NATURAL RESOURCE</i>				
FY 2011 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 2011 Appropriations	1,187	1,187	1,187	2,374
Subtotal - Forecast Base	1,187	1,187	1,187	2,374
Change Items				
Operating Budget Reduction	0	(30)	(30)	(60)
Total Governor's Recommendations	1,187	1,157	1,157	2,314

SCIENCE MUSEUM

Change Item: Operating Budget Reduction

Preliminary Budget Option

Fiscal Impact (\$000s)	FY 2012	FY 2013	FY 2014	FY 2015
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 2012 and \$30,000 in FY 2013 to the Science Museum of Minnesota General Fund operating budget. The Governor intends that the Science Museum of Minnesota 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.

This proposal represents a 2.5% reduction to the Science Museum of Minnesota base General Fund forecast budget.

Rationale

The Science Museum of Minnesota total base forecast General Fund operating budget is \$1.157 million for FY 2012 and \$1.157 million for 2013.

Statutory Change: Not Applicable

	PAGE
Agency Profile	5
Agency Fiscal Page (Gov Rec)	6
Change Summary	7
Agency Change Items	
⇒ Potential Judgment-- Legal Fees	8
Federal Funds Summary	10
Agency Revenue Summary Fiscal Page	11
Change Items	
⇒ Election Recount –County Reimbursement.....	12
⇒ Designates that this item is a change item	

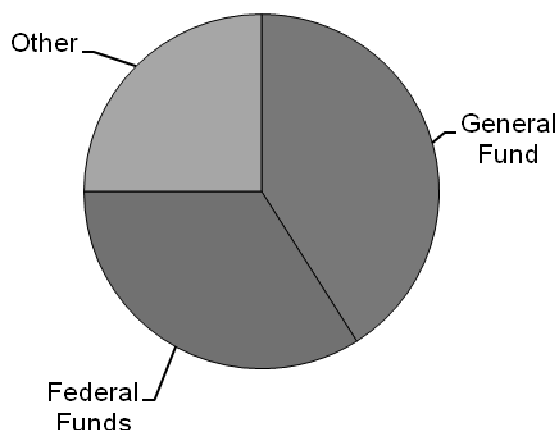
Agency Purpose

The Office of the Secretary of State serves the people of Minnesota by administering fair elections through processes that preserve their integrity, promoting citizen participation in elections and government, facilitating commerce, preserving for history the records entrusted to the office, and administering the Safe at Home address confidentiality program.

At a Glance

- Approximate number of business, Uniform Commercial Code (UCC), Effective Financing Statement (EFS), and notary filings in databases: 3 million
- Registered voters in databases: 3.1 million (81.9% percent of all eligible voters)
- Web inquiries and transactions: 1.4 billion
- 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
 - Voter registration (VR) requests

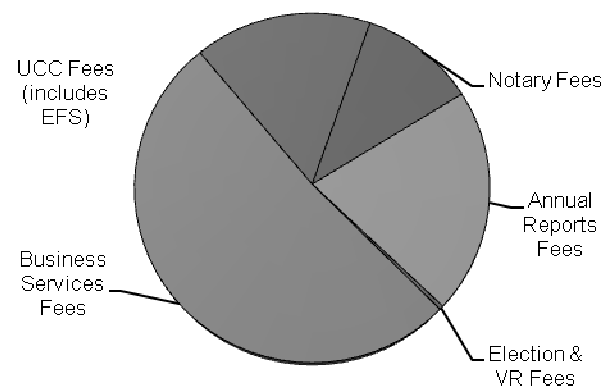
Est. FY 2010-11 Expenditures by Fund



Source: Consolidated Fund Statement.

FY2010-11 General Fund Fee Revenue Sources

Estimated Total Revenues: \$28 Million



Source: MAPS as of 7/19/10.

Strategies

The core functions of the office are

- the administration of elections
- the recording of documents regarding corporations, non-profit associations and business-related loans
- the filing and preservation of the official documents of the state
- the filing of Notary Registrations
- administration of Safe at Home, Minnesota's address confidentiality program

Operations

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.

Business Services registers a variety of for-profit and not-for-profit organizations, including corporations, assumed business names, limited liability companies, limited liability partnerships, and limited partnerships. Other business-related filings include notary filings, trade and service marks, 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.

Elections is responsible for administration of Minnesota election law. In this capacity, the Office of 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 Office of 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 web site. Over the past four years, the office has expanded its web site to provide all citizens easy on-line access to information identifying their polling places and precinct caucus locations. The office works with a vendor of the United States Postal Service to automatically update a voter's address whenever they move within or outside of the state. Such updates eliminate the need for voters to re-register to vote every time they move. Recent upgrades allow voters to check on the status of their absentee ballots online. The office conducts extensive outreach to help register individuals to vote and encourage all eligible citizens to exercise their right to vote. The office honors 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 Office of 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 *2009-10 Minnesota Legislative Manual* included well over 100 tributes to individual veterans that were written by Minnesota citizens.

The Office of 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.

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, open appointments, oaths and executive orders, enrolled acts of the Minnesota Legislature, rules, municipal documents and authentications and apostilles of official state documents for use in other countries.

Key Goals & Measures

Voter Registration

Goal: Increase number of registered voters

Measurement: Number of citizens registered to vote as entered in SVRS (statewide voter registration system)

<u>FY 2005</u>	<u>FY2006</u>	<u>FY 2007</u>	<u>FY 2008</u>	<u>FY 2009</u>	<u>FY 2010</u>
2,925,000	2,084,000	3,091,000	3,105,000	3,178,000	3,111,000

Facilitate Commerce – Business Services

Goal: Increase number of filings

Measurement: Number of filings processed by mail and online

	<u>FY 2007</u>	<u>FY 2008</u>	<u>FY 2009</u>	<u>FY 2010</u>
No. of new Business filings	56,000	55,000	63,000	57,000
No. of annual business renewals	167,000	212,000	217,000	220,000
No. of UCC/Tax Lien & CNS filings	144,000	140,000	134,000	138,000
No. of Notary filings & renewals	10,000	12,000	10,000	44,000

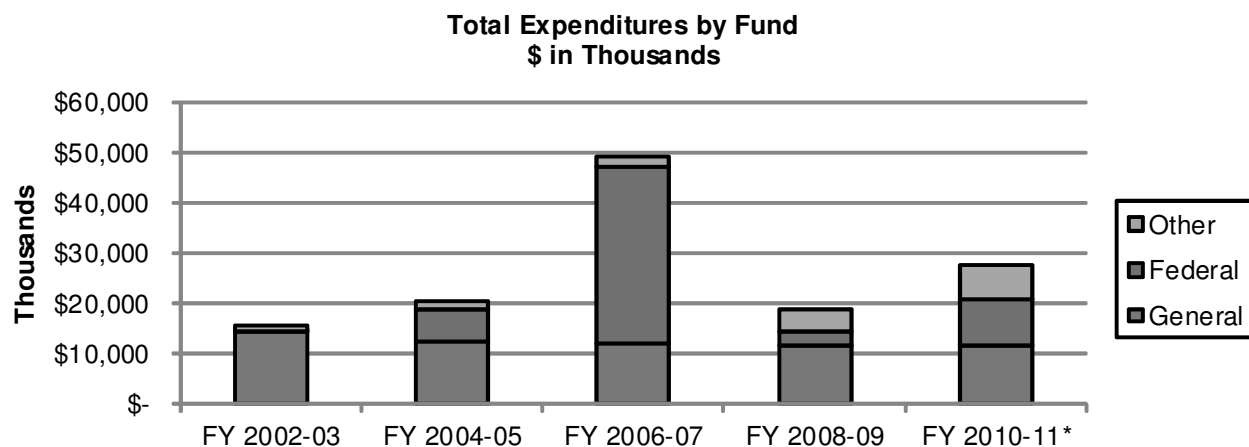
Access to Information and Services

Goal: Increase in the availability of information and services via the web

Measurement: Number of online filings.

	<u>FY 2007</u>	<u>FY2008</u>	<u>FY2009</u>	<u>FY2010</u>
No. of Business web filings	145,000	185,000	195,000	280,000
No. of UCC web filings	85,000	85,000	84,000	88,000
No. of notary renewal web filings	5,000	6,000	6,000	23,000

Budget Trends



* FY 2010-11 is estimated, not actual

Source data for the previous chart is the Minnesota Accounting and Procurement System (MAPS) as of 07/13/10.

The following external factors impact the budget of the Office of the Secretary of State:

- In slow economies, dislocated workers apply their skills and entrepreneurial spirit to create start-up businesses at a greater rate than during good economies; this has lead to an increase in business filings.
- Close elections and challenging economic situations generate increased interest in the political process and voting. This has certainly been the case with the 2008 presidential, 2008 U.S. Senate, and the 2010 elections, which include the election of a governor, all other state constitutional officers, and senate and house members.
- With continued growth in the use of the internet, citizens expect to be able to conduct all of their business on-line; this expectation has led to a high demand for the on-line tools for businesses and voters in the past four years.

During the FY 2010-11 biennium, the Office of the Secretary of State projects collecting approximately \$28 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 Office of the Secretary of State to cover the office's operating budget. The remaining fees of approximately \$16 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 FY 2008-09 biennium and FY 2010-11 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 online.

Minnesota 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. These funds have been critical in the continued improvement of Minnesota's statewide voter registration system and election results reporting system. In the last four years, the Office received a \$2 million competitive grant from the federal Election Assistance Commission and \$364,000 in competitive grants from the PEW Charitable Trust to develop and implement cutting edge election processes. These improvements have included automatic address updates for voters who move using the US Postal Service permanent address change data, implementation of changes to absentee voting laws, the ability for voters to check on the status of their absentee ballots online, and numerous improvements to functionality requested by federal, state and local election officials throughout the nation.

Contact

Secretary of State
180 State Office Building
100 Reverend Dr. Martin Luther King Jr. Boulevard
Saint Paul, Minnesota 55155

Website: <http://www.sos.state.mn.us>
Minnesota Relay Service: (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
	FY2010	FY2011	FY2012	FY2013	2012-13
<u>Direct Appropriations by Fund</u>					
General					
Current Appropriation	5,806	5,659	5,659	5,659	11,318
Recommended	5,806	5,939	5,659	5,659	11,318
Change		280	0	0	0
% Biennial Change from 2010-11					-3.6%
<u>Expenditures by Fund</u>					
Direct Appropriations					
General	5,403	6,000	5,659	5,659	11,318
Statutory Appropriations					
Miscellaneous Special Revenue	6,462	7,554	3,389	2,572	5,961
Federal	83	0	0	0	0
Gift	57	0	0	0	0
Total	12,005	13,554	9,048	8,231	17,279
<u>Expenditures by Category</u>					
Total Compensation	6,266	6,627	6,300	6,493	12,793
Other Operating Expenses	5,264	4,425	2,748	1,738	4,486
Local Assistance	475	2,502	0	0	0
Total	12,005	13,554	9,048	8,231	17,279
<u>Expenditures by Program</u>					
Secretary Of State	12,005	13,554	9,048	8,231	17,279
Total	12,005	13,554	9,048	8,231	17,279
Full-Time Equivalents (FTE)	76.0	72.6	76.7	76.7	

<i>Dollars in Thousands</i>				
	FY2011	Governor's Recomm.		Biennium
		FY2012	FY2013	2012-13
<i>Fund: GENERAL</i>				
FY 2011 Appropriations	5,659	5,659	5,659	11,318
Subtotal - Forecast Base	5,659	5,659	5,659	11,318
Change Items				
Potential U.S. Dist. Ct. Judg. Legal Fees	280	0	0	0
Total Governor's Recommendations	5,939	5,659	5,659	11,318
<i>Fund: MISCELLANEOUS SPECIAL REVENUE</i>				
Planned Statutory Spending	7,554	3,389	2,572	5,961
Total Governor's Recommendations	7,554	3,389	2,572	5,961

SECRETARY OF STATE

Change Item: Potential Judgment-- Legal Fees

Fiscal Impact (\$000s)	FY 2011	FY 2012	FY 2013	FY 2014
General Fund				
Expenditures	\$280	\$0	\$0	\$0
Revenues	0	0	0	0
Other Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact	\$280	\$0	\$0	\$0

Recommendation

The Governor recommends a FY 2011 deficiency appropriation to the Office of the Secretary of State for reimbursement of legal fees incurred by a consortium of six national media companies that challenged the constitutionality of M.S. 204C.06, Subdivision 1 prior to the 2008 presidential election. The plaintiffs' demand for legal fees is estimated to be \$280,000, and payment is likely to be ordered before the end of FY 2011. Any amount not necessary for the court-ordered payment of legal fees will be returned to the general fund.

Rationale

Prior to the 2008 presidential election, the statute in question stated that "No one except an election official or an individual who is waiting to register or to vote shall stand within 100 feet of the building in which a polling place is located." The consortium of media companies filed a lawsuit in U.S. District Court claiming this language prohibited effective exit polling in Minnesota, thereby violating their free speech and freedom of the press. The Minnesota Secretary of State and Attorney General were named as defendants in the lawsuit. Similar lawsuits had been filed in Washington, Florida, Georgia, Kentucky, Wyoming, Montana, Ohio, Nevada and South Dakota. In all cases, the plaintiffs either won their case or the states agreed not to enforce and/or to change their statutes.

Although the Minnesota case never went to trial, U.S. District Court Judge Michael J. Davis granted the plaintiff's request for a preliminary injunction allowing the plaintiffs to conduct exit polling within 100 feet of the buildings in which polling was taking place during the 2008 general election. The 2010 Minnesota Legislature amended the statute to state that "No one except an election official or an individual who is waiting to register or to vote or an individual who is conducting exit polling shall stand within 100 feet of the building in which a polling place is located. The new statute defined the term "exit polling" to mirror the definition from the temporary restraining order.

After the legislative language was changed, the six national media companies stipulated that their lawsuit against Minnesota was moot; however, they reserved the right to pursue, with the Minnesota Secretary of State and the Attorney General, reimbursement of legal fees related to the initial lawsuit. Based on information presented by the plaintiffs in written and oral arguments, the plaintiffs' demand for legal fees is estimated to be \$280,000. The hourly attorney rates used to determine the plaintiffs' total demand range from \$240 per hour to \$844 per hour. The Minnesota Attorney General and the Secretary of State have filed briefs with the Court arguing that no reimbursement of legal fees is warranted and, if the Judge determines otherwise, the amount of legal fees sought by the plaintiffs is excessive.

United States District Court Judge Michael J. Davis will rule on the amount of attorney fees, if any, the State of Minnesota must pay to the plaintiffs. The Office of the Secretary of State lacks sufficient state appropriations to pay the estimated demand for legal fees. The actual amount that is to be paid to the plaintiffs, if any, is likely to be ordered by Judge Davis prior to the end of the 2011 legislative session. The rationale for the amount of the deficiency appropriation is based on the estimated demands of the plaintiffs. The Judge could order a lesser amount or determine that no legal fees are owed by the State. Both the defendants and the plaintiffs will have the right to appeal any ruling by Judge Davis.

Key Goals and Measures

Avoiding a lawsuit altogether was not an option, as the Secretary of State and the Attorney General do not have discretion about which laws to implement, or in this case, to educate local election officials about. Only on the

SECRETARY OF STATE

Change Item: Potential Judgment-- Legal Fees

basis of a court order could the Secretary of State lawfully instruct local election judges that this statute did not apply to those conducting exit polls.

Narrative

In Laws, 2003, 1st Special Session, Chapter 7, the Help America Vote Act (HAVA) Account was established. Money received from the federal government under the Help America Vote Act must be deposited in the account. Money in the account must be spent to improve Administration of elections in accordance with the Help America Vote Act, the state plan certified by the governor under the act, and for reporting and administrative requirements under the act and plan.

In regards to the maintenance of effort (MOE) levels both the state and local governments receiving money from the account must continue to spend their own funds at the maintenance of effort level of state and local expenditures for elections functions for the state fiscal year ending June 30, 2000 and the local fiscal year ending December 31, 1999. The state fiscal year ending June 30, 2000 Election budget amount was \$1.925 million.

In June, 2008, Minnesota received a grant of up to \$2 million dollars from the Election Assistance Commission to implement an election date collection program to improve the collection of precinct level data relating to the November 2008 Federal elections. There was no maintenance of effort (MOE) requirement.

Federal Award Name + Brief Purpose	New grant	Required state match/MOE? Yes/No		SFY 2010 Revenues	SFY 2011 Revenues	Estimated SFY 2012 Revenues	Estimated SFY 2013 Revenues
		Match	MOE				
Help America Vote Act Account – HAVA & HHS Grants - the purpose of the HAVA funds was to improve Administration of elections.		Yes	\$1,925,000 – Elections budget for each fiscal year	\$36	\$150	\$0	\$0
Help America Vote Act FED FY08 – same purpose as HAVA		Yes	Part of \$1,925,000	\$16	\$360	\$0	\$0
Help America Vote Act FED FY09 – same purpose as HAVA		Yes	Part of \$1,925,000	\$1,681	\$10	\$5	\$0
Help America Vote Act FY2010 – same purpose as HAVA		Yes	Part of \$1,925,000	\$1,170	\$10	\$5	\$5
Optical Scan Equipment – related to HAVA		No	Part of \$1,925,000	\$0	\$0	\$0	\$0
Elections Data Collection – to improve the collection of precinct level data relating to the November 2008 Federal elections.		No	NA	\$83	\$0	\$0	\$0

SECRETARY OF STATE

Agency Revenue Summary

Dollars in Thousands

	Actual FY2010	Budgeted FY2011	Governor's Recomm. FY2012 FY2013		Biennium 2012-13
<u>Non Dedicated Revenue:</u>					
Departmental Earnings:					
General	14,169	13,420	13,638	13,676	27,314
Other Revenues:					
General	2	2	2	2	4
Total Non-Dedicated Receipts	14,171	13,422	13,640	13,678	27,318
<u>Dedicated Receipts:</u>					
Departmental Earnings:					
Miscellaneous Special Revenue	2,661	2,700	1,725	1,780	3,505
Grants:					
Miscellaneous Special Revenue	2,842	460	0	0	0
Federal	83	0	0	0	0
Other Revenues:					
Miscellaneous Special Revenue	60	70	10	5	15
Total Dedicated Receipts	5,646	3,230	1,735	1,785	3,520
Agency Total Revenue	19,817	16,652	15,375	15,463	30,838

SECRETARY OF STATE

Change Item: Election Recount --County Reimbursement

Fiscal Impact (\$000s)	FY 2011	FY 2012	FY 2013	FY 2014
General Fund				
Expenditures	\$322	0	0	0
Revenues	0	0	0	0
Other Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact	\$322	0	0	0

Recommendation

The Secretary requests a FY 2011 deficiency appropriation to the Office of the Secretary of State to reimburse Minnesota's counties for the costs they incurred in conducting the automatic recount of the 2010 Governor's Race. According to a survey of the counties, they incurred \$321,500 in unanticipated expenses resulting from the statewide recount. Of this amount, the Office of the Secretary of State has already reallocated \$65,000 from software license renewals to partially reimburse the counties for their assistance. Each county received \$.03 per ballot or \$100, whichever was greater. The remaining \$256,000 will have to be absorbed by the counties if funds are not appropriated. This deficiency appropriation, to fully reimburse the counties for their recount expenditures and to allow the Office of the Secretary of State to renew needed software licenses, is a one-time only request and will not affect the Office's base budget.

Rationale

M.S. 204C.35, Subdivision 1(b) requires an automatic recount in a state general election "when the difference between the votes of a candidate who would otherwise be declared elected to a ... state constitutional office ... and the votes of any other candidate for that office is less than one-half of one percent of the total number of votes counted for that office...." The votes reported to the state canvassing board by the 87 county canvassing boards for the election of the Governor met the criteria for an automatic manual recount.

Article 7, Section 8 of the Minnesota State Constitution directs the Secretary of State to convene a state canvassing board to determine the results of state, congressional and federal elections. M.S. 204C.35 further assigns the state canvassing board with the responsibility of conducting any recount required or requested for those elections. The state canvassing board has no budget of its own. As convener of the canvassing board, the Secretary of State has historically assumed the costs associated with the duties of the state canvassing board.

The state canvassing board, acting upon the recommendation of the Office of the Secretary of State, requested the assistance of the 87 counties to manually recount the ballots for Governor cast in their counties. The Office of the Secretary of State recognized this was the most efficient and effective approach to complete the mandatory statewide recount. An alternative plan for a statewide recount, developed by the Office of the Secretary of State in 2006, would have required the secure shipment of all ballots to a central location, the hiring and training of scores of workers, and the centralized recount of over two million ballots. The estimated cost of this plan was over \$1 million in 2006.

Due to the historically rare need for a statewide recount, the legislature has not appropriated sufficient funding to the Office of the Secretary of State or to the 87 counties to conduct statewide recounts.

Failure to provide this deficiency appropriation will require many Minnesota counties to reduce expenditures for other essential services and will jeopardize the ability of the Office of the Secretary of State to maintain all licenses for its computer software.

Key Goals and Measures

The deficiency appropriation will reimburse Minnesota counties for their unreimbursed costs associated with the manual counting of votes cast for Governor of the State of Minnesota in the 2010 general election. Article 7, Section 8 of the Minnesota Constitution directs that “the returns of every election for officeholders elected statewide shall be made to the secretary of state who shall call to his assistance two or more of the judges of the Supreme Court and two disinterested judges of the district courts. They shall constitute a board of canvassers to canvass the returns and declare the result within three days after the canvass.” Given this Constitutional mandate, the impartial, fair and accurate counting of ballots, when a manual recount is required by Minnesota statutes, is a core function of the government of the State of Minnesota. The state canvassing board opted to request the assistance of Minnesota counties, political subdivisions of the state, to complete this core function of the government of the State of Minnesota.

While the canvassing board, assisted by the Office of the Secretary of State and Minnesota’s 87 counties, has the constitutional and statutory authority to conduct a statewide recount, the legislature has provided no financial resources to accomplish this function. The annual appropriation from the legislature to the Office of the Secretary of State assumes there will be no statewide recount for the primary or general statewide elections.

	PAGE
Small Agency Profile	2
Agency Fiscal Page (Gov Rec)	5

Agency Purpose

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:

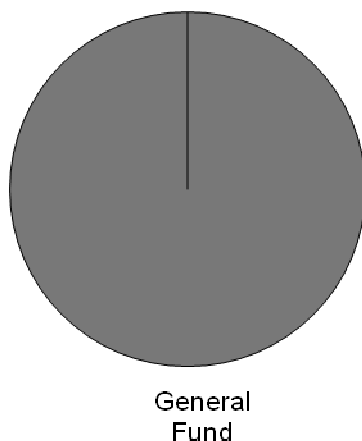
- the Minnesota Legislature and Governor, who make changes in penal statutes that must be incorporated into the Guidelines;
- trial judges, who implement the Guidelines when they impose felony sentences;
- appellate courts, whose decisions concerning sentencing may necessitate Guidelines changes;
- corrections 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.

At a Glance

- In 1978, Minnesota created the nation's first sentencing guidelines commission.
- In 1981, Minnesota became the first state to implement a sentencing guidelines structure.
- The Sentencing Guidelines Commission is an 11-member body created by the Legislature to develop and maintain the guidelines, a set of rules that judges just apply in felony sentencing.
- The Commission employs a full-time staff of six to maintain the guidelines, train criminal justice professionals, collect and analyze data, and respond to questions regarding sentencing.
- In 1981, when the guidelines went into effect, 5,500 felons were sentenced. In 2008, 15,394 felons were sentenced.
- In addition to more felons being sentenced over the years, sentencing lengths have increased, and the guidelines have become far more complex, due to statutory enhancements and mandatory minimums.

Est. FY 2010-11 Expenditures by Fund



Source: Consolidated Fund Statement.

Strategies

The Minnesota Sentencing Guidelines Commission utilizes the following strategies to accomplish its mission:

- Maintains a comprehensive and accurate database on felony sentences by ensuring timely and accurate input of sentencing data and implementing data cleaning and matching protocols.
- Ensures through training and other methods that guidelines are appropriately applied to sentences by criminal justice practitioners.
- Publishes both regular and special reports on sentencing practices and issues to enable policymakers, criminal justice officials and the public to assess felony sentences.
- Ensures that work activities are completed in accordance with the Commission's goals and objectives and Commission's fiscal and human resources are put to the most effective use.
- Modifies the Sentencing Guidelines in response to changes in case law and legislation and issues raised by interested parties.

Operations

The Commission employs 6.0 full-time employees to perform the strategies set out above. In fiscal 2008, the staff:

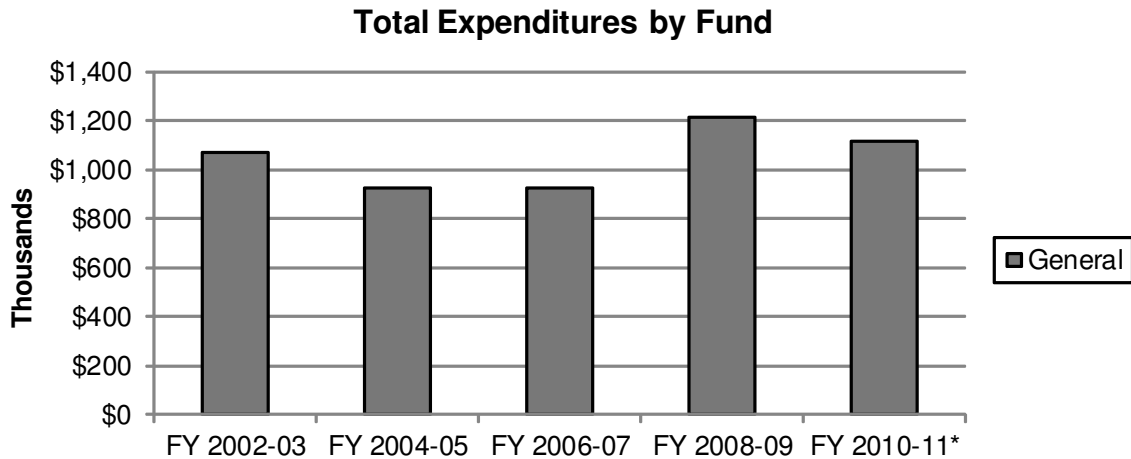
- ensured the accuracy of 15,394 sentencing records, collecting and processing data on felony sentences;
- responded to 64 data requests for a total of 180 hours.
- answered telephone questions on a daily basis from practitioners regarding application of the guidelines in specific cases;
- prepared 77 fiscal notes on proposed bills for the governor and legislature;
- held eight training sessions throughout the state for over 200 criminal justice practitioners;
- 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.
- prepared an annual report for the legislature, summarizing the year's activities and setting out proposed changes in the guidelines, as well as statistical reports on various sentencing issues.
- Worked with the Department of Corrections to generate prison bed projections and served on committees and task forces to further the goals of the system.
- Utilized technology to achieve staff efficiencies and reduced rent and other operating costs.

Key Activities Goals and Measures

1. Provide accurate, comprehensive and timely information and reports to the Legislature, criminal justice practitioners and other interested parties.
 - All fiscal notes on proposed crime legislation will be delivered within specified time limits.
 - Data requests will be completed within five days of the request.
 - Sentencing practice reports will be completed by November of each year.
 - Each year's guidelines will published electronically and on paper, so as to be available for use on August
2. Administer the Commission in a manner that support high quality work by employees and complies with state laws and rules.
 - Staff will stay apprised of topics related to sentencing and criminal justice.
 - Staff will annually review and update the approaches and methodologies used in each report.
 - Communication with staff about performance expectations and assessment will be maintained.
 - Staff will continually review and pursue efficiency and cost saving measures related to staffing and operations.
3. Ensure that customer service needs are met and quality public service is provided.
 - All training requests will be met if resources are available.
 - Training methods and materials will be annually reviewed for content and efficiency.
 - Staff will comply with all notice requirements for public hearings.
 - Staff will provide immediate assistance in answering guidelines questions 95% of the time.

Budget Trends

The Commission is funded through a \$1.12 million general fund appropriation for the biennium. There are 6.0 FTEs.



Source data for the previous chart is the Minnesota Accounting and Procurement System (MAPS) as of 08/26/2010.

External Factors

The Commission's work is affected by the following external factors: number of felony sentences and departures received; number of sentencing worksheets to be reviewed; requests for fiscal notes on proposed legislation; guidelines modifications needed in response to changes in legislation and case law and requests made by interested parties; data requests made by the legislature, criminal justice practitioners, and the press; training requests from criminal justice practitioners; number of daily telephone calls from practitioners regarding application of the guidelines questions; and requests for staff to collaborate on various criminal justice projects, task forces and committees.

Contact

Minnesota Sentencing Guidelines Commission
321 Grove Street., Suite 103
Saint Paul, Minnesota 55101
(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
	FY2010	FY2011	FY2012	FY2013	2012-13
<u>Direct Appropriations by Fund</u>					
General					
Current Appropriation	593	586	586	586	1,172
Recommended	593	586	586	586	1,172
Change		0	0	0	0
% Biennial Change from 2010-11					-0.6%
<u>Expenditures by Fund</u>					
Direct Appropriations					
General	565	614	586	586	1,172
Statutory Appropriations					
Gift	1	0	0	0	0
Total	566	614	586	586	1,172
<u>Expenditures by Category</u>					
Total Compensation	493	510	505	505	1,010
Other Operating Expenses	73	104	81	81	162
Total	566	614	586	586	1,172
<u>Expenditures by Program</u>					
Mn Sentencing Guideline Com	566	614	586	586	1,172
Total	566	614	586	586	1,172
Full-Time Equivalents (FTE)	6.7	6.3	6.4	6.4	

	PAGE
Agency Profile.....	2
Agency Fiscal Page (Gov Rec)	7
Change Summary	8
Agency Change Items	
⇒ Convert To Dedicated Funding.....	9
Agency Revenue Summary Fiscal Page	10
⇒ 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 (MS 148E.001-148E.290 effective August 1, 2011), 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 public safety 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*.

At a Glance

Licensing & Credentialing Services

5,784	Licensed Social Workers
1,518	Licensed Graduate Social Workers
765	Licensed Independent Social Workers
4,031	Licensed Independent Clinical Social Workers
75	Temporary Licenses
12,173	Total Licenses
1,869	New Licenses Issued
9,359	Total Licenses Renewed
14	Professional Firms
438	License Verifications (paper verifications)

Staff FTE: 10.6

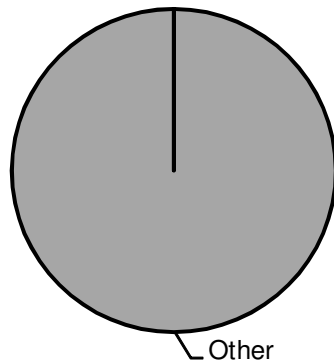
Discipline & Complaint Resolution Services

- Received 221 new complaints
- Resolved 246 complaints
- Board action involving 26 individuals

Education Outreach Services

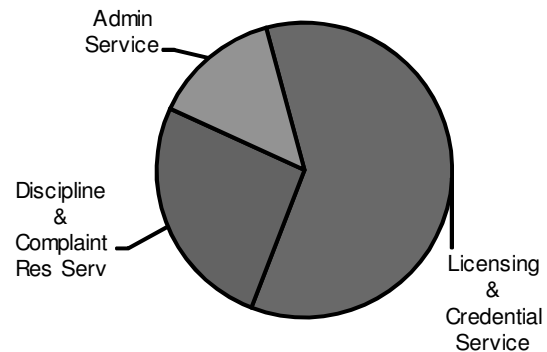
- Provided 86 training sessions on professional responsibilities, licensing, and standards of practice and ethics to social work academic programs, professionals, and public/consumer groups

Est. FY 2010-11 Expenditures by Fund



Source: Consolidated Fund Statement.

Est. FY 2010-11 Expenditures by Service



Source: Board expenses allocated to the services provided by the board.

Strategies

The Board accomplishes its core public safety and regulatory mission of professional social workers 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 provides core public safety services through the regulatory oversight of social workers, as noted in the strategies listed above, to ensure both high standards of social work practice and excellent customer service. Services are provided to the general public, consumers of social work services, social work applicants and licensees, students and faculty in social work academic programs, employers, supervisors, other state and local agencies, and state and national professional social work associations.

Board Structure and Duties: The Board meets six times per year and consists of ten social work licensees and five public members appointed by the Governor to serve four-year terms. In addition, various Board committees meet regularly. The Board develops legislative agendas to address policy issues, oversees the agency budget, acts to resolve complaints against social workers, and directs a staff of 10.6 FTEs.

Licensing/Credentialing Services: The purpose of regulation through licensing is to set and enforce standards of competence and ethical practice, and to ensure that persons licensed as social workers meet educational, examination, supervised practice, and continuing education standards. Requirements must be demonstrated at initial application for licensure and at each license renewal. Staff process applications, verify compliance with statutory requirements, provide assistance and information to a variety of customers, and work in collaboration with other agencies at the state, federal, and national levels.

Discipline/Complaint Resolution Services: Staff, Board Members, and the Office of the Attorney General work collaboratively to review, investigate, and take action, as appropriate, in alleged complaint cases against licensed social workers. When a licensee is determined to have engaged in conduct which is a violation of the Board's standards of practice, an appearance before Board Members occurs, with final action determined by the full Board. In addition, staff provide informational services to a variety of customers regarding the Board's statutory requirements and standards of practice, including how to file a complaint and the complaint resolution process. The Board also works with the Health Professionals Services Program (HPSP), the state's diversion program for regulated professionals who are impaired, as an additional method to ensure public protection.

Online Services: Information and many online services are provided via the Board's website. These services include robust online application services for both initial licensure and license renewal for applicants and licensees. Online license verification services allow the general public, employers, licensees, and credentialing entities to verify licensure status and to find out if public disciplinary/adverse action has been taken against a licensee. A video on the Board's compliance process, current and timely information on laws and regulations, downloadable forms, reports and brochures, and FAQs are available at the Board's website.

Administrative Services Unit: The Health-Licensing Boards (HLBs), including the Board of Social Work, are co-located, and collaborate through the Administrative Services Unit (ASU) to reduce duplication of services and expenses, and to create greater efficiencies. ASU provides the centralized functions of accounting and finance, purchasing, payroll, human resources, contracts, and IT services to all HLBs. ASU is supervised by the HLB Executive Directors Forum through a Management Committee.

Key Activity Goals & Measures

The Board's primary goal is to promote and ensure public safety for the residents of Minnesota. This goal can be measured by the following data which demonstrates positive output, outcome, and efficiency measures.

Public Protection through Licensing Professionals Who Demonstrate Licensure Standards:

	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010
Applications Received	1231	1333	1418	1451	1457
Licenses Granted	748	881	925	892	977
Licenses Renewed	4400	3945	4604	4849	4510
Supervision Plans Reviewed	1070	1010	1141	1068	1061
Supervision Verifications Reviewed	1726	1686	1719	1835	1610
Continuing Education Providers Approved	N/A	266	255	270	280

Measures demonstrate a trend in which there is a gradual increase in the number of licensees and applications processed. Staffing was decreased in 2006, and has remained constant even with the increase in services provided to customers, due to internal process improvements and increased utilization of online services.

Modify Current Licensing Exemptions – The Board identified a 10-year goal to modify the current social work licensing exemptions in MS 148D.065, to improve the Board's ability to ensure public safety and consistent standards for both private and public sector social work professionals, and to provide consumers of social work services access to the Board's complaint resolution process. A Legislative Task Force was convened in 2005 and charged with this initiative. The Task Force has met with ten key stakeholder groups, and continues these meetings, and public forums. The Board plans to bring forward a legislative proposal in the 2011 Legislative Session. It is estimated there are approximately 2,000 unlicensed persons employed by Minnesota counties providing "social work" services.

Increased Licensing Standards - Changes enacted by the 2007 Legislature will increase standards for clinical practice, including academic coursework, supervision, licensing supervisors, and continuing education (CE). Additional changes will increase standards related to supervision, licensing supervisors, and continuing education for all other licensees. The new provisions are based on the Department of Human Services Task Force Report on Clinical Standards, and will take effect August 1, 2011.

Public Protection through Complaint Resolution:

	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010
Complaints Received	89	107	121	120	101
Complaints Resolved	113	94	111	138	108
Board Action Taken	24	14	8	6	20

Measures demonstrate a trend in which complaints have remained fairly constant. However, recent complaints are reported to be more complex in nature. Two contested cases in the last biennium were resolved, which impact the budget. The Board has been proactive in presenting educational sessions on the standards of practice and ethical decision making to professionals and students, and created a compliance video which is accessible from the Board's website. Processing time has decreased in recent years as demonstrated in the data below; however, cases which require investigation by the Office of the Attorney General require more time to resolve.

Complaint Resolution Time:

- 50% of complaints are resolved in three months or less
- 75% of complaints are resolved in six months or less
- 90% of complaints are resolved in nine months or less
- 3% of complaints are resolved in nine to 18 months

e-Compliance Initiative: A strategic goal, implemented in 2009, was to improve the complaint review process and move from a "paper system" that was expensive, non-green, labor-intensive, and required copying and mailing reams of investigative data to Board Members, while ensuring that copied data was disposed of securely. Utilizing the new "e-Compliance system" allows all investigative data to be scanned and accessed by Board Members from laptop computers via a secure internet connection. The positive outcomes include increased security, decreased time to process complaints, greater efficiencies in record retention, and decreased costs. There was an estimated savings of \$700 for one high-volume case meeting.

24/7 Access to Online Services and Information: The Board has provided online services 24/7 to customers since 2004. The Board has identified, as a key priority, the development and utilization of electronic methods to provide online customer services and increase efficiencies throughout Board operations, as demonstrated in the data below.

- Visits to the Board's website: 4,000 per month
- Online License Verification/Lookup: 49,377 since 2006
- Online Board Action Search to View Public Disciplinary/Adverse Action: 10,458 since 2006
- Online License Application: 30,431 since 2006 (52% in 2006; increased to 84% in 2010)
- Online License Renewal: 49,069 since 2006 (4% in 2004; and increased to 73% in 2010)
- Downloadable Forms: 19,042 since 2007
- Online Streaming Compliance Process Video since 2008

Outreach and 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 86 public education programs during FY 2009 and FY 2010 at state and national conferences and to bachelors and masters social work academic programs throughout the state. During this time period the Board updated the "Minnesota Social Work Licensure: A Handbook for Students", and created new brochures on topics such as the complaint resolution process, continuing education, supervised practice, and when a social work license is

required. In addition, at the request of the Legislature, after 14 months of work, a report was provided to the Legislature in December 2008, regarding the need to increase the number of Social Workers serving underserved communities. The report also explored alternative options to obtain licensure rather than requiring a standardized examination.

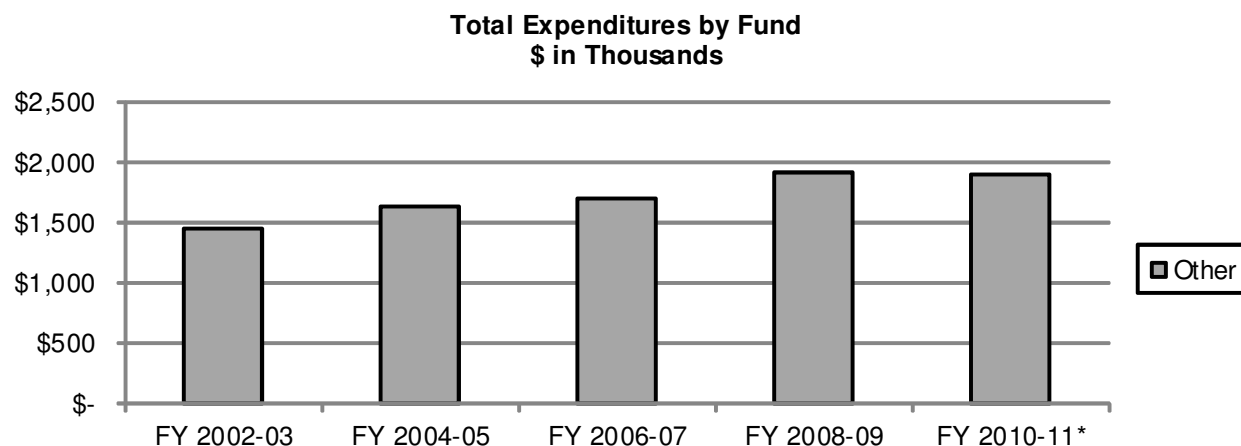
Board Strategic Plan Initiative: The Board conducted a strategic planning exercise in August 2007, which resulted in a strategic action plan containing over 100 tasks, of which 83% were executed by early 2010. A follow-up Strategic Realignment Workshop was conducted in May 2010, to reassess and reprioritize the Board Strategic Plan. A new action plan is being developed to prioritize goals in order to further track outcomes.

Budget Trends

The board is responsible for collecting sufficient revenue to cover both direct and indirect expenditures. The board is estimated to collect \$1.944 million in FY 2010-11, which is deposited as non-dedicated revenue into the state government special revenue fund.

From this fund, the board receives a direct appropriation to pay for agency activities such as salaries, rent, costs for disciplinary/contested cases and operating expenditures. It also pays statewide indirect costs through an open appropriation. In FY 2010-11, total expenditures for these purposes are estimated at \$1.872 million. The chart below shows funding trends over the last five biennia for the direct and open appropriation.

The Board of Social Work proposed a 10% licensing fee reduction during the 2009 Legislation Session which was enacted, and took effect July 1, 2009. The Board has been committed for years to holding down expenditures, such as, reducing the frequency of meetings, limiting travel, not filling staff positions due to attrition, successfully promoting online services, and moving to paperless meetings. The Board collects fees just sufficient to conduct business, minimizing the financial impact on applicants and licensees served, while providing an excellent level of customer service to the residents of Minnesota.



* FY 2010-11 is estimated, not actual

Source data for the previous chart is the Minnesota Accounting and Procurement System (MAPS) as of 07/31/10.

Board fees are also responsible for covering a prorated share of support functions provided outside of the Board itself. These include legal support (Attorney General), statewide e-licensing system development and operations (Office of Enterprise Technology), centralized administrative support (Health Boards Administrative Services Unit) and funding for services to health professionals (Health Professionals Services Program). In FY 2010-11, some of the health boards' reserves in the state government special revenue fund were also transferred to the general fund. The table on the next page displays direct and open appropriation expenditures, external support costs (prorated share), and the general fund transfers (prorated share) estimated in FY 2010-11.

	FY 2010-11 (in thousands)
Board's Direct and Open Appropriations	\$ 1,872
Board's External Support Costs and Transfers (prorated Share)	
• Attorney General support	166
• E-licensing support	80
• Central administrative service unit	92
• Health professional service program	40
• General fund transfer	852
	<hr/>
Total	3,102
Fees Collected by Board	\$1,944
	<hr/>
Prorated Surplus/(Deficit)	(1,158)

In most years, Board fee revenues exceed direct expenditures and external support costs, and as directed by law, the surplus is used to maintain a reserve in the state government special revenue fund. It should be noted here that the FY 2010-11 transfers to the General Fund, along with unanticipated increases in the support costs discussed above, have resulted in the Board's fee revenue not covering its prorated costs and transfers.

The number of licensees regulated by the Board continues to rise, as do the number of complaints and the complexity of the cases. Also, professional factors and trends include the growth of accredited Masters of Social Work degree programs in Minnesota; increased demand for third-party reimbursement for social work services; increased demands on licensing supervisors; and the emerging trend of social workers providing tele-mental health services to clients. Societal and demographic factors and trends include social work workforce shortages, particularly in underserved ethnic and racial minority communities, and greater and rural Minnesota; and an increasing need for persons from ethnic and racial minority communities to join the licensed social work professional workforce.

Contact

Minnesota Board of Social Work
2829 University Avenue Southeast, Suite 340
Minneapolis, Minnesota 55414-3239

Website: <http://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
	FY2010	FY2011	FY2012	FY2013	2012-13
<u>Direct Appropriations by Fund</u>					
State Government Spec Revenue					
Current Appropriation	921	921	921	921	1,842
Recommended	921	921	0	0	0
Change		0	(921)	(921)	(1,842)
% Biennial Change from 2010-11					-100%
<u>Expenditures by Fund</u>					
Direct Appropriations					
State Government Spec Revenue	833	1,009	0	0	0
Open Appropriations					
State Government Spec Revenue	12	16	0	0	0
Statutory Appropriations					
State Government Spec Revenue	0	0	962	962	1,924
Miscellaneous Special Revenue	11	22	12	12	24
Total	856	1,047	974	974	1,948
<u>Expenditures by Category</u>					
Total Compensation	697	715	527	575	1,102
Other Operating Expenses	159	332	447	399	846
Total	856	1,047	974	974	1,948
<u>Expenditures by Program</u>					
Social Work, Board Of	856	1,047	974	974	1,948
Total	856	1,047	974	974	1,948
Full-Time Equivalents (FTE)	10.6	10.6	10.6	10.6	

SOCIAL WORK BOARD

Change Summary

<i>Dollars in Thousands</i>				
	FY2011	Governor's Recomm.		Biennium
		FY2012	FY2013	2012-13
Fund: STATE GOVERNMENT SPEC REVENUE				
FY 2011 Appropriations	921	921	921	1,842
Subtotal - Forecast Base	921	921	921	1,842
Change Items				
Convert to Dedicated Funding	0	(921)	(921)	(1,842)
Total Governor's Recommendations	921	0	0	0
Fund: STATE GOVERNMENT SPEC REVENUE				
Planned Open Spending	16	18	18	36
Change Items				
Convert To Dedicated Funding	0	(18)	(18)	(36)
Total Governor's Recommendations	16	0	0	0
Fund: STATE GOVERNMENT SPEC REVENUE				
Planned Statutory Spending	0	0	0	0
Change Items				
Convert to Dedicated Funding	0	962	962	1,924
Total Governor's Recommendations	0	962	962	1,924
Fund: MISCELLANEOUS SPECIAL REVENUE				
Planned Statutory Spending	22	12	12	24
Total Governor's Recommendations	22	12	12	24

SOCIAL WORK BOARD

Change Item: Convert to Dedicated Funding

Fiscal Impact (\$000s)	FY 2012	FY 2013	FY 2014	FY 2015
Health Related Boards Fund (171)				
Direct Appropriated Account				
Expenditures	\$(921)	\$(921)	\$(921)	\$(921)
Non-Dedicated Revenue	(962)	(962)	(962)	(962)
Open Appropriated Account				
Expenditures	(18)	(18)	(18)	(18)
Dedicated Account				
Expenditures	962	962	962	962
Dedicated Revenue	962	962	962	962
Transfer In	0	0	0	0
Net Fiscal Impact	\$23	\$23	\$23	\$23

Recommendation

The Governor recommends changing the way appropriations are made to the health related licensing boards that operate in the state government special revenue fund. Under this proposal, the boards' funding would be converted from direct appropriations to dedicated appropriations, giving each board spending authority equal to its fee revenue and any accumulated balance. The net effect of this change is the difference between the board's current base appropriations and projected revenues.

Rationale

This proposal places ownership in the boards' 183 appointed members to be efficient and cost effective in setting their spending levels, while providing continued legislative oversight in the setting of the boards' fees. It encourages the boards to find efficiencies and ensures the fees paid by each occupation are dedicated to the boards' mission to protect the public and ensure that Minnesota citizens receive quality care by qualified licensed health professionals. The establishment of the dedicated appropriation will improve the boards' management of resources and transparency for licensees.

The health related licensing boards are fee-supported organizations that receive no General Fund dollars. The boards currently collect and deposit fees as non-dedicated special revenue into the health related boards account in the state government special revenue fund (171). The legislature then provides a direct appropriation from these revenues to each board for its operating expenses. Unlike agencies that receive direct appropriations from the General Fund, the boards must ensure that licensing fees are collected to recover each board's direct and indirect expenditures to maintain the solvency of the state government special revenue fund. For this reason, the health boards already operate much like agencies with dedicated appropriations—except that they must seek appropriation authority to gain access to their existing fee revenue.

This proposal changes the boards' non-dedicated revenue to dedicated revenue within the same fund and provides each board with a dedicated appropriation from the board's revenue. Additionally, the current accumulated fund balance within the health related boards account will be transferred to individual boards based on each board's contribution to the balance. M.S. 16A.1283 requires that all fee increases be approved by the legislature, so even with a dedicated funding arrangement, the boards must still seek legislative action to increase spending beyond current law fee revenues.

Key Goals and Measures

Minnesota Milestone: Government in Minnesota will be cost-efficient, and services will be designed to meet the needs of the people who use them. Minnesotans expect their state and local governments to spend money carefully and effectively.

Measures:

- Transparency of fees and expenditures
- The level of service provided to licensees and Minnesota citizens.

Statutory Change: Minnesota Statutes Chapter 148

SOCIAL WORK BOARD

Agency Revenue Summary

Dollars in Thousands

	Actual FY2010	Budgeted FY2011	Governor's Recomm. FY2012 FY2013		Biennium 2012-13
<u>Non Dedicated Revenue:</u>					
Departmental Earnings:					
State Government Spec Revenue	985	959	0	0	0
Other Revenues:					
State Government Spec Revenue	(80)	0	0	0	0
Total Non-Dedicated Receipts	905	959	0	0	0
<u>Dedicated Receipts:</u>					
Departmental Earnings:					
State Government Spec Revenue	0	0	962	962	1,924
Other Revenues:					
Miscellaneous Special Revenue	12	12	12	12	24
Total Dedicated Receipts	12	12	974	974	1,948
Agency Total Revenue	917	971	974	974	1,948

	PAGE
Agency Profile	2
Agency Fiscal Page (Gov Rec)	4
Programs	
State Auditor	5
Budget Activities	
Audit Practice	6
Budget Activity Summary	8
Special Investigations.....	9
Budget Activity Summary	11
Government Information.....	12
Budget Activity Summary	14
Pension	15
Budget Activity Summary	17
Operations Mgnt.....	18
Budget Activity Summary	20
Constitutional Office	21
Budget Activity Summary	23
Tax Increment Financing.....	24
Budget Activity Summary	26
JOBZ	27
Change Summary	28
Agency Revenue Summary Fiscal Page	29
Transmittal Letter.....	30
Change Items	
⇒ Audit Practice Stimulus.....	32
⇒ Moving of JOBZ Oversight.....	33
⇒ Special Investigations Stimulus	34
⇒ Staff Retention.....	35
⇒ Designates that this item is a change item	

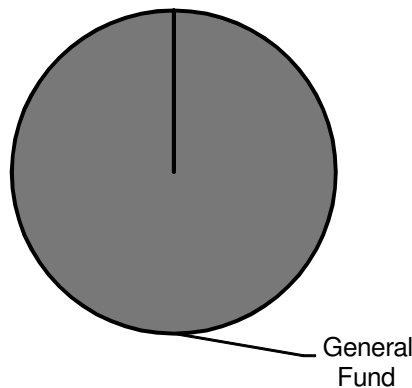
Agency Purpose

The State Auditor is a constitutional officer elected to a four-year term in the statewide general election. The Office of the State Auditor (OSA) is charged with overseeing more than \$20 billion spent annually by local governments in Minnesota.

At a Glance

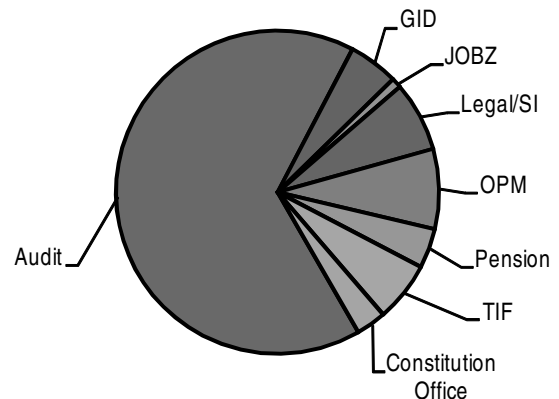
- Oversees finances of approximately 3,300 local governments
- Completes approximately 150 financial and compliance audits and reviews approximately 400 single audit reports each year
- Responds to inquiries on issues related to legal compliance from the public, local government officials and employees, 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 2,000 tax increment financing (TIF) districts
- The State Auditor serves on six state boards and provides senior management to the OSA

Est. FY 2010-11 Expenditures by Fund



Source: Consolidated Fund Statement.

Est. FY 2010-11 Expenditures by Division



Source: Minnesota Accounting and Procurement System (MAPS) as of August 27, 2010.

Strategies

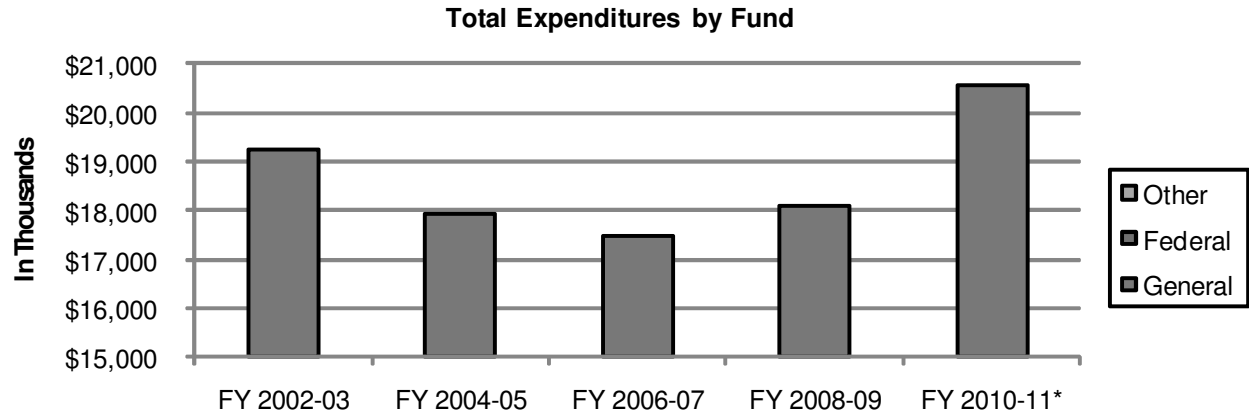
The OSA oversees more than \$20 billion spent annually by local governments. The eight divisions of the OSA accomplish this by performing audits of local government financial statements and by reviewing documents, data, reports, and complaints reported to the OSA. The financial information collected from local governments is analyzed and is the basis of statutory reports issued by the OSA.

Operations

The OSA is organized into eight divisions: Audit Practice, Government Information, JOBZ, Legal/Special Investigations, Operations Management, Pension, Tax Increment Financing (TIF), and the Constitutional Office. There are approximately 115 employees of the OSA 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 the fair presentation of local governments' financial statements; issuing reports on irregularities and deficiencies in local governments' internal controls, identifying issues of legal noncompliance, and recommending

changes in local government accounting practices and procedures; collecting financial data and issuing reports on the financial activity for approximately 3,300 local governments; responding to inquiries on issues related to legal compliance from the public, local government officials and employees, and policymakers; investigating allegations of unlawful use of public funds and property; monitoring financial, actuarial and investment reporting for approximately 730 local public pension plans; overseeing approximately 2,000 TIF districts administered by 433 development authorities statewide; and offering trainings and workshops on a broad variety of issues to local government officials across the state.

Budget Trends



Source data for the previous chart is the Minnesota Accounting and Procurement System (MAPS) as 08/27/10. * FY 2010-11 is estimated, not actual and includes \$74 million of American Recovery & Reinvestment Act funds.

The OSA's workload is impacted by a number of trends. These include:

- Economic downturns produce an increase in the incidence of fraud, and the state has been experiencing an economic downturn. The OSA has seen an increase in fraud reporting at the local level which has increased the number of cases to be reviewed, tracked, and/or investigated.
- The American Recovery and Reinvestment Act (ARRA) funds received by local governments has increased the amount of audit work that needs to be conducted.
- Changes in accounting principles and auditing standards continually require the modification of auditing procedures, and has increased the amount of audit work that needs to be conducted.
- Recent and pending retirements require a constant effort to recruit, retain, train and promote qualified individuals to continue providing highly professional work on behalf of all Minnesotans.
- Ever-changing security threats require a vigilant, sustained effort to protect the integrity of the nonpublic data maintained by the OSA.

Contact

Office of the State Auditor
525 Park Street, Suite 500
Saint Paul, Minnesota 55103

Web site: <http://www.auditor.state.mn.us/>
Phone: (651) 296-2551
Fax: (651) 296-4755

<i>Dollars in Thousands</i>					
	Current		Governor Recomm.		Biennium
	FY2010	FY2011	FY2012	FY2013	2012-13
<u>Direct Appropriations by Fund</u>					
General					
Current Appropriation	9,826	9,100	9,100	9,100	18,200
Recommended	9,826	9,100	9,100	9,100	18,200
Change		0	0	0	0
% Biennial Change from 2010-11					-3.8%
<u>Expenditures by Fund</u>					
Direct Appropriations					
General	8,437	10,087	8,938	9,098	18,036
Statutory Appropriations					
General	582	656	654	657	1,311
Miscellaneous Special Revenue	41	44	44	44	88
Total	9,060	10,787	9,636	9,799	19,435
<u>Expenditures by Category</u>					
Total Compensation	8,065	9,206	8,423	8,511	16,934
Other Operating Expenses	995	1,581	1,213	1,288	2,501
Total	9,060	10,787	9,636	9,799	19,435
<u>Expenditures by Program</u>					
State Auditor	9,060	10,787	9,636	9,799	19,435
Total	9,060	10,787	9,636	9,799	19,435
Full-Time Equivalents (FTE)	106.1	110.7	109.7	109.7	

STATE AUDITOR

Program: STATE AUDITOR

Narrative

Program Description

The purpose of the State Auditor is to oversee more than \$20 billion spent annually by local governments in Minnesota.

Budget Activities

This program includes the following budget activities:

- Audit Practice
- Government Information
- Pension
- Operations Management
- Constitutional Office
- Tax Increment Financing
- JOBZ

STATE AUDITOR

Program: STATE AUDITOR

Activity: AUDIT PRACTICE

Narrative

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

Activity Description

The Audit Practice Division plays a primary role in the ability of the Office of the State Auditor (OSA) 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.

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, petitioned by taxpayers, or chosen by the OSA. 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), Minnesota Management & Budget, the Office of the Legislative Auditor, and state agencies receiving federal funding.

Services Provided

The Audit Practice Division provides the following services:

- Issues approximately 150 annual audit reports of counties, cities, entities associated with counties and cities, and other local governments.
- Reports on the fair presentation of local governments' financial statements, 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 as efficient and effective as possible for the audit 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 Activity Goals & Measures

The division continuously works to fulfill the OSA's key goals of greater efficiency, accuracy of data, and transparency of local government finances.

- Conducts approximately 150 audits per year.
- Reviews approximately 400 single audit reports annually.
- Performs audits as requested by local governmental entities.
- 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.

STATE AUDITOR

Program: STATE AUDITOR

Activity: AUDIT PRACTICE

Narrative

Activity Funding

The division is funded by a General Fund direct appropriation. 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 Minnesota Management & Budget's indirect cost process.

The cost of auditing American Recovery and Reinvestment Act (ARRA) funds received by local governments from the State of Minnesota are also financed by reimbursements to the General Fund by Minnesota Management & Budget's indirect cost process.

Contact

Office of the State Auditor
525 Park Street, Suite 500
Saint Paul, Minnesota 55103

Web site: <http://www.auditor.state.mn.us/>

Phone: (651) 296-2551

Fax: (651) 296-4755

STATE AUDITOR**Program: STATE AUDITOR**

Activity: AUDIT PRACTICE

Budget Activity Summary

<i>Dollars in Thousands</i>					
	Current		Governor's Recomm.		Biennium
	FY2010	FY2011	FY2012	FY2013	2012-13
<u>Direct Appropriations by Fund</u>					
General					
Current Appropriation	9,826	9,100	9,100	9,100	18,200
Subtotal - Forecast Base	9,826	9,100	9,100	9,100	18,200
Total	9,826	9,100	9,100	9,100	18,200
<u>Expenditures by Fund</u>					
Direct Appropriations					
General	6,110	7,169	6,362	6,482	12,844
Statutory Appropriations					
General	0	6	2	2	4
Miscellaneous Special Revenue	41	44	44	44	88
Total	6,151	7,219	6,408	6,528	12,936
<u>Expenditures by Category</u>					
Total Compensation	5,586	6,480	5,778	5,893	11,671
Other Operating Expenses	565	739	630	635	1,265
Total	6,151	7,219	6,408	6,528	12,936
Full-Time Equivalents (FTE)	71.0	75.6	74.6	74.6	

STATE AUDITOR

Program: STATE AUDITOR

Activity: SPECIAL INVESTIGATIONS

Narrative

Activity at a Glance

- Provides legal expertise to all OSA divisions
- Responds to inquiries on issues related to legal compliance from the public, local government officials and employees, and policymakers
- Annually updates and issues the Minnesota Legal Compliance Audit Guide for all local government audits
- 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.

Activity Description

The Legal/Special Investigations Division provides legal expertise to all of the divisions of the Office of the State Auditor (OSA). 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 annually updates and issues the Minnesota Legal Compliance Audit Guide for Local Government, which prescribes the minimum procedures and audit scope for all 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 OSA. 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.

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 Legal/Special Investigations Division provides the following services:

- Supports all of the divisions of the OSA 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.
- Evaluates allegations of theft or misuse of public funds or property.
- Conducts investigations of theft, embezzlement, or unlawful use of public funds and property involving local government using specialized auditing techniques.
- Assists local law enforcement agencies, county attorneys, the Bureau of Criminal Apprehension, and the Office of the Attorney General in cases involving complex financial investigations.
- Makes recommendations for corrective action to safeguard public funds.
- Responds to inquiries and requests from local government officials and employees and the public on issues related to legal compliance.
- Researches and drafts any proposed legislation for the OSA.
- 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.

Key Activity Goals & Measures

The division continuously works to fulfill the OSA's key goals of greater efficiency, accuracy of data, and transparency of local government finances.

- Follows up on reports from formal notification by local government officials and employees, pursuant to M.S. 609.456, and by public accountants, pursuant to M.S. 6.67.
- Monitors, assists and consults on investigations performed by others (i.e. law enforcement, internal investigations performed by local government units, or private auditing firms).

STATE AUDITOR

Program: STATE AUDITOR

Activity: SPECIAL INVESTIGATIONS

Narrative

- Completes investigations according to priority, and as resources allow.
- Responds to public inquiries.
- Issues new and annually updates Statements of Position.
- Annually updates and issues the Minnesota Legal Compliance Audit Guide for Local Government.
- Trains and educates 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.

For fiscal year 2009, the division received a supplemental General Fund direct appropriation of \$384,000 to help with special investigations and other compliance oversight related to the investigating allegations of theft or misuse of American Recovery and Reinvestment Act (ARRA) Federal awards. The unspent portion of the supplemental appropriation will lapse at the end of the 2011 fiscal year.

Contact

Office of the State Auditor
525 Park Street, Suite 500
Saint Paul, Minnesota 55103

Web site: <http://www.auditor.state.mn.us/>

Phone: (651) 296-2551

Fax: (651) 296-4755

STATE AUDITOR

Program: STATE AUDITOR

Activity: SPECIAL INVESTIGATIONS

Budget Activity Summary

<i>Dollars in Thousands</i>					
	Current		Governor's Recomm.		Biennium
	FY2010	FY2011	FY2012	FY2013	2012-13
<u>Expenditures by Fund</u>					
Direct Appropriations					
General	475	688	538	538	1,076
Total	475	688	538	538	1,076
<u>Expenditures by Category</u>					
Total Compensation	430	550	458	467	925
Other Operating Expenses	45	138	80	71	151
Total	475	688	538	538	1,076
Full-Time Equivalents (FTE)	5.5	5.5	5.5	5.5	

STATE AUDITOR

Program: STATE AUDITOR

Activity: GOVERNMENT INFORMATION

Narrative

Activity at a Glance

- Monitors financial information on approximately 3,300 local governments
- Issues approximately 10 reports or special studies on local government finances per year
- Issues Best Practices Reviews of local government operations
- Certifies cities to receive Local Government Aid

Activity Description

The Government Information Division works with financial information for approximately 3,300 local governments. The division prescribes the chart of accounts and reporting requirements for 854 cities and 1,786 towns. It collects, verifies, and analyzes financial information for counties, cities, towns, and special districts. The division compiles local government financial data and issues approximately 10 annual reports and special studies, and issues Best Practices Reviews by analyzing local government operations. The division certifies cities to receive Local Government Aid from the state.

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 local government's financial condition relative to other local governments. The users of this include local government officials, the public, legislators, the U.S. Census Bureau, researchers and state agencies.

Services Provided

The Government Information Division provides the following services:

- Maintains and makes available extensive databases of local government financial data including revenues, expenditures, and outstanding debt.
- Prepares and compiles customized data for legislative researchers.
- Provides transparency of local government finances through issuing approximately 10 annual reports, and special studies.
- Issues Best Practices Reviews of local government operations.
- Provides transparency of local government financial data to the public and others by posting it on the Office of the State Auditor website.
- Provides local government employees with easy-to-use electronic reporting forms which improve accuracy of the data and make the reporting process more efficient.
- Reviews financial reporting forms and data 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 Activity Goals & Measures

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.

- Issues 10-12 meaningful and user-friendly reports which include annual reports, special studies, and Best Practices Reviews.
- Provides comprehensive local government financial data on the Office of the State Auditor's website for transparency of local government finances.
- Maintains the CTAS software for smaller units of local government.
- Provides training and support services to CTAS users to improve data integrity and records management of smaller units of local government.
- Certifies and reports cities that are eligible to receive state aid distributions twice a year to the Commissioner of the Department of Revenue.

Activity Funding

The division is funded by a General Fund direct appropriation.

STATE AUDITOR

Program: STATE AUDITOR

Activity: GOVERNMENT INFORMATION

Narrative

Contact

Office of the State Auditor
525 Park Street, Suite 500
Saint Paul, Minnesota 55103

Web site: <http://www.auditor.state.mn.us/>

Phone: (651) 296-2551

Fax: (651) 296-4755

STATE AUDITOR

Program: STATE AUDITOR

Activity: GOVERNMENT INFORMATION

Budget Activity Summary

<i>Dollars in Thousands</i>					
	Current		Governor's Recomm.		Biennium
	FY2010	FY2011	FY2012	FY2013	2012-13
<u>Expenditures by Fund</u>					
Direct Appropriations					
General	514	549	535	545	1,080
Total	514	549	535	545	1,080
<u>Expenditures by Category</u>					
Total Compensation	427	446	448	464	912
Other Operating Expenses	87	103	87	81	168
Total	514	549	535	545	1,080
Full-Time Equivalents (FTE)	7.2	7.2	7.2	7.2	

STATE AUDITOR

Program: STATE AUDITOR

Activity: PENSION

Narrative

Activity at a Glance

- Monitors approximately 730 local public pension plans covering 20,000 members
- Issues annual financial and investment performance reports
- Certifies individual public pension plans for state aid distributions
- Conducts online training sessions on pension plan issues
- Convenes working group for stakeholders to discuss policy issues concerning pensions

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 pension 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 must comply with and stay current with state laws affecting benefit levels, financing, actuarial

methods, investment practices, and pension plan administration. The division works with plan members and trustees, 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 compliance with state laws.

Services Provided

The Pension 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 on pension plan status and investment performance for policymakers, the public, pension plan members, and other interested parties.
 - Conducts training sessions for pension plan trustees and consultants. Online training sessions are provided to increase efficiency and eliminate training and travel costs for pension plan trustees, while also reducing costs for the Office of the State Auditor (OSA).
 - Responds to requests for information on these pension plans from legislators and their staff, local officials, and the public.
 - Convenes the Fire Relief Association Working Group to bring together stakeholders to discuss policy issues concerning pensions, investments, and plan administration.
 - Issues regular newsletters to assist members with compliance and plan operation issues.
- Compliance Monitoring and Investigation
 - Assists the OSA's Legal/Special Investigations and Audit Practice Divisions when pension issues arise.
 - Annually certifies to the commissioner of the Department of Revenue individual public pension plans that are eligible to receive various state aid distributions.

STATE AUDITOR

Program: STATE AUDITOR

Activity: PENSION

Narrative

Key Activity Goals & Measures

The division continuously works to fulfill the OSA's key goals of greater efficiency, accuracy of data, and transparency of local government finances.

- 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 public pension plans' 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 newsletters 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 30% in FY 2010) 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 70%) 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.

Contact

Office of the State Auditor
525 Park Street, Suite 500
Saint Paul, Minnesota 55103

Web site: <http://www.auditor.state.mn.us/>
Phone: (651) 296-2551
Fax: (651) 296-4755

STATE AUDITOR**Program: STATE AUDITOR**

Activity: PENSION

Budget Activity Summary

<i>Dollars in Thousands</i>					
	Current		Governor's Recomm.		Biennium
	FY2010	FY2011	FY2012	FY2013	2012-13
<u>Expenditures by Fund</u>					
Direct Appropriations					
General	390	505	452	458	910
Total	390	505	452	458	910
<u>Expenditures by Category</u>					
Total Compensation	336	354	360	370	730
Other Operating Expenses	54	151	92	88	180
Total	390	505	452	458	910
Full-Time Equivalents (FTE)	5.9	5.9	5.9	5.9	

STATE AUDITOR

Program: STATE AUDITOR

Activity: OPERATIONS MGNT

Narrative

Activity at a Glance

- Provides accounting services, facilities management, technology support, and human resources services for approximately 115 employees in seven offices, three worksites, and numerous client sites
- Hosts and maintains a website that serves an average of 7,500 unique visitors each month to increase transparency in local government finances
- Maintains integrated databases for all divisions in the OSA
- Modifies, collects, and processes electronic reporting forms for the Government Information, Pension, and Tax Increment Financing Divisions

Activity Description

The Operations Management Division provides support services in accounting, facilities management, technology, and human resources for the Office of the State Auditor (OSA). 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 115 employees of the OSA 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 115 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 OSA.
- 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.
- Participates in ensuring successful telecommuting by OSA staff while protecting nonpublic information.
- Coordinates the hiring of employees.
- Educates employees on benefit options.
- Assists with strategic/succession planning.
- Ensures the OSA is in compliance with state bargaining agreements.

Key Activity Goals & Measures

The division continuously works to fulfill the OSA's key goals of greater efficiency, accuracy of data, and transparency of local government finances.

- Develops and maintains the biennial budget for the OSA.
- 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 OSA network.

STATE AUDITOR

Program: STATE AUDITOR

Activity: OPERATIONS MGNT

Narrative

- Continually looks for opportunities to build in efficiencies with technology to increase productivity of staff, and ensure accuracy of OSA data.
- Supports staff in successfully telecommuting.
- Maintains and retains qualified staff to carry out the duties of the OSA.
- Maintains compliance with state bargaining agreements.
- Assists with strategic/succession planning.

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 conducting audits. 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.

Contact

Office of the State Auditor
525 Park Street, Suite 500
Saint Paul, Minnesota 55103

Web site: <http://www.auditor.state.mn.us/>

Phone: (651) 296-2551

Fax: (651) 296-4755

STATE AUDITOR

Program: STATE AUDITOR

Activity: OPERATIONS MGNT

Budget Activity Summary

Dollars in Thousands					
	Current		Governor's Recomm.		Biennium
	FY2010	FY2011	FY2012	FY2013	2012-13
<u>Expenditures by Fund</u>					
Direct Appropriations					
General	694	891	779	803	1,582
Total	694	891	779	803	1,582
<u>Expenditures by Category</u>					
Total Compensation	549	586	588	521	1,109
Other Operating Expenses	145	305	191	282	473
Total	694	891	779	803	1,582
Full-Time Equivalents (FTE)	7.2	7.2	7.2	7.2	

STATE AUDITOR

Program: STATE AUDITOR

Activity: CONSTITUTIONAL OFFICE

Narrative

Activity at a Glance

- Supervises all of the divisions of the OSA
- Supports the State Auditor's service on six state boards, and two councils
- Conducts outreach and education to local officials and the public

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 OSA's divisions. The Constitutional Office supports the State Auditor's service on six state boards, and two councils. The Constitutional Office provides outreach and education to local government officials to improve their financial operations and safeguard public funds. It also works with the legislature on special reports, legislation, and the OSA's budget.

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. It also provides minimal support for the State Auditor's service on the Collaborative Governance Council and the Council on Local Results and Innovation.

In addition, the Constitutional Office provides management review and support for the Audit Practice, Government Information, JOBZ, Legal/Special Investigations, Operations Management, Pension, and Tax Increment Financing Divisions.

The Constitutional Office supports the OSA in its service to Minnesotans by providing transparency and accountability of local government finances and by educating and communicating with local officials on how to improve the quality of their financial operations and properly protect public funds.

Services Provided

The Constitutional Office provides the following services:

- Provides supervisory oversight and direction for OSA staff.
- Oversees the development of the OSA's 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.
- Proposes legislation to promote good government which serves 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 accounting principles, auditing standards, 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' compliance with reporting requirements.
- 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 OSA regarding proper internal controls and administrative procedures.
- Provides information and assistance to the public, local government officials, policymakers, and state and federal 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 the OSA's Continuation of Operations Plan, and Pandemic Flu Plan.
- Advances technology in the OSA to improve efficiency within the OSA and with OSA clients, to enhance data security, and to improve data integrity.

STATE AUDITOR

Program: STATE AUDITOR

Activity: CONSTITUTIONAL OFFICE

Narrative

- Develops, monitors, and updates the OSA's strategic/workforce plan to ensure the continued efficient and highly professional service in light of a changing workforce.

Key Activity Goals & Measures

The Constitutional Office continuously works to fulfill the OSA's key goals of greater efficiency, accuracy of data, and transparency of local government finances.

- Directs and manages the efficient, effective, and successful operation of the eight divisions of the OSA.
- Successfully meets the fiduciary duty of and contributes to the successful operation of the six state boards.
- Provides meaningful participation on the two new councils to promote efficient, effective government at the local level.
- Provides regular outreach and training 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.

Contact

Office of the State Auditor
525 Park Street, Suite 500
Saint Paul, Minnesota 55103

Web site: <http://www.auditor.state.mn.us/>

Phone: (651) 296-2551

Fax: (651) 296-4755

STATE AUDITOR

Program: STATE AUDITOR

Activity: CONSTITUTIONAL OFFICE

Budget Activity Summary

Dollars in Thousands					
	Current		Governor's Recomm.		Biennium
	FY2010	FY2011	FY2012	FY2013	2012-13
<u>Expenditures by Fund</u>					
Direct Appropriations					
General	254	285	272	272	544
Total	254	285	272	272	544
<u>Expenditures by Category</u>					
Total Compensation	229	226	226	229	455
Other Operating Expenses	25	59	46	43	89
Total	254	285	272	272	544
Full-Time Equivalents (FTE)	2.2	2.2	2.2	2.2	

STATE AUDITOR

Program: STATE AUDITOR

Activity: TAX INCREMENT FINANCING

Narrative

Activity at a Glance

- Oversees the approximately 2,000 Tax Increment Financing (TIF) districts administered by 433 development authorities
- Conducts reviews of annual TIF reports on a rotational basis
- Issues annual TIF Legislative Report
- Conducts online training on TIF compliance issues

Activity Description

The Tax Increment Financing (TIF) Division 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, online trainings, and newsletters. The division collects financial information related to uses of tax increment reported annually by local units of government and analyzes it for accuracy and completeness. The division

also responds to inquiries from local government officials, the public, legislators and other interested parties regarding TIF.

Population Served

The TIF Division oversees approximately 2,000 TIF districts administered by 433 development authorities. In 2008, the approximately 2,000 TIF districts generated more than \$308 million of tax increment revenue to be used for development and redevelopment. The division provides transparency and accountability on the uses of TIF through its Legislative Report and on the OSA website to policymakers, local government officials, and the public. It also responds to inquiries from the public, legislators, legislative researchers, and others regarding TIF issues.

Services Provided

The TIF 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 Office of the Attorney General for possible enforcement action.
- Provides online training and newsletters 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.
- Revises and issues the TIF County Guide.

Key Activity Goals & Measures

The division continuously works to fulfill the Office of the State Auditor's (OSA) key goals of greater efficiency, accuracy of data, and transparency of local government finances.

- Annually collects and reviews TIF reporting forms from the approximately 2,000 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.
- Prepares and presents training and educational materials on the use of TIF.
- Provides online training and regular newsletters to entities administering TIF districts and other interested parties.
- Issues annual TIF Legislative Report.

STATE AUDITOR

Program: STATE AUDITOR

Activity: TAX INCREMENT FINANCING

Narrative

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 Minnesota Management & Budget, which transfers the funds to the OSA. The annual revenue from the enforcement deduction varies 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

Office of the State Auditor
525 Park Street, Suite 500
Saint Paul, Minnesota 55103

Web site: <http://www.auditor.state.mn.us/>

Phone: (651) 296-2551

Fax: (651) 296-4755

STATE AUDITOR

Program: STATE AUDITOR

Activity: TAX INCREMENT FINANCING

Budget Activity Summary

Dollars in Thousands					
	Current		Governor's Recomm.		Biennium
	FY2010	FY2011	FY2012	FY2013	2012-13
<u>Expenditures by Fund</u>					
Statutory Appropriations					
General	582	650	652	655	1,307
Total	582	650	652	655	1,307
<u>Expenditures by Category</u>					
Total Compensation	508	564	565	567	1,132
Other Operating Expenses	74	86	87	88	175
Total	582	650	652	655	1,307
Full-Time Equivalents (FTE)	7.1	7.1	7.1	7.1	

STATE AUDITOR

Program: **STATE AUDITOR**

Activity: **JOBZ**

Narrative

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

Activity Description

Minnesota Session Laws 2005, 1st Special Session, Chapter 3, Article 7, Section 19 gives the Office of the State Auditor (OSA) oversight over the creation and operation of all job opportunity building zones (JOBZ) and business subsidy agreements entered into under the JOBZ Act. JOBZ at the time of the statutory change was being administered partly at the local level.

Initially, the law provided no funding for the oversight required by the law, and additional law changes were necessary for the OSA to obtain access to nonpublic data to begin oversight. In the 2008-09 biennium and 2010-11 biennium the OSA received \$370,000 and \$320,000, respectively, for JOBZ oversight work. In 2008, the laws were also changed to allow the OSA access to the necessary nonpublic data.

In February of 2008, the Office of the Legislative Auditor issued a program evaluation report on JOBZ. Based on this report and its recommendations, the Department of Employment and Economic Development and the Department of Revenue started reworking the documents and procedures related to JOBZ. In November 2008, the OSA met with the Department of Employment and Economic Development and the Office of the Legislative Auditor to discuss the status of the JOBZ program. During 2009, the OSA continually monitored the progress being made with reworking the program, and by late 2009 the changes to the program had been completed. The program changes shifted administration of JOBZ from local governments to the Department of Employment and Economic Development.

Therefore, a legislative change is needed to remove the OSA as the oversight authority of the JOBZ program. JOBZ is a state program administered at the state level, and the Office of the Legislative Auditor is charged with overseeing state government programs.

Population Served

Not Applicable.

Services Provided

Not Applicable.

Activity Funding

The function is currently funded by a General Fund direct appropriation. A small amount (\$1,928) of the appropriation for the 2008-09 biennium was used to evaluate the JOBZ program and conduct meetings to design an oversight program. The remaining unused portion of the 2008-2009 appropriation lapsed back to the General Fund. For the 2010-11 biennium, \$78,000 of the appropriation has been cancelled back to the General Fund with the remaining portion expected to lapse back to the General Fund at the end of the biennium.

Contact

Office of the State Auditor
525 Park Street, Suite 500
Saint Paul, Minnesota 55103
Web site: <http://www.auditor.state.mn.us/>
Phone: (651) 296-2551
Fax: (651) 296-4755

<i>Dollars in Thousands</i>				
	FY2011	Governor's Recomm.		Biennium
		FY2012	FY2013	2012-13
<i>Fund: GENERAL</i>				
FY 2011 Appropriations	9,100	9,100	9,100	18,200
Subtotal - Forecast Base	9,100	9,100	9,100	18,200
Total Governor's Recommendations	9,100	9,100	9,100	18,200
<i>Fund: GENERAL</i>				
Planned Statutory Spending	656	654	657	1,311
Total Governor's Recommendations	656	654	657	1,311
<i>Fund: MISCELLANEOUS SPECIAL REVENUE</i>				
Planned Statutory Spending	44	44	44	88
Total Governor's Recommendations	44	44	44	88

Dollars in Thousands

	Actual FY2010	Budgeted FY2011	Governor's Recomm. FY2012 FY2013		Biennium 2012-13
<u>Non Dedicated Revenue:</u>					
Departmental Earnings:					
General	7,335	7,493	6,858	6,996	13,854
Other Revenues:					
General	2	3	3	3	6
Total Non-Dedicated Receipts	7,337	7,496	6,861	6,999	13,860
<u>Dedicated Receipts:</u>					
Other Revenues:					
Miscellaneous Special Revenue	43	44	44	44	88
Total Dedicated Receipts	43	44	44	44	88
Agency Total Revenue	7,380	7,540	6,905	7,043	13,948



REBECCA OTTO
STATE AUDITOR

STATE OF MINNESOTA

OFFICE OF THE STATE AUDITOR

SUITE 500
525 PARK STREET
SAINT PAUL, MN 55103-2139

(651) 296-2551 (Voice)
(651) 296-4755 (Fax)
state.auditor@state.mn.us (E-Mail)
1-800-627-3529 (Relay Service)

February 8, 2011

To the 2011 Minnesota Legislature:

In an economic downturn, there is greater need for oversight to protect public funds. The Office of the State Auditor is requesting two change items to the State Auditor's 2012-2013 Direct General Fund Appropriation. The effect of the two change items is an increase of \$645,000 (3.5 percent) to the State Auditor's Direct General Fund Appropriation, but as detailed below, the net change to the bottom line of the General Fund will be neutral.

In the first change item, the State Auditor is requesting a change item to retain current staff. Over 97 percent 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.

In the second change item, the State Auditor is recommending eliminating the General Fund Appropriation of \$164,000 for oversight of Job Opportunity Business Zones (JOBZ).

Staff Retention

The Office of the State Auditor is proposing a change item of \$332,000 and \$477,000 to the State Auditor's budget for 2012 and 2013, 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 \$332,000 in 2012 and \$458,000 in 2011. The audit fees would be non-dedicated revenues deposited in the General Fund and would reduce the effect of this request to \$0 in 2012 and \$19,000 in 2013, which represents a Net Fiscal Impact in the State Auditor's General Fund Appropriation of 0.0 percent and 0.2 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 for Minnesota taxpayers.

JOBZ Oversight

The Office of the State Auditor is proposing a change item to eliminate its oversight of JOBZ and a decrease of \$164,000 to the State Auditor's biennial budget. A change in the JOBZ program by the Department of Employment and Economic Development (DEED) in late 2009 shifted administration of the program from local governments to the State. Since the Office of the State Auditor has oversight responsibilities for local government, it is more appropriate that the audit oversight of JOBZ be moved to the Legislative Auditor.

When combining the Office of the State Auditor 2012-2013 base budget with the two change items above, the Office of the State Auditor's Direct General Fund Appropriation will be \$18,849,000. The net impact of the State Auditor's budget request on the General Fund is only \$3,607,000 due to audit fees, indirect cost allocations and reductions in state pension aids.

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 far out-weigh the net costs to the General Fund of \$3,607,000. Minnesotans expect that skilled, independent professionals (110) are providing financial oversight of over \$20 billion per year spent by local governments.

Sincerely,

A handwritten signature in black ink, appearing to read 'RO', with a stylized flourish at the end.

Rebecca Otto
State Auditor

STATE AUDITOR

Change Item: Audit Practice Stimulus

Fiscal Impact (\$000s)	FY 2012	FY 2013	FY 2014	FY 2015
General Fund				
Expenditures	\$172	\$121	\$0	\$0
Revenues	172	121	0	0
Other Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact	\$0	\$0	\$0	\$0

Recommendation

The State Auditor recommends an increase in the Office of the State Auditor's General Fund Expenditure Appropriation to audit federal awards received by local governments under the American Recovery & Reinvestment Act (ARRA). Local governments started receiving ARRA funds in calendar year 2009. They will continue to receive and spend them into calendar year 2011. Since auditing of these funds takes place after they are spent, it is important to continue to have an appropriation available in fiscal years 2012 and 2013 that will allow the Office of the State Auditor to audit ARRA funds.

Rationale

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. Part of these responsibilities includes auditing how ARRA funds were spent by local governments. Local governments started receiving ARRA funds in calendar year 2009 and will still be spending them into calendar year 2011. The auditing of these funds will take place in fiscal years 2012 and 2013.

For the 2010-11 biennium, the Office of the State Auditor received a General Fund direct appropriation of \$680,000 to audit ARRA funds. The appropriation requested in this change item represents the estimated remaining balance of the 2010-11 appropriation which we request to be carried forward to the 2012-13 biennium. Any unspent portion of the appropriation requested in this change item would be cancelled back to the General Fund at the end of the 2012-13 biennium.

The impact of this change item is minimized by the requirement under Minn. Stat. § 6.58 that all audit costs be recovered through fees. Fees and allocations to the State's indirect cost plan of approximately \$172,000 in fiscal year 2012 and \$121,000 in fiscal year 2013 are non-dedicated revenues deposited in the General Fund.

This change item represents an increase in the Office of the State Auditor's General Fund Appropriation of 1.9% in fiscal year 2012 and 1.3% in fiscal year 2013. The Net Fiscal Impact on the Office of the State Auditor's General Fund Appropriation represents an increase of \$0 in fiscal years 2012 and 2013.

Key Goals and Measures

This change item will allow the Office of the State Auditor to continue to audit ARRA funds received by local governments.

Statutory Change: Not Applicable

STATE AUDITOR

Change Item: Moving of JOBZ Oversight

Fiscal Impact (\$000s)	FY 2012	FY 2013	FY 2014	FY 2015
General Fund				
Expenditures	\$(82)	\$(82)	\$(82)	\$(82)
Revenues	0	0	0	0
Other Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact	\$(82)	\$(82)	\$(82)	\$(82)

Recommendation

The State Auditor recommends eliminating the Office of the State Auditor's General Fund Expenditure Appropriation for JOBZ.

Rationale

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. Minnesota Session Laws 2005, 1st Special Session, Chapter 3, Article 7, Section 19 gave 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. JOBZ at the time of the statutory change was being administered partly at the local level.

A change in the JOBZ program by the Department of Employment and Economic Development (DEED) in late 2009 shifted administration of the program from local governments to DEED. Therefore, a legislative change is needed to remove the Office of the State Auditor as the oversight authority of the JOBZ program. JOBZ is a state program administered at the state level, and the Office of the Legislative Auditor is charged with overseeing state government programs.

This change item represents a decrease in the Office of the State Auditor's General Fund Appropriation of 0.9% in fiscal years 2012 and 2013.

Key Goals and Measures

This change item will eliminate the Office of the State Auditor's oversight of JOBZ.

Statutory Change: Minnesota Session Laws 2005, 1st Special Session, Chapter 3, Article 7, Section 19

STATE AUDITOR

Change Item: Special Investigations Stimulus

Fiscal Impact (\$000s)	FY 2012	FY 2013	FY 2014	FY 2015
General Fund				
Expenditures	\$93	\$87	\$76	\$27
Revenues	0	0	0	0
Other Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact	\$93	\$87	\$76	\$27

Recommendation

The State Auditor recommends an increase in the Office of the State Auditor's General Fund Expenditure Appropriation to investigate complaints of misuse of federal awards received by local governments under the American Recovery & Reinvestment Act (ARRA). Local governments started receiving ARRA funds in calendar year 2009. They will continue to receive and spend them into calendar year 2011. Since complaints of misuse of these funds may extend for several years after they are spent, it is important to continue to have an appropriation available through fiscal year 2015 that will allow the Office of the State Auditor to investigate potential misuse of ARRA funds in a timely manner.

Rationale

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. This includes investigating allegations of theft or misuse of ARRA funds. Local governments started receiving ARRA funds in calendar year 2009 and will still be spending them into calendar year 2011. This timing may require the Office of the State Auditor to investigate allegations of theft or misuse for several years after the funds are spent.

For fiscal year 2009, the Office of the State Auditor received a supplemental General Fund direct appropriation of \$384,000 to help with conducting special investigations of allegations of theft or misuse of ARRA funds in a timely manner. The unspent portion of this supplemental appropriation will lapse at the end of the 2011 fiscal year. The appropriation requested in this change item represents the estimated amount that will lapse of the 2009 supplemental appropriation which we request to be carried forward to the 2012-13 biennium and the 2014-15 biennium. Any unspent portion of the appropriation requested in this change item would be cancelled back to the General Fund at the end of the 2014-15 biennium.

This change item represents an increase in the Office of the State Auditor's General Fund Appropriation of 1.0% in fiscal years 2012 and 2013.

Key Goals and Measures

This change item will allow the Office of the State Auditor to continue to investigate allegations of theft or misuse of ARRA funds received by local governments in a timely manner.

Statutory Change: Not Applicable

STATE AUDITOR

Change Item: Staff Retention

Fiscal Impact (\$000s)	FY 2012	FY 2013	FY 2014	FY 2015
General Fund				
Expenditures	\$332	\$477	\$842	\$945
Revenues	332	458	790	862
Other Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact	\$0	\$19	\$52	\$83

Recommendation

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 salaries and benefits. 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.

Rationale

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 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.

Salary costs for the Office of the State Auditor's staff of 115 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 qualified staff to meet the mission of the office.

The impact of this change item is minimized by the requirement under Minn. Stat. § 6.58 that all audit costs be recovered through fees. Fees of approximately \$332,000 in 2012 and \$458,000 in 2013 are non-dedicated revenues deposited in the General Fund.

This change item represents an increase in the Office of the State Auditor's General Fund Appropriation of 3.6% in 2012 and 5.2% in 2013. The Net Fiscal Impact on the Office of the State Auditor's General Fund Appropriation represents an increase of \$0 in 2012 and \$19,000 in 2011 or 0.0% and 0.2%, respectively.

Key Goals and Measures

This change item will allow the Office of the State Auditor to continue providing oversight services for over \$20 billion per year at current levels.

Statutory Change: Not Applicable

	PAGE
Agency Profile	2
Agency Fiscal Page (Gov Rec)	5
Change Summary	6
Agency Change Items	
⇒ Cost Increases	7
Programs	
Supreme Court Operations	8
Program Summary	10
Civil Legal Services	11
Program Summary	14
Change Items	
⇒ Unavoidable Cost Increases	15
⇒ Designates that this item is a change item	

Agency Purpose

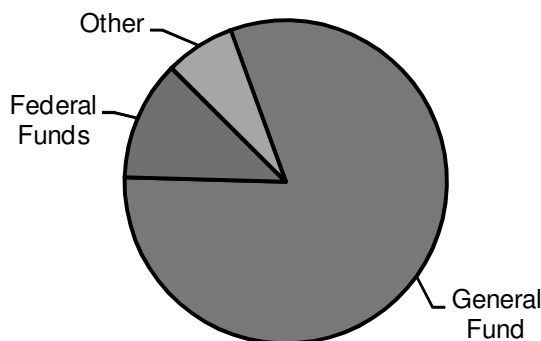
Minnesota's Supreme Court is the state's court of last resort, serving as the final guardian of the Minnesota Constitution and interpreting/applying the United States Constitution. The court is responsible for overseeing the machinery of justice in the state, for regulating the practice of law, and making 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.

At a Glance

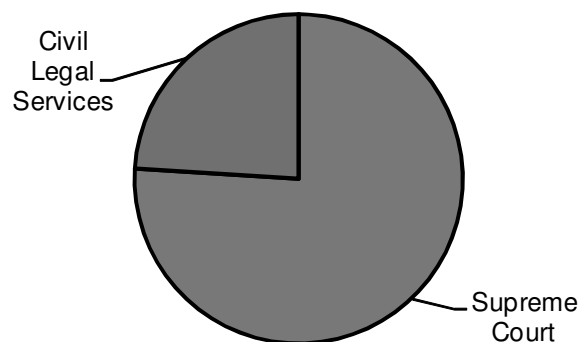
- Supreme Court reviews more than 800 cases a year.
- The judicial branch operates in a constantly changing environment.
 - Laws, case types, and legal sanctions change annually.
 - Caseload volume is determined by other branches and levels of government, and by private citizens and business entities bringing disputes for resolution.
- The Minnesota Judicial Branch contains a judicial system of 289 judges, 19 Court of Appeals judges, and seven Supreme Court Justices.
- The judiciary completed a massive transformation, moving from a county-funded to state-funded system. As of FY 2006 all ten judicial districts are state funded.
- Redesign of core court technology is underway.
 - The branch fully implemented in 2008 its new Minnesota Court Information System (MNCIS) technology application.
- The Minnesota Courts regularly review their effectiveness by monitoring
 - case filing trends;
 - case clearance rates; and
 - elapsed case time from filing to disposition.

Est. FY 2010-11 Expenditures by Fund



Source: Minnesota Accounting and Procurement System (MAPS) as of 08/26/10¹

Est. FY 2010-11 Expenditures by Program



Source: Minnesota Accounting and Procurement System (MAPS) as of 08/26/10¹

Strategies

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 conducts its administrative functions in support of the following three strategic priority areas:

- **Access to Justice** – Ensuring the justice system is open, affordable, effective, and accountable to the people it serves.
- **Administering Justice for More Effective Results** – Working across branches of government and with other stakeholders to improve outcomes for and the delivery of services for children, families, and alcohol and other drug (AOD) addicted offenders who come into our courts.
- **Public Trust Accountability and Impartiality** – Through education, outreach to diverse communities, and a commitment to system-wide customer service and accountability, improving citizens' understanding of and confidence in the Third Branch of government.

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.

Below is a link to the FY 2010-11 Judicial Branch Strategic Plan:

http://www.mncourts.gov/Documents/0/Public/Judicial_Council/FY10-11_Strategic_Plan.pdf

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 and the Supreme Court Commissioner's Office.

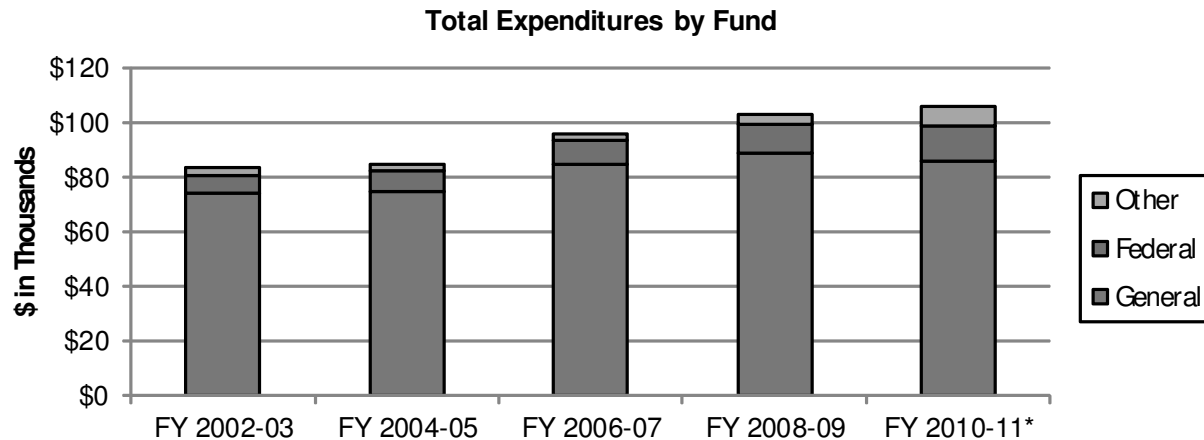
Supervisory Operations

In the Chief Justice's role as chair of The Minnesota Judicial Council and general supervisory role over the courts, she 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.

Budget Trends

Of the funding for the Supreme Court, 81% is from General Fund direct appropriations. Federal grants represent 12% of the funding for the court. The balance of the funding is from special revenue funds and other grants and gifts, representing 7% of the courts funding.



* FY 2010-11 is estimated, not actual. Source data for the previous chart is the Minnesota Accounting and Procurement System (MAPS) as of 8/26/10. The FY2010-11 General Fund projections include \$190K in MNCIS Access expenditures funded by fees collected for running MNCIS reports¹.

- Prior to FY 2011 IOLTA funding and expenditures were accounted for outside of MAPS (the state accounting system). For FY 2011 and subsequent years a policy change required IOLTA funding and expenditures to be accounted for in MAPS. IOLTA revenue is dependent on interest rates, which have been de minimis for the past two plus years and are not expected to rise in the near future. This will cause IOLTA revenue and expenditures to be significantly reduced in future years.
- Civil Legal Services dedicated revenue increased in the FY 2010/11 biennium due to a temporary 50% fee increase which expires June 30, 2011. (The attorney registration fee was increased from \$50 to \$75 to support Civil Legal Services.)

Significant external factors impacting agency operations include: Economic downturn/recession; inadequate and increasingly unstable funding base.

Contact

Minnesota Supreme Court
Minnesota Judicial Center
25 Reverend Doctor Martin
Luther King Jr. Boulevard
Saint Paul, Minnesota 55155

Sue Dosal
State Court Administrator
135 Minnesota Judicial Center
25 Reverend Doctor Martin
Luther King Jr. Boulevard
Saint Paul, Minnesota 55155
Phone: (651) 296-2474
Fax: (651) 297-5636

Home page <http://www.mncourts.gov>

¹ FY 2011 data in the "Other" category includes one-time accounting shifts for both the Interest on Lawyers Trust Accounts (IOLTA) and Civil Legal Services Dedicated programs.

<i>Dollars in Thousands</i>					
	Current		Governor Recomm.		Biennium
	FY2010	FY2011	FY2012	FY2013	2012-13
<u>Direct Appropriations by Fund</u>					
General					
Current Appropriation	42,997	42,537	42,537	42,537	85,074
Recommended	42,997	42,537	42,274	42,575	84,849
Change		0	(263)	38	(225)
% Biennial Change from 2010-11					-0.8%
<u>Expenditures by Fund</u>					
Direct Appropriations					
General	41,327	44,207	42,274	42,575	84,849
Statutory Appropriations					
General	70	50	15	15	30
Miscellaneous Special Revenue	1,692	5,050	2,542	2,527	5,069
Federal	5,484	5,855	5,949	5,959	11,908
Federal Stimulus	1,008	992	0	0	0
Gift	106	54	0	0	0
Total	49,687	56,208	50,780	51,076	101,856
<u>Expenditures by Category</u>					
Total Compensation	22,635	23,618	23,237	23,548	46,785
Other Operating Expenses	13,690	16,236	13,702	13,687	27,389
Capital Outlay & Real Property	4	0	0	0	0
Local Assistance	13,358	16,354	13,841	13,841	27,682
Total	49,687	56,208	50,780	51,076	101,856
<u>Expenditures by Program</u>					
Supreme Court Operations	36,387	42,121	37,758	38,054	75,812
Civil Legal Services	13,300	14,087	13,022	13,022	26,044
Total	49,687	56,208	50,780	51,076	101,856
Full-Time Equivalents (FTE)	254.5	246.7	237.7	236.9	

SUPREME COURT

Change Summary

<i>Dollars in Thousands</i>				
	FY2011	Governor's Recomm.		Biennium
		FY2012	FY2013	2012-13
Fund: GENERAL				
FY 2011 Appropriations	42,537	42,537	42,537	85,074
Technical Adjustments				
Current Law Base Change		(323)	(323)	(646)
One-time Appropriations		(34)	(34)	(68)
Subtotal - Forecast Base	42,537	42,180	42,180	84,360
Change Items				
Cost Increases	0	94	395	489
Total Governor's Recommendations	42,537	42,274	42,575	84,849
Fund: GENERAL				
Planned Statutory Spending	50	15	15	30
Total Governor's Recommendations	50	15	15	30
Fund: MISCELLANEOUS SPECIAL REVENUE				
Planned Statutory Spending	5,050	2,542	2,527	5,069
Total Governor's Recommendations	5,050	2,542	2,527	5,069
Fund: FEDERAL				
Planned Statutory Spending	5,855	5,949	5,959	11,908
Total Governor's Recommendations	5,855	5,949	5,959	11,908
Fund: FEDERAL STIMULUS				
Planned Statutory Spending	992	0	0	0
Total Governor's Recommendations	992	0	0	0
Fund: GIFT				
Planned Statutory Spending	54	0	0	0
Total Governor's Recommendations	54	0	0	0

SUPREME COURT

Change Item: Cost Increases

Fiscal Impact (\$000s)	FY 2012	FY 2013	FY 2014	FY 2015
General Fund				
Expenditures	\$94	\$395	\$395	\$395
Revenues	0	0	0	0
Other Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact	\$94	\$395	\$395	\$395

Recommendation

The Governor recommends an increase of \$94,000 in FY 2012 and \$395,000 in FY 2013 to pay for anticipated cost increases related to state-paid health insurance for state employees and pension contributions. No additional funding is provided for any other compensation-related cost increases.

Rationale

Court employees are compensated under the judicial branch compensation plan administered by the State Court Administrator's Office under the direction of the Judicial Council. This recommendation would only fund anticipated cost increases related to state-paid health insurance and pension contributions. It would help the courts to avoid further reductions in their workforce and to maintain vital judicial services to Minnesotans.

Key Goals and Measures

Funding these anticipated cost increases will reduce the likelihood of staffing reductions in the courts, thus allowing the court agencies to accomplish their constitutional role of adjudication disputes. MN Const., Art 1, Sec.8.

Statutory Change: Not applicable.

Program at a Glance

- Supreme Court has seven justices and reviews more than 800 cases a year.
- The Supreme Court is the highest court in the state.
- Supreme Court promulgates rules of practice and procedures for all courts in the state and regulates the practice of law in.

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 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.

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.

In carrying out its work, the Supreme Court seeks to employ its personnel as follows:

- manage its workload so that each case receives adequate attention as its importance demands;
- decide petitions for review within 60 days;
- maintain an orderly and uniform legal process and procedure throughout the state through the promulgation of uniform rules;
- regulate the admission to and practice of law in Minnesota so that each citizen seeking legal counsel is assured of competent representation;
- 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,
- ensure the effective operation of the state court system in a way that provides access to all citizens.

Key Program Goals & Measures

It is the policy of the Minnesota Judicial Branch to establish core performance goals and to monitor key results that measure progress toward meeting these goals in order to ensure accountability of the branch, improve overall operations of the court, and enhance the public's trust and confidence in the judiciary. The six core performance goals of the Judicial Branch are as follows: Access to Justice; Timeliness; Integrity and Accountability; Excellence; Fairness and Equity; Quality Court Workplace Environment. Each of the goals is accompanied by corresponding performance measures. Regular review of these measures enables the Branch to identify what it is doing well and what it needs to improve.

The full report, entitled, "Judicial Branch 2010 Performance Measures – Key Results and Measures Report" can be found at the following link:

[http://www.mncourts.gov/Documents/0/Public/Court Information Office/Annual Report 2010 Performance Measures.pdf](http://www.mncourts.gov/Documents/0/Public/Court%20Information%20Office/Annual%20Report%202010%20Performance%20Measures.pdf).

The goal of timeliness indicates whether the Supreme Court is handling cases in a timely manner. Recent budget cuts along with underfunding have contributed to the Supreme Court lacking the resources it needs to perform its work in a timely way. As a result the Supreme Court has some areas of performance that are in need of improvement. The measure below outlines some areas of concern:

SUPREME COURT

Program: SUPREME COURT OPERATIONS

Narrative

Goal: Timeliness – The Minnesota Judicial Branch will resolve cases and controversies in a timely and expeditious way without unnecessary delays.

Measure: Number of Days Elapsed at 50th Percentile of Supreme Court Cases, 2007-2009

This measure reports the number of days to accomplish an event for the case that is at the 50th percentile of all cases placed in numeric order by the number of days to accomplish the event. The case types measured are Murder 1, Civil, Professional Regulation, Writs, Review Granted, Review Denied, Child Protection and Criminal Pre-Trial. Event types measured are Filing of Petition for Further Review (PFR) to Disposition of PFR Standard, Submission (oral argument) to Circulation of Majority Standard, and Submission to Disposition without/with Dissent Standard. The event categories are generally taken from the American Bar Association (ABA) standards and the points of measurement conform to the ABA use of the 50th percentile.

Findings from 2007 to 2009:

- The time to disposition at the 50 percentile goal for all mandatory case types, except civil, increased; Murder 1 cases increased 76% from 73 to 129 days.
- For cases where discretionary review was granted, the time to disposition at the 50 percentile goal increased from 129 to 176 days.

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.

Contact

Sue Dosal, State Court Administrator
Minnesota Supreme Court
Minnesota Judicial Center
25 Reverend Dr. Martin Luther King Jr. Boulevard
Saint Paul, Minnesota 55155
Phone: (651) 296-2474
Fax: (651) 297-5636
Web site: <http://www.mncourts.gov>

SUPREME COURT

Program: SUPREME COURT OPERATIONS

Program Summary

<i>Dollars in Thousands</i>					
	Current		Governor Recomm.		Biennium
	FY2010	FY2011	FY2012	FY2013	2012-13
<u>Direct Appropriations by Fund</u>					
General					
Current Appropriation	31,037	30,721	30,721	30,721	61,442
Technical Adjustments					
Current Law Base Change			(323)	(323)	(646)
One-time Appropriations			(34)	(34)	(68)
Subtotal - Forecast Base	31,037	30,721	30,364	30,364	60,728
Governor's Recommendations					
Cost Increases		0	94	395	489
Total	31,037	30,721	30,458	30,759	61,217
<u>Expenditures by Fund</u>					
Direct Appropriations					
General	29,378	32,380	30,458	30,759	61,217
Statutory Appropriations					
General	70	50	15	15	30
Miscellaneous Special Revenue	341	2,790	1,336	1,321	2,657
Federal	5,484	5,855	5,949	5,959	11,908
Federal Stimulus	1,008	992	0	0	0
Gift	106	54	0	0	0
Total	36,387	42,121	37,758	38,054	75,812
<u>Expenditures by Category</u>					
Total Compensation	22,593	23,575	23,194	23,505	46,699
Other Operating Expenses	13,688	16,197	13,663	13,648	27,311
Capital Outlay & Real Property	4	0	0	0	0
Local Assistance	102	2,349	901	901	1,802
Total	36,387	42,121	37,758	38,054	75,812
<u>Expenditures by Activity</u>					
Supreme Court Operations	5,523	8,061	6,418	6,706	13,124
State Court Administration	28,983	31,862	29,279	29,287	58,566
Law Library Operations	1,881	2,198	2,061	2,061	4,122
Total	36,387	42,121	37,758	38,054	75,812
Full-Time Equivalents (FTE)	254.0	246.2	237.2	236.4	

Program at a Glance

- Number of programs funded – 30
- Direct legal assistance – 52,852 closed cases reported statewide
- Preventive education – 70,000 (est.) attendees at legal education sessions

Program Description

Appointed by the Supreme Court, the Legal Services Advisory Committee (LSAC) 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 distributed on a poverty population basis to six regional legal services programs (Coalition Programs) with offices and projects serving every county in Minnesota.

The remaining 15% of the funding is awarded by LSAC on a competitive basis to nonprofit organizations providing legal or alternative dispute resolution services. In FY 2009-2010, 24 programs received grants to provide or support legal services to the poor.

Population Served

According to the 2008 Census estimates, 668,000 people, or approximately 13% 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 586,000 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 2009, the federal Legal Services Corporation issued an updated report entitled Documenting the Justice Gap in America. This national study, which included Minnesota data, established that for every client who received legal aid services, one eligible applicant was turned away for lack of resources.

LSAC collects demographic data on clients served by grant recipients. Because of the nature of poverty, nearly 65% of persons served by legal services programs are women and their children. Approximately 45% of clients are persons of color and 13% are ages 60 and over. Over 30% of clients are persons with physical or mental disabilities and 21% have limited English proficiency.

Services Provided

Through representation, negotiation, conciliation, community education, and preventive law work, lawyers in these programs constructively resolve the legal problems of low-income residents of Minnesota. Most of the legal problems handled by these programs directly and significantly affect the day-to-day lives of persons in critical need: their homes, family, health, income, support for their children, and personal safety.

As a result of the current economic difficulties, requests for services have increased, as have the number of persons who are financially eligible.

Historical Perspective

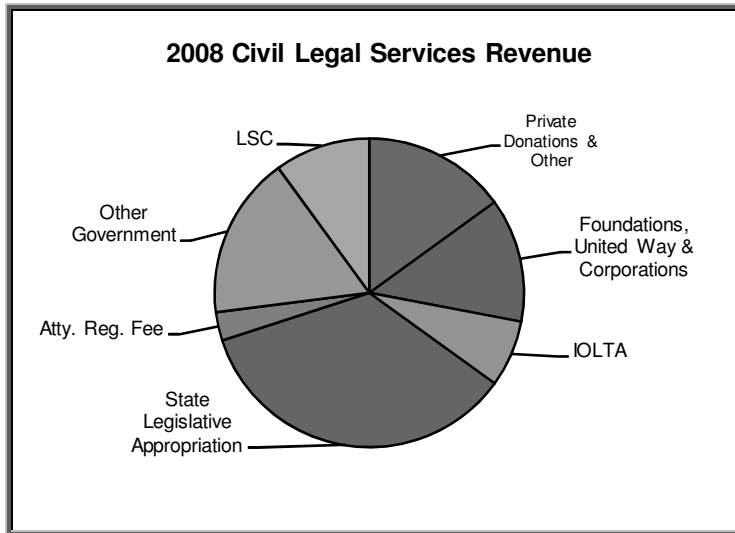
Funding for civil legal services in Minnesota is a combination of state, federal, local, foundation, and private funding. State funding for civil legal services has been reduced 11% from \$13.3 million in 2008 to \$11.8 million in 2011, making Civil Legal Services the only part of Minnesota's Justice System that is being funded below 2006 levels.

Interest on Lawyers Trust Accounts (IOLTA) has been a significant funding source for legal services in Minnesota since 1984. In the last three years, with interest rates at historic lows, IOLTA revenue has declined more than 80% (from \$3.8 million per year to less than \$600,000 per year). IOLTA reserves were depleted in the FY2010-11 grant cycle, so grants are expected to be reduced by approximately 69%, a total cut of \$3 million for the FY2012-2013 biennium.

While the Supreme Court added \$25 to the existing \$50 attorney registration fee to raise approximately \$600,000 annually in FY2010-2011 to support civil legal services, the \$25 fee which is set to expire in July, 2011 has produced less revenue than initially projected, and the temporary fee's renewal is uncertain.

Statewide, volunteer attorneys continue to generously donate their time and legal skills. Pro bono and judicare attorneys have contributed service valued in excess of \$15 million annually, an amount well in excess of the state appropriation.

In 2008, the funding reported for all the legal services programs in the state totaled approximately \$38,400,000 from the following sources:



Key Program Goals & Measures

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.” – Civil Legal Services 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. Research has shown that the availability of civil legal services is one of only two statistically significant factors in reducing

local rates and the resulting harm of domestic violence.

- “All Minnesotans will have decent, safe, and affordable housing.” – Civil Legal Services 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. Civil legal services saves \$4 million annually in tax-supported shelter costs by preventing homelessness in over 2,650 cases. Studies show civil legal services helps reduce local crime and school truancy by reducing the impact of homelessness, particularly for youth.
- “Government in Minnesota will be cost-efficient, and services will be designed to meet the needs of the people who use them.” – Civil Legal Services helps the Judicial Branch be more efficient by keeping over 3,000 non-meritorious cases out of court and by settling thousands of meritorious cases before trial, which by some estimates reduces annual court costs by approximately \$5.1 million.
- “People in need will receive support that helps them live as independently as they can.” – Civil Legal Services 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. Civil Legal Services helps Minnesotans secure \$5 million annually in new federal disability benefits that produces a cumulative impact of \$275 million over ten years.

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.” – Civil Legal Services 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 (self-representing) litigants. Civil 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. **Civil Legal Services 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.**

SUPREME COURT

Program: CIVIL LEGAL SERVICES

Narrative

Civil legal services programs provided services to 52,825 Minnesotans in 2009. The services delivered include advice, brief service and extended [full] representation.

Civil legal services program staff provided extended [full] representation to 9,939 Minnesotans in 2009, which includes assistance with administrative or court proceedings. This reflects approximately a 9.8% drop in extended representation services from 2007 to 2009, corresponding to a reduction in civil legal services attorney positions during the same time period.

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 Lawyers 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.

Contact

Judy Rehak, Senior Legal Counsel
135 Minnesota Judicial Center
25 Reverend Dr. Martin Luther King Jr. Boulevard
Saint Paul, Minnesota 55155
Phone: (651) 297-7800
Fax: (651) 297-5636

Gary M. Hird, Chief Operating Officer
Southern Minnesota Regional Legal Services
55 East 5th Street, Suite 1000
Saint Paul, Minnesota 55101
Phone: (651) 228-9823

SUPREME COURT

Program: CIVIL LEGAL SERVICES

Program Summary

<i>Dollars in Thousands</i>					
	Current		Governor Recomm.		Biennium
	FY2010	FY2011	FY2012	FY2013	2012-13
<u>Direct Appropriations by Fund</u>					
General					
Current Appropriation	11,960	11,816	11,816	11,816	23,632
Subtotal - Forecast Base	11,960	11,816	11,816	11,816	23,632
Total	11,960	11,816	11,816	11,816	23,632
<u>Expenditures by Fund</u>					
Direct Appropriations					
General	11,949	11,827	11,816	11,816	23,632
Statutory Appropriations					
Miscellaneous Special Revenue	1,351	2,260	1,206	1,206	2,412
Total	13,300	14,087	13,022	13,022	26,044
<u>Expenditures by Category</u>					
Total Compensation	42	43	43	43	86
Other Operating Expenses	2	39	39	39	78
Local Assistance	13,256	14,005	12,940	12,940	25,880
Total	13,300	14,087	13,022	13,022	26,044
<u>Expenditures by Activity</u>					
Legal Services	13,300	14,087	13,022	13,022	26,044
Total	13,300	14,087	13,022	13,022	26,044
Full-Time Equivalents (FTE)	0.5	0.5	0.5	0.5	

SUPREME COURT

Change Item: Unavoidable Cost Increases

Fiscal Impact (\$000s)	FY 2012	FY 2013	FY 2014	FY 2015
General Fund				
Expenditures	\$94	\$395	\$395	\$395
Revenues	0	0	0	0
Other Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact	\$94	\$395	\$395	\$395

Agency Request

The Supreme Court requests \$489,000 in the FY 2012-13 biennium for unavoidable health insurance and statutorily mandated employer pension contribution increases to maintain core justice operations. This request represents a 0.81% increase to the Supreme Court biennial base budget.

Rationale

Currently, the Supreme Court has 240 employee FTE's and 7 Supreme Court justices. 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 plan administered by the State Court Administrator's Office (SCAO) under the direction of the Judicial Council.

The judicial branch employee compensation 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.

For the FY 2010-11 biennium, the judicial branch negotiated a zero across-the-board adjustment to the salary range and zero merit and step increases for its employees. Judges did not receive salary increases. For the FY 2012-13 biennium, the judicial branch requests no additional salary funding, but requests funding for statutorily mandated increases in employer paid retirement plan contributions and for health insurance costs which are estimated to increase by 0.07% in FY11, by 7.7% in FY12 and by 16.2% in FY13. This request is made to avoid further lay-offs and reductions to our workforce, which is already unable to keep up with the incoming workload.

The Supreme Court and SCAO also face a base cut of \$323,000 going into the FY 2012-13 biennium that will place added pressure on an already inadequately funded base budget.

Key Goals and Measures

Failure to fund unavoidable health insurance and statutorily mandated employer pension contribution increases will result in staffing reductions, which will negatively impact the ability of the courts to accomplish its constitutional role of adjudicating disputes. MN Const., art I, Sec. 8.

Statutory Change: Not Applicable.

Minnesota Biennial Budget

FY 2012 - 2013



2012 - 2013

*State Taxes and Local Aids and Credits
Governor's Budget
February 15, 2011*

STATE TAXES AND LOCAL AIDS AND CREDITS

TABLE OF CONTENTS

A summary of the Governor's recommendation on State taxes and appropriations for aid and credit programs. Also included: more detailed descriptions about tax aid and credit programs, including purpose, funding source, 2009-2013 financial information, legal citation and program contacts.

Transmittal Letter from the Department of Revenue: Governor's recommendations for tax revenue and tax policy changes.	2	Statewide Property Tax.....	33
State Taxes and Local Aids and Credits Budget Presentation.....	4	Residential Tax on Homes Valued Over \$1 Million.....	33
Change Items Related to State Taxes	6	Special Taxes.....	35
Individual Income Tax.....	6	Increase Cigarette and Tobacco License Fees.....	35
New Bracket and Marginal Rate for Higher Incomes.....	6	Repeal Credit for Cigarette and Tobacco Bad Debts.....	36
Temporary Surtax on Income over \$500,000.....	8	Surplus Lines - Equalize Rates.....	37
Part-Year Residents Maintaining a Minnesota Abode.....	9	Nonadmitted Insurance Reform.....	38
Repeal Section 125 Health Insurance Credit.....	11	Eliminate Bottle Tax; Simplify Tax on Wine and Spirits.....	39
Simplify the Non-Resident Entertainer Tax.....	12	Informational Tax Items Carried in Other Budget Areas.....	40
Corporate Franchise Tax.....	13	1%Car Rental Tax Increase Dedicated for Marketing	40
Repeal Foreign Royalties Subtractions and Foreign Operating Corporation Preferences.....	13	Eliminate the Direct Grants from Medical Education and Research Costs.....	42
Unitary Business Sales Attributable to Minnesota.....	15	Extension of the Petrofund Sunset.....	43
Repeal Exemption for Insurance Companies.....	16	Detailed Descriptions of Tax Aid and Credit Programs.....	44
Index Minimum Fees.....	17	Property Tax Refund (PTR).....	44
Foreign Partnership Income.....	18	Forest Land Credit.....	45
Exclude Real Estate Investment Trust Dividends from the Dividend Received Deduction.....	19	Local Government Aid (LGA).....	46
Clarify Research Credit Base Period Documentation	20	County Program Aid.....	47
Adoption of Economic Substance Test.....	21	Residential Homestead Market Value Credit.....	48
Corporate and Individual Income Tax.....	22	Agricultural Homestead Market Value Credit.....	49
Federal Conformity.....	22	Disparity Reduction Aid and Credit.....	50
Sales and Use Tax.....	24	Disaster Credits.....	51
Affiliate Nexus.....	24	Bovine Tuberculosis Credit.....	52
Exempt Ring Tones.....	25	Border City Reimbursements.....	53
Parallel Taxation of Direct Satellite Services.....	26	Wetlands Reimbursement Credit.....	54
On-line Lodging Reservations.....	27	Taconite State Aid.....	55
Event Admissions.....	28	Supplemental Taconite Homestead Credit	56
Parallel Taxation of Remote Access Software.....	29	Taconite Tax Reimbursement.....	57
Sourcing Rules for Florist Sales.....	30	Utility Valuation Transition Aid.....	58
Estate Tax.....	31	Indian Casino Aid.....	59
Pass-through entity (Non-residents).....	31	Local Impact Notes.....	60
Motor Vehicle Sales Tax.....	32	Public Defender Costs.....	60
Exemption of Emergency Response Vehicles.....	32	Mahnommen Property Tax Reimbursement	61
		Senior Deferral Reimbursement.....	62
		Performance Measurement Reimbursement.....	63
		Police and Fire State Aids.....	64
		Public Employees Retirement Association (PERA) Aid	65
		Department of Natural Resources Payment in Lieu of Taxes (DNR PILT)	
		Tax Refund Interest.....	67
		Political Contribution Refund.....	68

MINNESOTA • REVENUE

February 15, 2011

The 2011 Minnesota Legislature:

Today we are transmitting to you Governor Dayton's recommendations for tax revenue and tax policy changes. The recommendations provide for tax revenue increases that, coupled with proposed spending reductions, will help close the large and persistent structural budget deficits and will increase the overall progressivity of Minnesota's state and local tax system.

The recommendations reflect the Governor's priorities for achieving a balanced budget; increasing tax fairness by reversing the trend toward an increasingly regressive tax system; and protecting individuals from regressive property tax increases.

As described in the 2009 Minnesota Tax Incidence Study, the individual income tax is the only progressive tax in Minnesota's portfolio of statewide taxes. The 2009 study found that while most middle-income Minnesotans paid about 12.3 percent of their income in state and local taxes, the top ten percent paid 10.1 percent, the top five percent paid 9.7 percent, and the top one percent paid 8.8 percent. Consistent with the goals of tax fairness and increased progressivity, the Governor recommends that the Legislature:

- Increase individual income tax revenues by \$1.9 billion with a new top marginal rate of 10.95%. The new rate would increase taxes for the top 5.4 percent of income tax filers; over 90% of Minnesotans would pay no additional income tax.
- Adopt a temporary surtax on taxable incomes over \$500,000—the top one percent of income tax filers—to address the immediate budget challenge.
- Eliminate corporate tax preferences and adopt nexus and economic substance rules that make it more difficult for some corporations to avoid Minnesota taxes while profiting from sales to Minnesota customers.
- Adopt a state property tax on residences valued over one million dollars; the tax would be about one-percent of the value above \$1 million.

In addition, the Governor recommends changes to increase tax fairness among consumers by adopting nexus rules that capture tax from remote sellers of products that are already taxable in Minnesota. Other provisions that modernize statutory definitions to ensure that products or services already taxable for most Minnesotans will be taxable even if they are acquired through newer technologies or business models.

Governor Dayton also recommends:

- No reductions in aids for local governments in order to minimize pressure to further increase regressive local property taxes.
- No increase in the effective property tax burdens of homeowners and renters from reductions in property tax refunds that are paid renters and homeowner.

Commissioner's Office
Mail Station 7100
St. Paul, MN 55146-7100

Tel: 651-296-3403
Fax: 651-556-3100

Minnesota Relay (TTY) 711
An equal opportunity employer

February 15, 2011

Recommendations to expand tax compliance efforts will help ensure that those who owe taxes, pay taxes. The compliance initiative will increase tax collections \$43.5 million in FY 2012-13, a net gain of \$32.1 million after an \$11.2 million investment in increased audit staff.

We look forward to working with you to help solve the serious budget deficit and achieve a balanced budget that will enhance confidence in Minnesota as a great place to live, work, and recreate.

Respectfully,

Handwritten signature of Dan Salomone in black ink.

Dan Salomone
Acting Commissioner

Handwritten signature of Matt Massman in black ink.

Matt Massman
Assistant Commissioner for Tax Policy

STATE TAXES AND LOCAL AIDS AND CREDITS

STATE TAXES AND LOCAL AIDS AND CREDITS BUDGET PRESENTATION

Summary

The Governor's tax initiatives for the FY 2012 – 2013 biennium include revenue increases reflective of the need to find a permanent, responsible solution to the state's structural deficits and improve the progressivity of the overall state and local tax system. No reductions are made to property tax aid and credit programs to reduce the pressure for increases in the regressive property tax to fund local services. Over one-quarter of the proposed new tax revenues are temporary. The elimination of corporate tax preferences and loopholes, and the modernization of selected sales tax definitions, will help promote fairness among the businesses and consumers subject to those taxes.

The revenue proposals include:

- a new 4th tier marginal income tax rate of 10.95% that provides needed ongoing resources; the new rate will increase income tax for 5.4 percent of tax filers.
- a temporary surtax on income over \$500,000 that will provide immediate budget deficit relief;
- proposals to close corporate tax loopholes, ensure that corporations that profit from sales to Minnesota also pay tax in Minnesota, modernize statutory definitions to ensure the collectability of certain taxes; and
- conformity to most federal law changes and other tax policy adjustments that promote tax fairness, simplicity and understandability.

As summarized in the table below, the Governor's tax initiatives are expected to meet several tax policy and budget objectives. The negative numbers represent expenditures or revenue losses.

Governor's FY 2012-13 Tax Policy, Aids and Credits Budget Summary

Expenditure/Revenue Type (dollars in 000s)	Gov's Rec. FY 2012	Gov's Rec. FY 2013	Gov's Rec. FY 2014	Gov's Rec. FY 2015
Tax Fairness, Structural Budget Balance	\$1,046,845	\$953,829	\$930,974	\$1,000,929
Temporary Budget Deficit Relief	\$483,800	\$434,600	\$248,400	\$0
Corporate Loopholes, Tax Fairness	\$199,300	\$156,100	\$158,600	\$163,100
Sales Tax Fairness	\$14,517	\$16,883	\$18,284	\$19,815
Other Tax Simplifications	\$5,969	\$8,812	\$8,812	\$9,493
Federal Conformity, Simplification	(\$23,765)	\$5,500	\$12,535	(\$28,815)
Local Aids and Credits	\$0	\$0	\$0	\$0
<i>Tax Changes from Other Budget Areas</i>	\$2,600	\$7,613	\$7,713	\$7,913
Total Changes (General Fund)	\$1,729,266	\$1,583,337	\$1,385,144	\$1,172,435

STATE TAXES AND LOCAL AIDS AND CREDITS

STATE TAXES AND LOCAL AIDS AND CREDITS BUDGET PRESENTATION

The table below 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.

Governor's Recommended Tax Initiatives for the 2012-13 Biennium (dollars in '000s)					
	Governor's Recommendations	Fund	FY 2012 Gov Rec	FY 2013 Gov Rec	FY 2012-13 Gov Rec
Individual Income Tax					
	New Bracket and Marginal Rate for Higher Incomes	General	1,003,900	886,400	1,890,300
	Temporary Surtax on Income over \$500,000	General	483,800	434,600	918,400
	Part-Year Residents Maintaining a Minnesota Abode	General	15,000	15,000	30,000
	Repeal Section 125 Health Insurance Credit	Other	0	55	55
	Simplify the Non-Resident Entertainer Tax	General	0	28	28
	Subtotal	General	1,502,700	1,336,028	2,838,728
		Other	-	55	55
Corporate Franchise Tax					
	Repeal Foreign Royalties Subtractions and FOC Preferences	General	155,500	116,700	272,200
	Unitary Business Sales Attributable to Minnesota	General	26,000	20,000	46,000
	Repeal Exemption for Insurance Companies	General	9,700	7,300	17,000
	Index Minimum Fees	General	8,000	8,000	16,000
	Misc. Corporate Franchise Tax Items	General	100	4,100	4,200
	Subtotal	General	199,300	156,100	355,400
Sales and Use Tax					
	Affiliate Nexus	General	4,800	5,750	10,550
		Other	280	330	
	Misc Sales Tax Items	General	9,717	11,133	20,850
		Other	533	621	
	Subtotal	General	14,517	16,883	31,400
		Other	813	951	1,764
Federal Conformity					
	Federal Tax Law Conformity	General	(23,765)	5,500	(18,265)
	Subtotal	General	(23,765)	5,500	(18,265)
Other Tax Areas					
	Estate Tax- Pass Through Entity (non-resident)	General	5,400	7,600	13,000
	Motor Vehicle Sale Tax-Exemption of Emergency Response Vehicles	Other	(15)	(15)	(30)
	Statewide Property Tax- Residential Tax on Homes Valued Over \$1 Million	General	27,945	52,401	80,346
	Misc. Special Taxes	General	569	1,212	1,781
		Other	21	76	97
	Informational Tax Items Carried in Other Budget Areas	General	2,600	7,613	10,213
		Other	-	21,720	21,720
	Subtotal	General	36,514	68,826	105,340
		Other	6	21,781	21,787
Total Tax Changes					
		General	1,729,266	1,583,337	3,312,603
		Other	819	22,787	23,606

Program: Individual Income Tax

Change Item: New Bracket and Marginal Rate for Higher Incomes

Fiscal Impact (\$000s)	FY 2012	FY 2013	FY 2014	FY 2015
General Fund				
Expenditures	0	0	0	0
Revenues	\$1,003,900	\$886,400	\$862,800	\$931,100
Other Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact	\$(1,003,900)	\$(886,400)	\$(862,800)	\$(931,100)

Recommendation

The Governor recommends creating a new 4th bracket for upper incomes at a marginal income tax rate 10.95%. This change will generate \$1.890 billion of additional revenue for the General Fund in FY 2012-13. The new bracket would begin at \$150,000 taxable income for joint filers, \$130,000 for head-of-household filers, and \$85,000 for single filers. The new bracket would be effective beginning with tax year 2011. It would not be indexed for inflation.

Rationale

The Department of Revenue's Tax Incidence Study illustrates that the state and local tax system in Minnesota is regressive. In particular, the top ten percent of households measured by annual income pay a smaller share of their income to support state and local services than do households at lower incomes. Among the major tax types, the income tax is the only progressive tax and the property tax is the most regressive. The new marginal rate on higher income households reflects the Governor's priorities to increase state revenues to support general fund programs in a way that makes the overall tax system more progressive.

As shown in the table below, the tax burden as a percent of income is less for those with highest incomes than for the rest of the population. This pattern has become more pronounced in recent years.

Portion of the Population	Total Income	State and Local Tax Burden as Percent of Income (projected to 2011)
Lowest 90 percent	Less than \$137,000	12.3%
Top 10 percent	\$137,000 or more	10.1%
Top 5 percent	\$194,000 or more	9.7%
Top 1 percent	\$481,000 or more	8.8%

The additional tax bracket will raise taxes on 5.5 percent of those who file tax returns (9.6 percent of married filers and 2.3 percent of single filers). Those with incomes over \$500,000 (0.8% of total filers) would pay 70 percent of the additional tax. The percentage of taxpayers affected would be even smaller if non-filers were included.

Program: Individual Income Tax

Change Item: New Bracket and Marginal Rate for Higher Incomes

Impact of 4th Tier (Tax Year 2011)

Income Range	Tax Returns	Returns with Tax Increase	Percent with Tax Increase	Average Tax Increase for Those with an Increase*	Increase in Tax as Percent of AGI*
Less than \$75,000	1,864,063	-	0.0%	0	0.00%
\$ 75,000 to \$ 99,999	265,491	2,228	0.8%	1	0.00%
\$100,000 to \$199,999	309,785	50,903	16.4%	87	0.07%
\$200,000 to \$499,999	69,150	65,173	94.2%	2,720	1.05%
\$500,000 or more	20,557	19,974	97.2%	24,801	2.48%
Total	2,529,046	138,278	5.5%	287	0.48%

* Federal deductability will reduce average tax change and effective tax increase by about 1/3rd.

The average income tax increase for the 5.5% of filers that will pay more income tax under this proposal is 0.5% of adjusted gross income. For those above \$500,000, the average state tax increase is \$24,801 or about 2.48% of income before reductions in federal tax due to increased deductions for state income tax paid. After federal deductions, the average income tax increase would be about 1.7% of income for taxpayers with incomes over \$500,000.

Key Goals and Measures

State income tax receipts are a key component of Minnesota's state-local finance system and the resources collected through this change will fund other key goals and objectives of state and local government. The Governor's proposal to create a new 4th tier income tax rates for fewer than the top 10 percent will make the overall tax system more fair by increasing the income tax, which is the only progressive tax Minnesota has, and avoiding regressive local property tax increases, the most regressive tax.

The 2009 Tax Incidence Study found that the top 10 percent of Minnesotans—those with incomes over \$137,000—paid 10.1 percent of their income in Minnesota state and local taxes while the bottom 90 percent paid about 12.3 percent. The Governor's recommendation for a new tax bracket will increase income tax for fewer than 10 percent of Minnesotans, about 5.4 percent of tax returns. Though it affects only about half of them, the Governor's proposed 4th tier rate would raise the average tax burden for the top 10 percent of taxpayers from 10.1 percent to about 11 percent; progressivity would be improved, but the top 10 percent will still pay a lower share of their income in tax than the bottom 90% of households.

Minnesota Milestone Indicator 33 (Price of Government) states that "government in Minnesota will be cost-efficient" and uses as an indirect measure of efficiency the amount of revenue collected by state and local governments as a share of Minnesota personal income, citing a historic range of 15% to 16.2%. With the adoption of the Governor's tax revenue changes, resources will be available to fund other key public priorities identified in the milestones and the price-of-government will continue to fall within the historic range.

Statutory Change: Minn. Stat. § Amends Minnesota Statutes Section 290.06.

Program: Individual Income Tax

Change Item: Temporary Surtax on Income Over \$500,000

Preliminary Budget Option

Fiscal Impact (\$000s)	FY 2012	FY 2013	FY 2014	FY 2015
General Fund				
Expenditures	0	0	0	0
Revenues	\$483,800	\$434,600	\$248,400	\$0
Other Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact	\$(483,800)	\$(434,600)	\$(248,400)	\$0

Recommendation

The Governor recommends a temporary surtax on income over \$500,000. The surtax would be equal to an additional three-percent marginal rate on the income above \$500,000 regardless of filing status. The temporary rate would apply to tax years 2011 through 2013 and generate \$918.4 million in FY 2012-13.

Rationale

Under current law, Minnesota faces a significant structural deficit. However, the gap between general fund revenue and spending projected for the FY 2014-15 planning biennium is somewhat smaller than the immediate budget deficit projected for FY 2012-13. The surtax is proposed to be in place for tax years 2011, 2012, and 2013 only and then expire in recognition of the smaller projected deficit in future years and anticipated return to a stronger, more stable Minnesota economy.

The surtax will apply only to income over \$500,000. The surtax will increase tax for an estimated 17,200 returns (0.7 percent of all filers) by an average of \$20,300 for tax year 2011. When combined with the permanent addition of a new 4th tier, the average income tax increase for filers with annual income exceeding \$500,000 per year would be \$41,546, or about 4.15% of income, for taxpayers with incomes over \$500,000 before reductions in federal tax due to increased deductions for state income tax paid. After federal deductions, the average income tax increase would be about 2.7% of income for taxpayers with incomes over \$500,000.

Combined Impact of 4th Tier and Income Tax Surcharge (Tax Year 2011)

Income Range	Tax Returns	Returns with Tax Increase	Percent with Tax Increase	Average Tax Increase for Those with an Increase*	Increase in Tax as Percent of AGI*
Less than \$75,000	1,864,063	-	0.0%	0	0.00%
\$ 75,000 to \$ 99,999	265,491	2,228	0.8%	1	0.00%
\$100,000 to \$199,999	309,785	50,903	16.4%	87	0.07%
\$200,000 to \$499,999	69,150	65,173	94.2%	2,723	1.05%
\$500,000 or more	20,557	20,006	97.3%	41,546	4.15%
Total	2,529,046	138,310	5.5%	421	0.70%

* Federal deductibility will reduce average tax change and effective tax increase by about 1/3rd.

Program: Individual Income Tax

Change Item: Temporary Surtax on Income Over \$500,000

Key Goals and Measures

The 2009 Tax Incidence Study found that the top 1 percent of Minnesotans—those with incomes over about \$481,000—had paid 8.8 percent of their income in state and local taxes while the bottom 90 percent paid 12.3 percent of their income in state and local taxes. The Governor's recommendation for a temporary tax surtax targeted at incomes over \$500,000 is needed to balance the state budget and to increase the progressivity of the overall tax system. If the income tax burden for the top 1% had increased by a percentage similar to the Governor's proposal, the average state and local tax burden for the top 1% would increase to 12.3%, the same as the state and local tax burden for the bottom 90% of households. Without the temporary surtax, the new 4th tier would make the state and local tax system more progressive than current law but the overall tax burden for the top 1% would be about 11%.

Minnesota Milestone Indicator 33 (Price of Government) states that "government in Minnesota will be cost-efficient" and uses as an indirect measure of efficiency the amount of revenue collected by state and local governments as a share of Minnesota personal income, citing a historic range of 15% to 16.2%. With the adoption of the Governor's tax revenue changes, resources will be available to fund other key public priorities identified in the milestones and the price-of-government will continue to fall within the historic range.

Statutory Change: Minn. Stat. § 290.06 is amended by adding a section.

Program: Individual Income Tax

Change Item: Part-Year Residents Maintaining a Minnesota Abode

Fiscal Impact (\$000s)	FY 2012	FY 2013	FY 2014	FY 2015
General Fund				
Expenditures	0	0	0	0
Revenues	\$15,000	\$15,000	\$15,000	\$15,000
Other Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact	\$(15,000)	\$(15,000)	\$(15,000)	\$(15,000)

Recommendation

The Governor recommends extending the income tax to persons who are present in the state for more than 60 days but less than 183 and who maintain an abode in Minnesota for at least six months. An exception is made for days an individual is in the state for the purpose of receiving medical services. The provision will generate \$30 million a biennium beginning in FY 2012-13.

Rationale

Under current law, an individual is a Minnesota resident for income tax purposes if they are domiciled in Minnesota or if they maintain an abode in Minnesota and are present in the state for 183 days or more. The 183-day bright line test allows for individuals who spend substantial portions of the year in Minnesota (up to 182 days), and maintain an abode in Minnesota, to avoid paying Minnesota income tax but continue to benefit from public services, natural resources and arts and cultural opportunities in Minnesota.

Under the change proposed by the Governor, individuals will continue to make lifestyle choices about where to live and vacation but will no longer be able to avoid Minnesota income taxes simply by being physically present in the state for fewer than 183 days.

Individuals who maintain an abode in Minnesota and are physically present in the state for more than 60 days, but less than 183, will be considered “part-year residents.” Part-year residents will be subject to tax on their Minnesota-sourced income (as they are now) and a pro-rata share of all other income based on the number of days they are present in the state. A credit will be granted for income taxes paid on the same income to other states if the other state does not allow a credit for tax paid to Minnesota. Days an individual is in the state receiving, or caring for a close family member who is receiving medical services will be excluded from determination of part-year resident.

The proposed change will be effective beginning with tax year 2011.

Key Goals and Measures

The Governor’s recommendation will make the overall tax system more fair by requiring those who benefit from Minnesota’s state and local public services for a substantial portion of the year to also contribute to the cost of providing those services.

Statutory Change: Amends Minn. Stat. § 290.01, subd. 7; 290.06, subd. 22; and 290.17, subd 1.

Program: Individual Income Tax

Change Item: Repeal Section 125 Health Insurance Credit

Fiscal Impact (\$000s)	FY 2012	FY 2013	FY 2014	FY 2015
General Fund				
Transfer In	0	\$(55)	\$(60)	\$(65)
Revenues	0	55	60	65
HCAF Fund				
Transfer Out	0	(55)	(60)	(65)
Revenues	0	0	0	0
Net Fiscal Impact	0	\$(55)	\$(60)	\$(65)

Recommendation

The Governor recommends repealing Minnesota Statutes Section 290.0678, which provides for a tax credit equal to 20 percent of the health insurance premiums paid for a plan under I.R.C. Section 125. Under current law, the Health Care Access Fund (HCAF) reimburses the general fund for any lost income tax revenue attributable to this credit. With the repeal, there will be no net effect on the general fund as the tax revenue change will be offset by the repeal of the transfer from the HCAF; the HCAF will no longer make a transfer to the general fund.

Rationale

Consistent with the objectives of the Federal Patient Protection and Affordable Care Act of 2010, the Governor recommends ongoing efforts to improve access to affordable health care for all Minnesotans. The section 125 credit is a narrow and inefficient incentive for promoting access to health care. The income ranges eligible for the credit are narrow and it is unlikely a taxpayer could be certain they would fall into an eligible range until the tax year is over. The provisions are complicated to administer, both for the state and the taxpayer and participation is low.

- As of October 1, 2010, this credit was claimed by only 122 taxpayers on tax year 2009 returns, for a total amount of \$44,140, or an average of \$362 per return.

The credit is available to taxpayers who pay health insurance premiums for the first twelve months of coverage under a Section 125 plan administered by their employers, who did not have health insurance for at least a year prior to Section 125 coverage, and who meet certain income restrictions.

Effective beginning with tax year 2012.

Key Goals and Measures

The elimination of the tax preference will contribute to making state government more efficient by eliminating a complicated tax expenditure that benefits few individuals who will be more effectively and efficiently served by a reformed health care delivery system. The elimination of the tax preference will eliminate the need for an entire Minnesota income tax form (M1H).

Statutory Change: Repeal Minn. Stat. § 290.0678

Program: Individual Income Tax

Change Item: Simplify the Non-Resident Entertainer Tax

Preliminary Budget Option

Fiscal Impact (\$000s)	FY 2012	FY 2013	FY 2014	FY 2015
General Fund				
Expenditures	0	0	0	0
Revenues	\$0	\$28	\$30	\$31
Other Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact	\$0	\$(28)	\$(30)	\$(31)

Recommendation

The proposed change revises how the current law non-resident entertainer tax is administered to make it more transparent and efficient for both taxpayers and tax administrators. The change is designed to be largely revenue neutral but does have a modest revenue gain of \$28,000 in FY 2012-13.

Rationale

Under current law, non-resident entertainers are not subject to Minnesota income tax but are subject to a 2 percent tax on their gross compensation. Current law requires promoters to withhold two percent from all compensation paid to those entertainers from the first dollar. All nonresident entertainers are then allowed a \$120 nonrefundable credit against the tax, which they take when they file their nonresident entertainer tax return.

The proposed change would repeal the \$120 credit, require a promoter to withhold 2 percent only on the amounts above \$600 that the promoter pays the nonresident entertainer in a year (the same as the federal informational return requirement for this kind of income), and exempt entertainers who receive total compensation less than the individual filing requirements (\$9,350 in 2010).

Effective beginning with tax year 2012.

Key Goals and Measures

The revisions to the non-resident entertainer tax further the goal of making Minnesota state government more efficient and more accessible for citizens and customers by simplifying compliance with this tax for taxpayers, promoters and entertainers, and tax administrators.

Statutory Change: Amends Minn. Stat. § 290.9201.

Program: Corporate Franchise Tax

Change Item: Repeal Foreign Royalties Subtractions and FOC Preferences

Fiscal Impact (\$000s)	FY 2012	FY 2013	FY 2014	FY 2015
General Fund				
Expenditures	0	0	0	0
Revenues	\$155,500	\$116,700	\$118,500	\$122,500
Other Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact	\$(155,500)	\$(116,700)	\$(118,500)	\$(122,500)

Recommendation

The Governor recommends repealing the current law subtraction for foreign royalties and provisions for foreign operating corporations (FOC's). The change will increase general fund revenues by \$272.2 million in FY 2012-13.

Rationale

The current law phase-in to 100 percent sales factor apportionment by 2014 promotes a competitive tax climate for Minnesota corporations by ensuring that Minnesota corporations will only be taxed on that portion of their income allocated to Minnesota based on their percentage of sales in Minnesota. As a result, sales apportionment addresses many of the competitive disadvantages that the royalties subtraction and FOC provisions were originally intended to address.

The foreign royalties subtraction was originally designed to give tax relief to domestic corporations with foreign royalties at a time when those royalties were not included in the income apportionment calculation. While the original objective was to exclude income from outside the United States in the determination of Minnesota taxable income, amendments to the apportionment provisions to include royalties in determining the sales factor have now nullified the original objective for the subtraction. Likewise, the original justification for the FOC provision has also diminished because the move to 100% sales apportionment eliminates disadvantages that existed between companies that had overseas operations relative to those that owned overseas corporate subsidiaries.

While the foreign royalties subtraction and FOC provisions continue to provide real benefits to non-Minnesota corporations, those tax preferences can no longer be afforded given the importance of returning stability to the state budget and economy and funding the programs essential to providing a highly educated and productive workforce.

Fiscal Impact (\$000s)	FY 2012	FY 2013	FY 2014	FY 2015
General Fund Revenues				
Foreign Operating Corps (FOC)	42,300	31,900	32,500	33,400
Foreign Royalties Subtraction	111,200	82,800	84,000	87,100
Interaction	2,000	2,000	2,000	2,000
Net Fiscal Impact	(155,500)	(116,700)	(118,500)	(122,500)

Under current law, the subtraction of 80% of royalties, fees, or other like income accrued or received from a foreign operating corporation (FOC) or a foreign corporation which is part of the same unitary business as the receiving corporation, is a subtraction against income. Under the change:

- all domestic and foreign royalties will be treated in a consistent manner and conform to the Internal Revenue Code treatment of this income; and
- the disparity with similarly situated sellers of tangible property to a FOC or foreign affiliate, for which there is no similar subtraction, will be eliminated;
- The elimination of both provisions will also enhance compliance by simplifying the tax code and allowing corporate tax audits to focus on compliance issues instead of verifying that the taxpayer has complied with the foreign royalties or the complicated FOC tax regime.

Program: Corporate Franchise Tax

Change Item: Repeal Foreign Royalties Subtractions and FOC Preferences

Key Goals and Measures

The Goal of Minnesota Milestones 2010 Indicator 30: Price of Government is that “Government in Minnesota will be cost-efficient, and services will be designed to meet the needs of the people who use them.” By repealing the royalties subtraction and FOC provisions, tax administration resources will be available to identify and insure compliance in the other aspects of the corporate tax law.

This recommended change is consistent with the Department of Revenue strategy that “We will identify and recommend changes to align the revenue system with economic activity.” The repeal of the royalties subtraction aligns the revenue system with current economic activities and helps the department to be more cost-efficient in administering the corporate tax. Audits, appeals, and litigation pertaining to royalties subtraction and FOC provisions will be eliminated for tax audit years after 2010.

Statutory Change: Amend Minn. Stat. § 290.01, Subd. 19d(10); 290.0921, Subd. 3(13); 290.095, Subd. 2(a); 290.17, Subd. 4(g)(2) and (i); and 290.191, Subd. 5(a)(6)

Program: Corporate Franchise Tax

Change Item: Unitary Business Sales Attributable to Minnesota

Fiscal Impact (\$000s)	FY 2012	FY 2013	FY 2014	FY 2015
General Fund				
Expenditures	0	0	0	0
Revenues	\$26,000	\$20,000	\$20,000	\$20,000
Other Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact	\$(26,000)	\$(20,000)	\$(20,000)	\$(20,000)

Recommendation

The Governor recommends amending statutes to require that all sales to this state of a unitary business to be included in the sales factor for this state. The proposal will increase general fund revenues by \$46.0 million in FY 2012-13.

Rationale

As more states have moved closer to full single sales apportionment for corporate tax purposes, some companies have attempted to avoid taxation by restructuring their business to locate all their sales in a company that is in the unitary group but has no nexus in Minnesota. Current law only requires members of a unitary business to include their sales in the numerator of the sales factor if they have Minnesota nexus. The proposed revision to our definition of Minnesota sales would require that sales by members of the unitary business be included even if they have no Minnesota nexus.

The basis for unitary filing is to ensure that the income of the unitary business subject to Minnesota corporate tax reflects the income attributable to Minnesota based on the market provided to the unitary business. When sales to customers in Minnesota by a member of a unitary business are not included in the numerator of the sales factor the net income of the unitary business allocated to Minnesota is understated. Requiring that all Minnesota sales of the unitary business are included in the numerator of the sales factor ensures that the appropriate net income of the unitary business is allocated to Minnesota. By enacting this recommendation Minnesota will be allocated the proper income of the unitary business. This will maintain an even playing field for all businesses benefiting from the Minnesota marketplace.

Effective for taxable years beginning after December 31, 2010. The department will notify the taxpayers and tax preparation community through the normal publications and internal tax return processing systems will be modified to reflect this change.

Key Goals and Measures

The recommended change promotes tax compliance and tax fairness by limiting the ability of corporate taxpayers to benefit from sales to the Minnesota marketplace by structuring its unitary businesses to avoid Minnesota corporate franchise tax. Further, the proposal levels the playing field by promoting the equal treatment of business competitors for corporate tax purposes.

Statutory Change: Minn. Stat. § 290.191, Subd. 5.

Program: Corporate Franchise Tax

Change Item: Repeal Exemption for Insurance Companies

Fiscal Impact (\$000s)	FY 2012	FY 2013	FY 2014	FY 2015
General Fund				
Expenditures	0	0	0	0
Revenues	\$9,700	\$7,300	\$7,600	\$7,800
Other Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact	\$(9,700)	\$(7,300)	\$(7,600)	\$(7,800)

Recommendation

The Governor recommends repealing the current law allowing insurance companies an exemption from the corporate franchise tax. The change will increase general fund revenues by \$17.0 million in FY 2012-13.

Rationale

Under current law, unlike other corporations conducting business in Minnesota, insurance company income is exempt from determination of corporate tax liability for the activities it conducts in Minnesota. The exemption was enacted in 2001 leaving insurance companies subject to only the tax based on insurance premiums. This exemption was enacted after the federal 1999 Gramm-Leach-Bliley Act (GLB) was passed which allowed banks, security firms, and insurance companies to consolidate but before the effects of GLB were reflected on the corporate franchise tax returns. For years before 2001, insurance companies were subject to the corporate franchise tax and were allowed a credit for taxes paid based on insurance premiums.

Repealing the exemption will put insurance companies on par with other corporations subject to the Minnesota corporate franchise tax. A subtraction will be allowed for taxes paid on premiums sold in Minnesota and exemptions will be granted to insurance companies based in states with retaliatory tax provisions to ensure that Minnesota based insurance companies are not disadvantaged relative to their competitors in other states.

The change will be effective for taxable years ending after December 31, 2010. The department will notify the taxpayers and tax preparation community through the normal publications and internal tax return processing systems will be modified to reflect this change.

Key Goals and Measures

This recommended change is the result of the Department of Revenue strategy to “identify and recommend changes to align the revenue system with economic activity.” The repeal of the exemption for insurance companies aligns the revenue system with current economic activities.

Statutory Change: Minn. Stat. § 290.05, Subd. 1(c)

Program: Corporate Franchise Tax
Change Item: Index Minimum Fees

Fiscal Impact (\$000s)	FY 2012	FY 2013	FY 2014	FY 2015
General Fund				
Expenditures	0	0	0	0
Revenues	\$8,000	\$8,000	\$8,000	\$8,000
Other Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact	\$(8,000)	\$(8,000)	\$(8,000)	\$(8,000)

Recommendation

The Governor recommends indexing the minimum fee brackets and tax amounts for inflation since 1990. The minimum fee was established in 1990 and has not been adjusted since that time. The change will increase general fund revenues by \$16.0 million in FY 2012-13.

Rationale

The minimum fee was established to assess a minimum tax on the opportunity to do business in Minnesota. As adopted in 1990, the minimum fee is based on the sum of property, payroll and sales in Minnesota with six brackets and fees ranging from \$0 to \$5,000. A total of \$60 million is paid annually by S-corporations, partnerships, and C-corporations. The brackets and fee amounts have not been adjusted to reflect changes in the economy since 1990. The proposal increases both brackets and minimum fees for inflation since 1990.

Indexing the minimum fee brackets will prevent taxpayers from being subject to the next higher bracket based solely on economy changes while updating the brackets and amounts since 1990 will ensure that corporations benefiting from sales to the Minnesota market place will pay a minimum tax to support the public investments that sustain that marketplace.

The change will be effective for taxable years ending after December 31, 2010. The indexing of the minimum fee brackets and tax amounts is facilitated as part of the annual updates to publications and computer systems. The department will notify the taxpayers and tax preparation community through the normal publications and internal tax return processing systems will be modified to reflect this change.

Key Goals and Measures

This recommended change is the result of the Department of Revenue strategy to "identify and recommend changes to align the revenue system with economic activity." Indexing the minimum fee brackets and tax amounts aligns the revenue system with current economic activities.

Statutory Change: Minn. Stat. § 290.0922 Minimum fee;

Current Law Minimum Fee		Proposed Minimum Fee	
Sum of Minnesota Property, Payroll, and Sales	Annual Fee	Sum of Minnesota Property, Payroll, and Sales	Annual Fee
Less than \$ 500,000	\$0	Less than \$870,000	\$0
\$ 500,000 to \$ 999,999	\$100	\$870,000 to \$1,739,999	\$170
\$ 1,000,000 to \$ 4,999,999	\$300	\$1,740,000 to \$8,689,999	\$520
\$ 5,000,000 to \$ 9,999,999	\$1,000	\$8,690,000 to \$17,369,999	\$1,740
\$ 10,000,000 to \$19,999,999	\$2,000	\$17,370,000 to \$34,749,999	\$3,470
\$ 20,000,000 or more	\$5,000	\$34,750,000 or more	\$8,690

Program: Corporate Franchise Tax
Change Item: Foreign Partnership Income

Fiscal Impact (\$000s)	FY 2012	FY 2013	FY 2014	FY 2015
General Fund				
Expenditures	0	0	0	0
Revenues	0	\$3,000	\$3,000	\$3,000
Other Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact	0	\$(3,000)	\$(3,000)	\$(3,000)

Recommendation

The Governor recommends amending the statutes to conform to the federal law treatment of foreign entities in Section 701 of the Internal Revenue Code. Under federal law, the distributive share of income from all domestic and foreign partnerships flows to its domestic owners. In contrast, current Minnesota law excludes the net income and apportionment factors of foreign partnerships in calculating net income and apportionment factors for a unitary business. The change will increase general fund revenues by \$3.0 million in FY 2012-13.

Rationale

- Under current law, income that a domestic corporation recognizes from these foreign entities is not included in the taxpayer's Minnesota taxable income.
- The recommendation treats the recognized income in a manner that is consistent with federal treatment under the Internal Revenue Code.
- The taxpayer's Minnesota taxable income will include the portion attributed to income that the taxpayer recognizes from all sources.
- Treating income recognized by the Internal Revenue Code in a consistent manner for Minnesota tax purpose will result in greater tax compliance by simplifying the tax treatment of this income. Corporate audits will focus on other compliance issues instead of verifying that the taxpayer has excluded the proper foreign entities.
- This change would be effective for the taxable years ending after December 31, 2011. The department will notify the taxpayers and tax preparation community through the normal publications and internal tax return processing systems will be modified to reflect this change.

Key Goals and Measures

The Goal of Minnesota Milestones 2010 Indicator 30: Price of Government is that "Government in Minnesota will be cost-efficient, and services will be designed to meet the needs of the people who use them." Removing the foreign entities exclusion simplifies taxpayer reporting requirements and tax administration resources will be available to identify and ensure compliance in the other aspects of the corporate tax law.

This recommended change is the result of the Department of Revenue to "identify and recommend changes to align the revenue system with economic activity." The treatment of foreign entities in a manner consistent with the Internal Revenue Code helps the department to be more cost-efficient in administering the corporate tax. The number of audits, appeals, and litigation pertaining to exclusion of foreign entities will be reduced for tax audit years after 2010.

Statutory Change: Minn. Stat. § 290.17, Subd. 4(f) and (h)

Program: Corporate Franchise Tax

Change Item: Exclude REIT Dividends from the Dividend Received Deduction

Fiscal Impact (\$000s)	FY 2012	FY 2013	FY 2014	FY 2015
General Fund				
Expenditures	0	0	0	0
Revenues	0	\$1,000	\$1,000	\$1,000
Other Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact	0	\$(1,000)	\$(1,000)	\$(1,000)

Recommendation

The Governor recommends eliminating an unintended double-deduction by excluding dividends received from a real estate investment trust (REIT) in calculating the deduction allowed to a corporation for dividends received deduction (DRD) from another corporation. The DRD allowed for dividends received from a REIT affords the receiving corporation a tax benefit not intended by the DRD provision. The change will increase general fund revenues by \$1 million in FY 2012-13.

Rationale

Under current law, unlike other corporations, a REIT is allowed a deduction for the dividends it pays to shareholders. The DRD was enacted to reduce the perception of double taxation on income. The paying corporation's dividends are usually the product of the corporation's profit which is subject to corporate tax. Relief from possible double taxation is afforded corporations receiving a dividend through the DRD. The dividends paid by a REIT are not the product of income that has been subject to the corporate tax.

The proposed change would remove the tax benefit afforded corporations receiving dividends from REITs that is not consistent with the intent of the DRD provision. As a result, dividends received from a REIT would be treated in a manner consistent with the treatment provided under the Internal Revenue Code.

This change is effective for the taxable years ending after December 31, 2011. The department will notify the taxpayers and tax preparation community through the normal publications and internal tax return processing systems will be modified to reflect this change.

Key Goals and Measures

This recommended change is the result of the Department of Revenue strategy to "identify and recommend changes to align the revenue system with economic activity." The exclusion of dividends received from a REIT in calculating the DRD aligns the revenue system with current economic activities and helps the Department to be more cost-efficient in administering the corporate tax.

Statutory Change: Minn. Stat. § 290.21(c)

Program: Corporate Franchise Tax

Change Item: Clarify Research Credit Base Period Documentation

Fiscal Impact (\$000s)	FY 2012	FY 2013	FY 2014	FY 2015
General Fund				
Expenditures	0	0	0	0
Revenues	\$0	\$(200)	\$(200)	\$(200)
Other Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact	\$0	\$200	\$200	\$200

Recommendation

The Governor recommends modifying documentation requirements so that taxpayers may benefit from the current law research and development credit when limited base period documentation is available. The change will decrease general fund revenues by \$200,000 in FY 2012-13.

Rationale

Under current law, Minnesota businesses may earn a Research and Development Credit (R&D Credit) equal to 10% of the first \$2 million and 2.5% of the excess over \$2 million of qualifying research and development expenses in Minnesota. Qualifying expenses are calculated relative to a base amount. Some taxpayers lack documentation on R&D spending in the base years of 1984-1988. Without this information, no base year percentage can be computed and no R & D tax credit can be computed. Establishing such documentation would be burdensome for the businesses and difficult to audit and verify for the state.

The recommendation allows the taxpayer to use a base year percentage of 16% when the taxpayer no longer has documentation for 1984 through 1988. Taxpayers that identify that they may be allowed the credit may no longer have documentation from 1984 through 1988.

- The credit provision currently requires that 1984 through 1988 base period documentation must be provided to establish the base year percentage. The maximum base year percentage by statute is 16 %. It is to the benefit of the taxpayer to have the lowest base year percentage. Allowing the maximum base year percentage affords taxpayers the credit when the documentation is no longer available.
- Taxpayers will be allowed the credit when documentation of old years is no longer available.

This change is effective for taxable years ending after December 31, 2010. The department will notify the taxpayers and tax preparation community through the normal publications and internal tax return processing systems will be modified to reflect this change.

Key Goals and Measures

The Goal of Minnesota Milestones 2010 Indicator 30: Price of Government is that "Government in Minnesota will be cost-efficient, and services will be designed to meet the needs of the people who use them." By affording this documentation relief taxpayers are afforded the credit while reducing their documentation requirements.

This recommended change is the result of the Department of Revenue strategy to "identify and recommend changes to align the revenue system with economic activity." It is not economically for taxpayers to retain old year documentation. This provision aligns the credit provisions with economic reality allowing additional taxpayers to avail themselves to the tax benefits of the credit.

Statutory Change: Minn. Stat. § 290.068, Subd 2

Program: Corporate Franchise Tax

Change Item: Adoption of Economic Substance Test

Fiscal Impact (\$000s)	FY 2012	FY 2013	FY 2014	FY 2015
General Fund				
Expenditures	0	0	0	0
Revenues	\$100	\$300	\$700	\$1,000
Other Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact	\$(100)	\$(300)	\$(700)	\$(1,000)

Recommendation

The Governor recommends adopting statutory language requiring that business transactions meet an economic substance test to be allowed in determining Minnesota taxable income in conformance with federal case law. This tax policy change will have a modest revenue gain of \$400,000 in FY 2012-13 but will foreclose the opportunity for businesses to structure themselves solely to avoid taxes.

Rationale

Unlike most states, Minnesota has not adopted an economic substance test. Such a provision requires that transactions have an objective and appreciable net effect on the taxpayer's economic position apart from tax effects. Adoption of this provision is not anticipated to affect businesses other than circumstances in which a business is structuring itself simply to avoid taxes.

Currently, the tax laws have been administered with the understanding the national case law requiring economic substance was required to allow transactions that affect Minnesota taxable income. However, the Minnesota Supreme Court recently held in *HMN Financial, Inc.* that the Minnesota Commissioner of Revenue does not have the authority to attribute income and assess taxes to a business on the grounds that the business structured itself to comply with the relevant tax statutes and was motivated to do so solely by tax avoidance.

The proposed change will apply the standards held in federal case law, which are a well understood and accepted standard for establishing economic substance of business structures and transactions, to all transactions that affect Minnesota taxable income. While the federal case law has been codified in federal law, the recent Minnesota Supreme Court decision in *HMN Financial, Inc.* demonstrates the importance of adopting an economic substance standard that will apply to transactions only affecting the determination of Minnesota income.

This change will be effective for taxable years ending after December 31, 2010. The department will notify the taxpayers and tax preparation community through the normal publications.

Key Goals and Measures

The Goal of Minnesota Milestones 2010 Indicator 30: Price of Government is that "Government in Minnesota will be cost-efficient, and services will be designed to meet the needs of the people who use them." By enacting the economic substance provision taxpayers will avoid schemes designed solely to reduce their tax liability which will allow tax administration resources to be available for identifying and insuring compliance in the other aspects of the corporate tax law.

Statutory Change: Minn. Stat. § 270C.01; 270C.03; 270C.33, Subd. 6; 289A.122; and 289A.60 (if an accompanying civil penalty is enacted)

Program: Individual Income Tax & Corporate Franchise Tax
Change Item: Federal Conformity

Fiscal Impact (\$000s)	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015
General Fund					
Expenditures	0	0	0	0	0
Revenues—Income Tax	\$(16,815)	\$(37,415)	\$(18,610)	\$7,095	\$(8,305)
Revenues—Corporate Tax	(6,425)	13,650	24,110	5,440	(20,510)
Other Fund					
Expenditures	0	0	0	0	0
Revenues	0	0	0	0	0
Net Fiscal Impact	\$23,240	\$23,765	\$(5,500)	\$(12,535)	\$28,815

Recommendation

The Governor recommends conforming Minnesota's income tax law to most federal changes made after March 18, 2010. The changes proposed by the Governor will reduce general fund revenues by \$23.2 million in FY 2011 and by \$18.3 million in FY 2012-13, or a total of \$41.5 million for the three years. The proposed changes affect both individual income and corporate tax filers, including many provisions relevant to tax year 2010.

Rationale

Federal taxable income is the starting point for determining Minnesota taxable income and both Minnesota's individual income tax and corporate franchise tax use federal tax definitions. While full conformity generally promotes tax system transparency and simplicity for taxpayers, partial conformity has sometimes been pursued when budget constraints or state-federal tax policy differences exist and workable alternatives can be found. For example, in recent years Minnesota has not fully conformed to federal changes related to Section 179 expensing and bonus depreciation deduction provisions.

The Governor proposes to conform to almost all provisions in four federal bills: the Patient Protection and Affordability Care Act of 2010 (P.L. 111-148, enacted March 2010); the Health Care and Education Reconciliation Act of 2010 (P.L. 111-152, enacted March 2010); the Small Business Jobs Act of 2010 (P.L. 111-240, enacted September 2010), and the Tax Relief, Unemployment Insurance Reauthorization, and Job Creation Act of 2010 (P.L. 111-312, enacted December 2010).

Fiscal Impact (\$000s)	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015
Income Tax					
Health Care Bills	(2,280)	(4,110)	(4,260)	3,840	2,940
Small Business Jobs Act	(230)	6,450	3,630	(2,795)	(5,780)
Tax Relief, UI, Job Creation	<u>(14,305)</u>	<u>(39,755)</u>	<u>(17,980)</u>	<u>6,050</u>	<u>(5,465)</u>
Income Tax Total	(16,815)	(37,415)	(18,610)	7,095	(8,305)
Corporate Tax					
Small Business Jobs Act	(1,225)	11,800	3,100	(4,700)	(8,200)
Tax Relief, UI, Job Creation	<u>(5,200)</u>	<u>1,850</u>	<u>21,010</u>	<u>10,140</u>	<u>(12,310)</u>
Corporate Tax Total	(6,425)	13,650	24,110	5,440	(20,510)
Net Fiscal Impact	23,240	23,765	(5,500)	(12,535)	28,815

The Governor proposes not to conform to the federal changes listed below:

- increased Section 179 expensing and bonus depreciation, which the Governor proposes be treated as in past years (80 percent add-back with that amount subtracted over the following 5 years);
- the additional standard deduction for married filers;
- the limit on itemized deductions and phase-out of personal exemptions; and
- the exception under Subpart F for active financing.

Program: Individual Income Tax & Corporate Franchise Tax

Change Item: Federal Conformity

The provisions for which the Governor does propose conforming to federal provisions include the following:

- deduction for tuition and expenses;
- deduction for K-12 educator classroom expenses (up to \$250);
- Working Family Credit, increase the phase-out range for married filers by \$5000.
- Dependent Care Credit, increase eligible amounts and credit rates;
- exclusion of employer-provided education assistance;
- tax-free IRA distributions to charities (individuals age 70 ½ and over);
- enhanced charitable deduction for food, books, and computers donated from business inventories;
- deduction for mortgage insurance premiums; and
- exclusion of employer-provided insurance for children up to age 26.

Key Goals and Measures

Federal conformity will simplify income tax filing, eliminate the need for businesses to keep two sets of books for tax purposes (one for federal tax and one for Minnesota tax), and provide benefits to many Minnesota residents. Conforming to the remaining provisions is either too costly (additional standard deduction for married couples, adoption of federal Section 179 expensing limits) or would benefit only a limited number of high-income Minnesotans (repeal of limit on itemized deductions and phase-out of personal exemptions).

Statutory Change: Amends Minn. Stat. § 289A.02, 290.01, subds. 19, 19a, 19c, 19d, and 31 and 290A.03.

Program: Sales and Use Tax
Change Item: Affiliate Nexus

Fiscal Impact (\$000s)	FY 2012	FY 2013	FY 2014	FY 2015
General Fund				
Expenditures	0	0	0	0
Revenues	\$4,800	\$5,750	\$6,320	\$6,960
Other Fund				
Expenditures	0	0	0	0
Revenues - Legacy Funds	280	330	370	400
Net Fiscal Impact	\$(5,080)	\$(6,080)	\$(6,690)	\$(7,360)

Recommendation

The Governor proposes amending statutes for sales tax nexus to create a rebuttable presumption that a retailer maintains a place of business in the state if they enter into an agreement with a solicitor for the referral of Minnesota customers for a fee and the retailer's gross receipts are at least \$10,000 over a 12-month period. The proposal will result in an additional \$10.6 million of sales tax collections in FY 2012-13 on the sale of products that are already subject to the sales and use tax.

Rationale

The proposed change will promote fairness and compliance with the sales and use tax by clarifying the expectation that remote sellers of taxable products to Minnesota purchasers should collect and remit taxes as do storefront retailers selling the same products.

Under current law, taxable purchases for use and consumption in Minnesota are already subject to sales and use tax. However, it is difficult to collect the tax on purchases made from remote sellers who are not required to collect the tax for Minnesota because they do not have a physical presence in Minnesota. Many of these remote sellers sell their products over the Internet. This change would require remote sellers who sell to Minnesota purchasers that are referred under an agreement by a business that has nexus (physical presence) in Minnesota to collect the sales and use tax on those purchases. This situation typically occurs when a purchaser goes to a Minnesota seller's web-site and then is directed to a remote seller's web-site to purchase products.

Several states have taken steps to ensure the collectability of tax by remote sellers in recent years and more states are considering such action in current legislative sessions. The current proposal is similar to the approach adopted by the state of New York a few years ago.

Effective for sales and purchases made after June 30, 2011.

Key Goals and Measures

This change would create fairness by leveling the playing field between brick and mortar businesses located within Minnesota and out-of-state sellers who do not have a physical presence in Minnesota. This change would also reduce the burden on purchasers to file Individual Use Tax returns to remit their use tax on their purchases.

Statutory Change: Minn. Stat. § 297A.66 is amended by adding a subdivision.

Program: Sales and Use tax
Change Item: Exempt Ring Tones

Fiscal Impact (\$000s)	FY 2012	FY 2013	FY 2014	FY 2015
General Fund				
Expenditures	0	0	0	0
Revenues	\$(200)	\$(210)	\$(200)	\$(190)
Other Fund				
Expenditures	0	0	0	0
Revenues -- Legacy fund	(10)	(12)	(10)	(10)
Net Fiscal Impact	\$210	\$222	\$210	\$200

Recommendation

The Governor recommends repeal of the sales and use tax on ring tones to maintain Minnesota's compliance with the Streamlined Sales and Use Tax Agreement (SSUTA). The change will result in a general fund revenue loss of \$410,000 in FY 2012-13.

Rationale

Under current law, ring tones are a taxable service but downloads of other digital audio works are not. In order to be in compliance with the Streamlined Sales and Use Tax Agreement, Minnesota's statutes need to be amended to either impose the sales tax on all digital audio works (which includes ring tones) or repeal the tax on ring tones.

Effective July 1, 2011.

Key Goals and Measures

This would put Minnesota into compliance with the Streamlined Sales and Use Tax Agreement.

Statutory Change – Amends Minn. Stat. § 297A.61, subd. 3.

Program: Sales and Use Tax**Change Item: Parallel Taxation of Direct Satellite Services**

Fiscal Impact (\$000s)	FY 2012	FY 2013	FY 2014	FY 2015
General Fund				
Expenditures	0	0	0	0
Revenues	\$1,070	\$1,240	\$1,310	\$1,390
Other Fund				
Expenditures	0	0	0	0
Revenues-Legacy Funds	60	70	75	80
Net Fiscal Impact	\$(1,130)	\$(1,310)	\$(1,385)	\$(1,470)

Recommendation

The Governor recommends expanding the definition of “direct satellite service” to include digital video recorder (DVR) services and programming services requiring subscriber interaction, such as pay-per-view. Those services are already taxable when provided by a cable TV provider. The proposal will increase general fund revenue by \$2.3 million in FY 2012-13.

Rationale

As the economy and technology continue to evolve, statutory definitions related to the applicability of the sales tax often need to be adjusted to keep pace and to ensure a level playing field with taxation of similar products and services.

Under current law, DVR services and programming services are taxable when sold by a cable TV service provider but are not taxable when sold by a direct satellite service provider. The proposal would treat similar services equally by having the sales tax apply to all DVR and programming services, whether they are sold by a cable TV or direct satellite provider.

Effective July 1, 2011.

Key Goals and Measures

This promotes fairness and creates ease of administration. This is an instance where the law has not kept up with technology.

Statutory Change – Amends Minn. Stat. § 297A.61, subds. 25 and 27.

Program: Sales and Use Tax
Change Item: On-line Lodging Reservations

Fiscal Impact (\$000s)	FY 2012	FY 2013	FY 2014	FY 2015
General Fund				
Expenditures	0	0	0	0
Revenues	\$4,000	\$4,550	\$4,700	\$4,800
Other Fund				
Expenditures	0	0	0	0
Revenues – Legacy Funds	200	250	300	300
Net Fiscal Impact	\$(4,200)	\$(4,800)	\$(5,000)	\$(5,100)

Recommendation

The Governor recommends clarifying statutes to confirm the original intent of the sales tax on lodging and related services that the tax is applicable to the full price and charges paid by the consumer for the occupancy, including any reservation or similar ancillary services that are part of the transaction. The clarification will increase General Fund collections by \$8.6 million in FY 2012-13 from transactions already presumed to be taxable by consumers.

Rationale

The proposed statutory clarification ensures the collectability of sales tax on lodging services that have been taxable in the past remain taxable despite changes in industry business models.

Historically, when an individual made a reservation for lodging services through an intermediary such as a travel agent, the individual paid nothing to the travel agent. Instead, the consumer paid the hotel for the full amount of lodging services plus sales tax and the hotel then paid the travel agent a percentage of the amount collected from the consumer for lodging services after the individual checked out of the hotel. With changes in travel industry business models, consumers often make hotel reservations through agents and pay the agents for the lodging services at the time of reservation. Agents then pay the hotel for the accommodations based on agreements between the agent and the hotel. Typically the amount paid to the hotel is net of a fee retained by the agent that is similar to fee the hotel would have paid to the agent under the former business model, as well as possible discounts the agent may get for purchasing blocks of rooms from the hotel. Currently, intermediaries are not charging tax on this additional fee so the consumer pays less tax if they reserve a room through an intermediary as compared to the amount of tax that would be paid if the consumer made the reservation directly with the hotel even though in both situations the price of the room is the same. This change would make the tax the same in both situations.

Statutes will be clarified to define any person or entity, other than an accommodations provider (i.e., other than the hotel), that facilitates the sale of lodging as defined in section 297A.61, subdivision 3, paragraph (g), clause (2), and that charges a room charge to the customer as an “accommodations intermediary.” Accommodations intermediaries will be required to collect and remit sales tax on the full amount charged for lodging services. The term “facilitates the sale” includes brokering, coordinating, or in any way arranging for the purchase of or the right to use accommodations by a customer.

Effective day is day after final enactment.

Key Goals and Measures

To create fairness by leveling the playing field between hotels and accommodations providers who sell the same product and to reduce erosion of the sales and use tax base.

Statutory Change: Amends Minn. Stat. § 297A.61 and creates new statutory language.

Program: Sales and Use Tax
Change Item: Event Admissions

Fiscal Impact (\$000s)	FY 2012	FY 2013	FY 2014	FY 2015
General Fund				
Expenditures	0	0	0	0
Revenues	\$3,400	\$3,500	\$3,600	\$3,700
Other Fund				
Expenditures	0	0	0	0
Revenues-Legacy Fund	200	200	210	210
Net Fiscal Impact	\$(3,600)	\$(3,700)	\$(3,810)	\$(3,910)

Recommendation

The Governor recommends that the sales and use tax be imposed on admissions to suite rentals at stadiums and to admissions to exhibitions and selling events. The change will increase general fund sales tax collections by \$6.9 million in FY 2012-13.

Rationale

Under current law, admission charges to any places of amusement or athletic events such as admissions to musical concerts, dances, motion picture theaters or theaters presenting stage shows and plays, and admissions to golf courses, tennis courts, skating rinks, swimming pools, and to state, county and other fairs are taxable, but admissions to other events and venues are not taxed. This proposal would modify the definition of taxable admissions to include admissions to home and garden, boat, auto, and similar shows, and on rental of box seats and suites at stadiums.

While current law statutes could be interpreted to allow for the imposition of sales tax on the rental of box seats and suites at stadiums, Minnesota currently treats these facilities as exempt rental of real property rather than as admissions.

By including admissions to rental of box seats and suites at stadiums as well as other venues, such as admissions to product event shows at convention centers, the playing field will be leveled between consumption of these admissions and admissions that are already being taxed under current law.

Effective July 1, 2011.

Key Goals and Measures

This would provide consistency and support ease of administration.

Statutory Change – Amends Minn. Stat. § 297A.61, subd. 3 (g)(1).

Program: Sales and Use Tax**Change Item: Parallel Taxation of Remote Access Software**

Fiscal Impact (\$000s)	FY 2012	FY 2013	FY 2014	FY 2015
General Fund				
Expenditures	0	0	0	0
Revenues	\$1,400	\$2,000	\$2,500	\$3,100
Other Fund				
Expenditures	0	0	0	0
Revenues-Legacy Funds	80	110	140	180
Net Fiscal Impact	\$(1,480)	\$(2,110)	\$(2,640)	\$(3,280)

Recommendation

The Governor recommends that the sales tax apply to charges for the access and use of remote access (web-based) software maintained by the seller or a third-party. Remote access models may also be known as “software as a service” (SaaS), application service provider (ASP), or cloud computing. The sales tax already applies to other software purchases or leases. The provision will increase general fund revenues by \$3.4 million in FY 2012-13.

Rationale

As the economy and technology continue to evolve, statutory definitions related to the applicability of the sales tax often need to be adjusted to keep pace and to ensure a level playing field with taxation of similar products and services. This modification will ensure that the purchase or rental of computer services that are hosted remotely will be subject to sales tax the same as would be the case if a customer purchased computer equipment or purchased software for installation on a computer.

Under current law, the sales and use tax applies to charges for a license to use prewritten computer software but does not apply to the access charges for the use of similar software if provided by the seller because the customer does not have title to or control over the prewritten computer software they are using. Minnesota Rule 8130.0500 states that the making available of a computer on a time-share basis for use by customers securing access by remote facilities is a nontaxable service, not the granting of a “license to use” which is taxable. Also, Minnesota Rule 8130.9700 states that the use of equipment on a time-sharing basis, where access to the equipment is only by means of remote access facilities, is not a taxable leasing of such equipment. This makes the applicability of the sales tax more fair by leveling the playing field by making the time-sharing of hardware and the time-sharing of software the same for tax purposes. This proposal would tax the use of prewritten computer software as a license to use prewritten computer software and the use of computer equipment by remote access as a taxable lease of tangible personal property.

Effective July 1, 2011.

Key Goals and Measures

This would provide clarification and consistency and promote ease of administration.

Statutory Change – Amends Minn. Stat. § 297A.61, subd. 3 (f); repeals Minn. Rules 8130.0500, subp. 2; and deletes a portion of Minn. Rules part 8130.9700, subp. 3, item B.

Program: Sales and Use Tax
Change Item: Sourcing Rules for Florist Sales

Fiscal Impact (\$000s)	FY 2012	FY 2013	FY 2014	FY 2015
General Fund				
Expenditures	0	0	0	0
Revenues	\$47	\$53	\$54	\$55
Other Fund				
Expenditures	0	0	0	0
Revenues -- Legacy fund	3	3	3	3
Net Fiscal Impact	\$(50)	\$(56)	\$(57)	\$(58)

Recommendation

The Governor recommends a change to the sourcing rules for florist sales. This change is neutral for most sellers and consumers but will result in a modest revenue increase of \$100,000 in FY 2012-13.

Rationale

The proposed change will make application of the sales tax more consistent for all floral sales and simplify tax administration for businesses and tax administrators. Allowing multiple sourcing options for florists creates inconsistencies and confusion for both taxpayers and auditors which would be resolved by requiring telefloral orders to be sourced to the location of the florist (origin-based sourcing) consistent with Minnesota Rule 8130.8900.

The sale of florist products and services includes floral sales that originate within the state for customers that may be located either in or out of Minnesota, as well as sales that originate outside the state for delivery in Minnesota, such as telefloral orders. Since adopting the Streamlined Sales and Use Tax Agreement (SSUTA) sourcing rules, the state has administratively allowed florists two options: (1) use destination-based sourcing for telefloral orders (i.e., tax according to where the order is sent), which follows sourcing rules under M.S. 297A.668, subd. 2, or (2) use origin-based sourcing (i.e., tax according to the location of the florist), which follows the sourcing rules in Minnesota Rule 8130.8900.

While the SSUTA initially had a delayed effective date for requiring destination-based sourcing on telefloral sales, the Streamlined Sales Tax Governing Board eventually adopted an amendment which would allow states to continue to tax telefloral sales using the origin-based sourcing rules the industry had negotiated with all 50 states. All other member SSUTA states have chosen to use origin-based sourcing for telefloral orders, which is consistent with their past practice and with Minnesota Rule 8130.8900. The proposal would amend statutes to require origin-based sourcing for Minnesota.

Most florists already use origin-based sourcing but florists that have chosen to use destination-based sourcing would be required to change their procedures.

Effective July 1, 2011.

Key Goals and Measures

The change affirms Minnesota's approach to taxing florist sales consistent with SSUTA, provides clarification and consistency, and creates ease of administration.

Statutory Change — Amend Minn. Stat. § 297A.668, adding a new subdivision.

Agency: Tax Policy, Tax Aids and Credits

Program: Estate Tax

Change Item: Pass-through entity (Non-residents)

Fiscal Impact (\$000s)	FY 2012	FY 2013	FY 2014	FY 2015
General Fund				
Expenditures	0	0	0	0
Revenues	\$5,400	\$7,600	\$7,900	\$8,300
Other Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact	\$(5,400)	\$(7,600)	\$(7,900)	\$(8,300)

Recommendation

The Governor recommends that real and tangible personal property located in Minnesota and held by a nonresident decedent in a pass-through entity (partnership, S corporation, limited liability company, or trust) be part of the Minnesota taxable estate for estate tax purposes. The change will increase general fund revenue \$13.0 million in FY 2012-13.

Rationale

Under current law, ownership interests in a pass-through entity are treated as intangible assets and are assigned to a decedent's domicile at death. Real and tangible personal property located in Minnesota is assigned to Minnesota. As a result, while real or tangible personal property located in Minnesota and owned outright by a nonresident decedent is assigned to Minnesota for estate tax purposes, the value of that same property is not assigned to Minnesota for estate tax purposes if it is held in a pass-through entity.

The Governor recommends expanding the nexus rules under the estate tax so that real and tangible personal property located in Minnesota is assigned to Minnesota when it is owned outright by a nonresident decedent and when it is held in a pass-through entity. This change will ensure equitable tax treatment for real and tangible personal property.

Key Goals and Measures

Ensure the revenue system works well for Minnesota and similarly situated taxpayers are taxed the same.

Statutory Change: Minn. Stat. § 291.005, subd. 1.

Program: Sales and Use Tax and Motor Vehicle Sales Tax
Change Item: Exemption of Emergency Response Vehicles

Fiscal Impact (\$000s)	FY 2012	FY 2013	FY 2014	FY 2015
General Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Other Fund				
Expenditures	0	0	0	0
Revenues – Highway User				
Distribution and Transit Assistance Funds	\$(15)	\$(15)	\$(15)	\$(15)
Net Fiscal Impact	\$15	\$15	\$15	\$15

Recommendation

As proposed by the Governor, the purchase of emergency response vehicles by an ambulance service will be exempt from the motor vehicle sales tax and the lease of this type of vehicle will also be exempt from the sales and use tax. A modest revenue loss is anticipated for the Transit Assistance and HUTD Funds.

Rationale

Current law exempts the purchase of ambulances owned by a licensed ambulance service from the sales tax on motor vehicles, and leases for ambulances are exempt from the general sales and use tax. Ambulances also have an exemption from the sales and use tax for their repair and replacement parts and their medical supplies and equipment, and they are exempt from the motor vehicle registration tax.

In 2008, emergency response vehicles owned by a licensed ambulance service were exempted from the motor vehicle registration tax and the repair and replacement parts for these vehicles were exempted from the sales and use tax. Under the proposal, M.S. 297B.03 will specify that emergency response vehicles, that are equipped and specifically intended for emergency response, purchased by a licensed ambulance service are exempt from the motor vehicle sales tax. In addition, M.S. 297A.70, subd. 6, will specify that the lease of this type of vehicle will also be exempt from the sales and use tax.

- In recent years, there have been approximately 275 municipal and private ambulance services in Minnesota, with 750 ambulances owned by these ambulance services. Most ambulance services have only one or two vehicles. There are 13 services with eight or more ambulances and 32 services that have four or more vehicles.
- Based on information from the Emergency Medical Services Regulatory Board (EMSRB), about 10% of ambulance services would have a vehicle affected by the proposal.

Effective for sales and purchases made after June 30, 2011 for the exemption from the sales and use tax on leased vehicles. The exemption from the motor vehicle sales tax is effective day following final enactment.

Key Goals and Measures

This change would provide clarification and consistency, and create ease of administration by correcting an oversight.

Statutory Change: Amends Minn. Stat. § 297A.70, subd. 6 and 297B.03.

Program: State Residential Property Tax**Change Item: Residential Tax on Homes Valued Over \$1 Million**

Fiscal Impact (\$000s)	FY 2012	FY 2013	FY 2014	FY 2015
General Fund				
Expenditures	0	0	0	0
Revenues – Property Tax	\$27,945	\$56,293	\$57,249	\$58,467
Revenues – Income Tax	0	(3,893)	(4,106)	(3,669)
Other Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact	\$(27,945)	\$(52,401)	\$(53,144)	\$(54,798)

Recommendation

The Governor recommends implementing a statewide tax on residential single-unit property valued over \$1,000,000. The tax would only apply to the incremental value over \$1,000,000 and will generate \$80.3 million for FY 2012-13. The FY 2012 revenue from this recommendation is approximately half of what would be generated in subsequent years because only the first of the two 2012 tax payments will occur within the state's 2012 fiscal year.

Rationale

The proposal will reduce the overall regressivity of the property tax by applying the new tax only to value in excess of \$1,000,000; owners of these extremely high valued homes typically have the greatest ability-to-pay. The general fund revenues resulting from this tax will reduce the state structural budget deficit and support essential general fund programs.

The Governor's proposal will create a new state property tax levied against the incremental value above \$1,000,000 of single-unit residential properties, including residential and agricultural homesteads, non-homesteaded residential and seasonal recreational properties. An estimated 9,400 properties will pay an average of \$6,000 more in property taxes annually. A property valued at \$1,100,000 would pay an estimated \$1,050 in additional tax while a \$3,000,000 home would pay an additional \$21,000 in tax.

The median income of the affected homesteaders is estimated to be over \$440,000. It is estimated that 85 percent of affected non-agricultural homesteaders have annual incomes in excess of \$100,000.

To ensure that seasonal recreational property value over \$1,000,000 is not subject to both this new statewide levy and the current law statewide levy on seasonal recreational property, the value of seasonal recreational property over \$1,000,000 will be exempted from the existing state property tax. The state levy on seasonal recreational property will be reduced by a proportionate amount to the reduction in the tax base so that additional levy is not shifted onto other seasonal recreational property owners.

	FY 2012	FY 2013	FY 2014	FY 2015
New State Residential Property Tax	28,475	57,361	58,335	59,576
Reduction in existing State Property Tax on Seasonal Recreational Property	(530)	(1,068)	(1,086)	(1,109)

Program: State Residential Property Tax
Change Item: Residential Tax on Homes Valued Over \$1 Million

Income Tax Interactions	0	(3,893)	(4,106)	(3,669)
Net Change	27,945	52,400	53,143	54,798

The Governor's proposal increases property taxes on residential property over \$1,000,000 in value. These taxes will increase itemized deductions, reducing income tax receipts an estimated \$3.9 million in FY2013. The new tax also increases the eligible amount of property tax refunds for affected homesteads. The property tax refund impact is estimated to be negligible because most affected homesteaders who are income-eligible are projected to already receive the maximum allowable refund.

Key Goals and Measures

The Department of Revenue's Tax Incidence Study demonstrates that the property tax is a regressive tax. That is, people with higher incomes pay a smaller share of their income in property taxes than people with lower incomes. The Governor's proposal, by increasing taxes on the highest-valued residential properties, will make Minnesota's property tax system less regressive.

Statutory Change: Amends Minn. Stat. § 275.025; 290A.04, subd. 2h; and establishes a new section 275.026

Program: Special Taxes**Change Item: Increase Cigarette and Tobacco License Fees**

Fiscal Impact (\$000s)	FY 2012	FY 2013	FY 2014	FY 2015
General Fund				
Expenditures	0	0	0	0
Revenues	\$40	\$5	\$40	\$5
Other Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact	\$(40)	\$(5)	\$(40)	\$(5)

Recommendation

The Governor recommends adjusting the license fees for tobacco products distributors to \$300 every two years, which would be equal to cigarette distributors, and increasing the license fee for cigarette and tobacco subjobbers to \$150 every two years.

Rationale

Under current law, the license fee for a two-year distributor license is \$300 for cigarette distributors, and \$75 for tobacco products distributors. The proposal would make the tobacco license fees equal to those for cigarettes. In addition, the low fee for the tobacco distributor license frustrates compliance efforts as individuals are increasingly likely to buy the license and use it to purchase untaxed products from an out-of-state distributor and then sell the untaxed tobacco products in state.

A subjobber is someone who purchases taxed products from a wholesaler not for retail sales but for wholesale distribution to retailers. The taxes have already been paid by the distributor and do not need to be paid by the subjobber but the subjobber needs to be licensed. Subjobber license fees are \$24 for a cigarette subjobber and \$20 for a tobacco subjobber. The proposal would increase the license fee to \$150 for a two-year period.

License fees were last raised in the 1989. At that time, the cigarette distributor fee was raised from \$150 to \$300; the tobacco products distributor fee was increased from \$37.50 to \$75; the cigarette subjobber fee was increased from \$12 to \$24; and the tobacco products subjobber fee was increased from \$10 to \$20.

The effective implementation date would be for license applications received after June 30, 2011.

Key Goals and Measures

The fee increases will make the tobacco distributor and the subjobber licenses more equivalent to the cigarette distributor license fee. While these fee revenues are deposited into the general fund, the higher fee levels will be more commensurate with the staff costs incurred to research applicants, issue licenses, and monitor the regulated activities. The fee changes are also anticipated to discourage the illegal sale of untaxed cigarette and tobacco products.

Statutory Change: Minn. Stat. § 297F.03, subds. 5 & 6

Program: Special Taxes**Change Item: Repeal Credit for Cigarette and Tobacco Bad Debts**

Fiscal Impact (\$000s)	FY 2012	FY 2013	FY 2014	FY 2015
General Fund				
Expenditures	0	0	0	0
Revenues	\$20	\$85	\$85	\$85
Health Impact Fund				
Expenditures	0	0	0	0
Revenues	20	75	75	75
Net Fiscal Impact	\$(40)	\$(160)	\$(160)	\$(160)

Recommendation

The Governor recommends repeal of the Minnesota statute that allows a tax credit against the excise tax on cigarette and tobacco products for unpaid debts owed to distributors by retailers and considered bad debt under Section 166(a) of the Internal Revenue Code. The proposal is estimated to increase general fund resources by \$200,000 in FY 2012-13, including health impact fee revenues that are transferred to the general fund.

Rationale

The credit for bad debt shifts a cost of business onto the tax system that would be more appropriately born by cigarette distributors the same as bad debts incurred by all other businesses. Under current law, if a cigarette and tobacco distributor grants credit to a retailer of cigarette and tobacco products, and the retailer fails to pay the distributor, the distributor may deduct that loss as an expense under the federal tax code if the bad debt meets the definition of Section 166(a) of the IRC. State law then allows a credit for those bad debts against the cigarette and tobacco taxes collected from distributor. The proposed change would eliminate this benefit and place distributors of cigarette and tobacco products on par with other businesses. Like other businesses, distributors would continue to benefit from the relevant federal income tax treatment for bad debts.

The bad debt claims averaged \$127,000 for CY2003 to CY2005, prior to the Health Impact Fee. Since FY2006, in addition to the cigarette and tobacco taxes, offsets are now provided for the health impact fees and additional cigarette stamp related charges, including sales tax on cigarettes. While the total taxes and fees show some annual variability, such as with occasional business failures, it is estimated that repeal of the bad debt credit will increase monies retained by \$160,000 on an ongoing basis.

The effective implementation date would be for bad debts arising on or after July 1, 2011.

Key Goals and Measures

The proposal would simplify tax administration and allow the recognition of bad debts as business expense to be aligned with the income tax system rather than the excise tax on cigarette and tobacco products.

Statutory Change: Minn. Stat. § 297F.14, subd. 4

Program: Special Taxes
Change Item: Surplus Lines - Equalize Rates

Preliminary Budget Option

Fiscal Impact (\$000s)	FY 2012	FY 2013	FY 2014	FY 2015
General Fund				
Expenditures	0	0	0	0
Revenues	\$90	\$200	\$200	\$200
Other Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact	\$(90)	\$(200)	\$(200)	\$(200)

Recommendation

The Governor recommends increasing the tax rate for nonadmitted insurance purchased directly by an insured from 2 percent to 3 percent of the premium paid to be consistent with the 3 percent rate applied under current law when such insurance is purchased through a surplus lines agent. The change will increase general fund revenues by \$290,000 in FY 2012-13.

Rationale

Surplus lines insurance may be purchased through the use of a surplus lines agent or it may be purchased directly by the insured. Surplus lines include unusual or higher risk insurance that is not offered for sale by Minnesota licensed insurers. Under current law, the purchase of surplus lines insurance purchased through a surplus lines agent is subject to a 3% gross premium tax while an identical nonadmitted insurance policy purchased directly from an insurer is subject to a 2% gross premiums tax. Currently, the state collects \$400,000 of tax on independently procured insurance so an increase in the rate will gain an additional \$200,000 of annual revenue.

The change will be effective for premiums collected after July 21, 2011.

Key Goals and Measures

This recommended change furthers the Governor's objectives for a fairer tax system by ensuring that purchasers of nonadmitted insurance are taxed the same regardless of from whom the insurance is purchased.

Statutory Change: Minn. Stat. § 297I, subs. 9 and 10

Program: Special Taxes
Change Item: Nonadmitted Insurance Reform

Fiscal Impact (\$000s)	FY 2012	FY 2013	FY 2014	FY 2015
General Fund				
Expenditures	0	0	0	0
Revenues	\$400	\$900	\$400	\$900
Other Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact	\$(400)	\$(900)	\$(400)	\$(900)

Recommendation

The Governor recommends conforming to the federal provisions of the Nonadmitted and Reinsurance Reform Act of 2010 (NRRA). These conforming changes would increase revenues by \$1.3 million in FY 2012-13.

Rationale

Prior to recent federal law changes the insurance premiums paid by companies or others for nonadmitted insurance were spread across all states based on risk for the purposes of determined insurance premiums tax owed Minnesota. The NRRA changed that approach and provides for a tax on gross premiums paid by an insured person based on where insured person is domiciled, regardless of where the risk is located. The federal law is crafted to supersede state law and the proposed change amends Minnesota statutes to make them consistent with the federal provisions by providing that insurance premiums tax be paid in this state if the insured person is domiciled in Minnesota rather than being allocated according to the location of risk.

Under the NRRA the states will either:

- 1) establish uniform and consistent allocation and payment rules for surplus lines premium taxes under a compact or other agreement, or
- 2) The tax laws of the home state of the insured will apply to the entire transaction.

Minnesota will provide for the authority to tax 100% of the gross premium of a surplus lines policy for which Minnesota is the home state. Minnesota will consider a compact or other sharing agreement for multi-state policies in the future but it's imperative that we can begin taxing the entire premiums until such time in order to protect our revenue.

Key Goals and Measures

This recommended change promotes tax simplicity and transparency by aligning state and federal law in this area.

Statutory Change: Minn. Stat. § 297I.01, 297I.05, 297I.09, 297I.10, 297I.30.

Program: Special Taxes**Change Item: Eliminate Bottle Tax; Simplify Tax on Wine & Spirits**

Fiscal Impact (\$000s)	FY 2012	FY 2013	FY 2014	FY 2015
General Fund				
Expenditures	0	0	0	0
Revenues—repeal bottle tax	\$(840)	\$(940)	\$(970)	\$(1,000)
Revenues—adjust excise tax	830	930	950	970
Revenues—gross receipts tax	8	9	9	9
Revenues—sales tax	21	23	24	24
Other Fund				
Expenditures	0	0	0	0
Revenues—Legacy Funds	1	1	1	1
Net Fiscal Impact	\$(20)	\$(23)	\$(14)	\$(4)

Recommendation

The Governor recommends simplifying the tax system by eliminating the bottle tax and making a revenue neutral adjustment to the excise tax for wine and distilled spirits.

Rationale

In 1986 Minnesota adopted a bottle tax equal to \$0.01 per container to help offset the costs of administering a liquor stamping requirement. The stamping requirement as a means of regulating liquor has been repealed but the bottle tax remains; eliminating the bottle tax would allow for more efficient administration of liquor taxes. To offset the revenue loss from the elimination of the bottle tax, the excise tax on wine and distilled spirits would be increased by \$0.01 per liter. The change would not affect excise taxes for beer. While no changes are made in the gross receipts or sales tax, there are minor interaction effects with those taxes.

The effective implementation date would be for sales made after June 30, 2011.

Key Goals and Measures

The change will make state government more efficient by simplifying the taxation of wine and distilled spirits with by eliminating the bottle tax. The recommendation achieves tax simplification in a revenue neutral manner.

Statutory Change: Minn. Stat. § 297G.03, subd. 1; and 297G.03, subd. 4

EXPLORE MINNESOTA TOURISM

Change Item: 1%Car Rental Tax Increase Dedicated for Marketing

Item included in Explore MN Tourism Budget Area. Shown Here for Informational Purposes.

Fiscal Impact (\$000s)	FY 2012	FY 2013	FY 2014	FY 2015
General Fund				
Revenues	\$2,600	\$3,000	\$3,100	\$3,300
Transfer Out	2,600	3,000	3,100	3,300
Special Revenue Fund				
Transfer In	2,600	3,000	3,100	3,300
Expenditures	2,600	3,000	3,100	3,300
Net Fiscal Impact	\$0	\$0	\$0	\$0

Recommendation

The Governor recommends a 1 percent increase in the tax on car rentals to be dedicated to Minnesota tourism marketing and promotion. A 1 percent tax increase is estimated to generate \$2.6 million or more per year to support statewide tourism marketing. The majority of Minnesota car rental revenues are captured at MSP airport, and beyond the MSP airport, most additional collections are within the metro area. The impact would be that most of the new tourism marketing revenue would come primarily from out of state visitors.

Rationale

Currently, Minnesota's tourism office budget ranks 28th nationally. Minnesota is ranked 22nd in traveler spending, 18th in travel generated employment, 14th in travel generated payroll and 9th in travel-generated tax receipts. Regional competitors including Wisconsin, South Dakota, Illinois, Michigan and Montana outspend Minnesota. To be competitive in generating out-of-state visitors, there is a need for increased funding for marketing and promotion. This strategy provides a direct link between travel-generated spending and funding for travel marketing. Funding generated will go directly into marketing and promotion programs and activities. The current advertising budget for Explore Minnesota is about \$3 million. An additional \$3 million annually would allow a significant increase in these efforts to reach both in-state and out-of-state markets.

Tourism contributes greatly to the Minnesota economy. The leisure and hospitality industry has \$11 billion in annual sales and employs more than 243,000 people (nearly 11% of total private sector employment). Almost \$700 million in sales taxes is collected on those sales, accounting for 17 percent of Minnesota's sales tax revenues.

The proposed effective date would be July 1, 2011. Adjustments would need to be made with the Department of Revenue due to programming, notification to rental companies, a change to printed materials and changes in accounting to track and report the tax. Operationally, many states and cities across the country impose relatively high taxes and fees on car rentals. Beyond this, additional taxes and fees are imposed at major airports across the country. In Minnesota, the majority of car rental revenues are captured at the MSP airport.

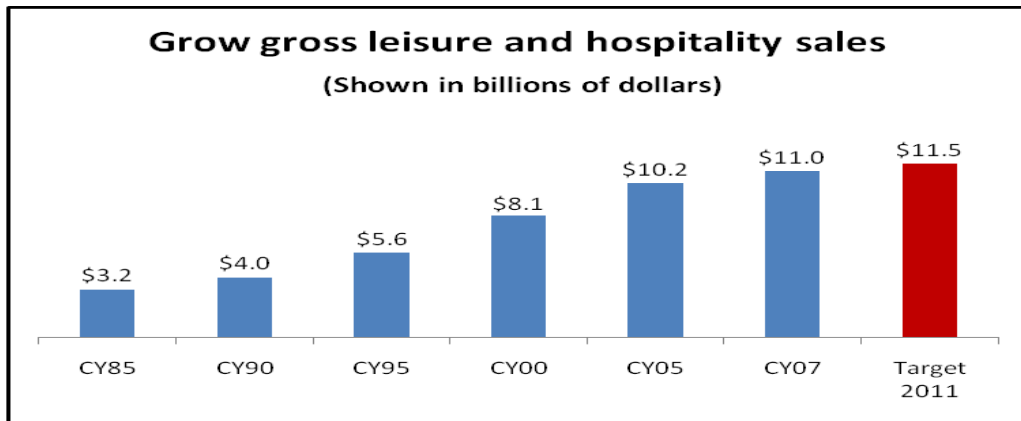
Key Goals and Measures

The agency's primary goals and measures are:

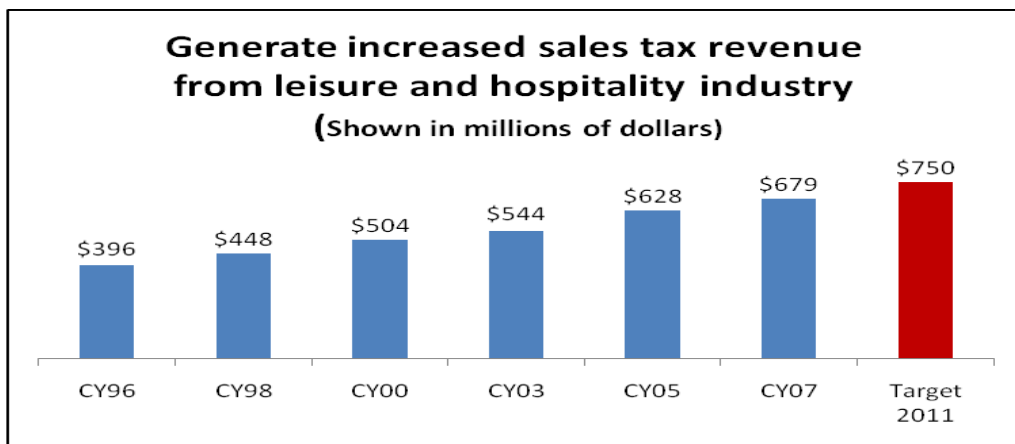
1. Increase the number of resident and nonresident travelers in the state.
Estimated # of travelers: 39 million
2. Grow gross receipts/sales in Minnesota.
Leisure & hospitality gross sales: 2008 - \$11.2 billion

EXPLORE MINNESOTA TOURISM

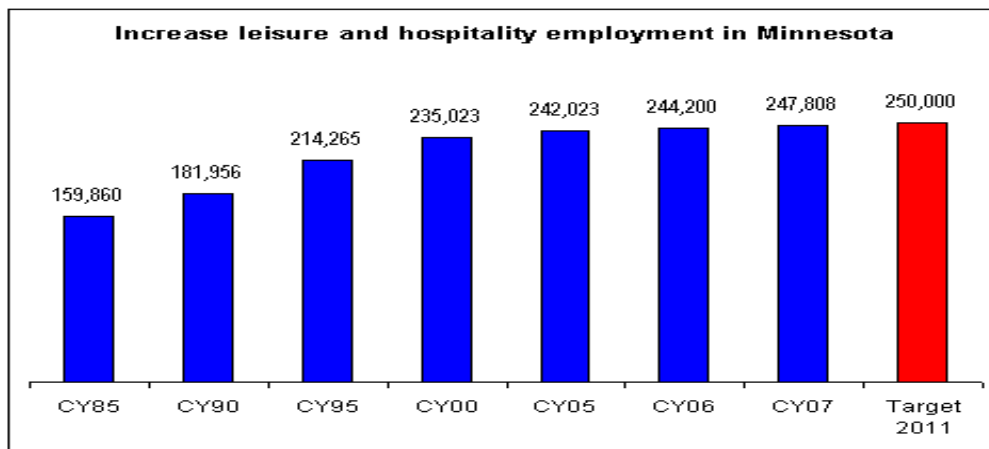
Change Item: 1%Car Rental Tax Increase Dedicated for Marketing



3. Generate increased state and local sales tax revenue.
Sales tax revenues from leisure & hospitality: 2008 - \$695 million



4. Increase leisure and hospitality employment in Minnesota.
Number of leisure & hospitality jobs: 2008 - 245,788
Wages: 2008 - \$4 billion



Statutory Change: M.S. 297A.64 Rental motor vehicle tax

HEALTH DEPT

Program: POLICY QUALITY & COMPLIANCE

Change Item: Eliminate the Direct Grants from MERC

Item included in Health Dept. Budget Area. Shown Here for Informational Purposes.

Fiscal Impact (\$000s)	FY 2012	FY 2013	FY 2014	FY 2015
General Fund				
Expenditures	\$0	\$0	\$0	\$0
Revenues	0	4,613	4,613	4,613
Other Fund				
Expenditures	0	(4,613)	(4,613)	(4,613)
Revenues	0	(4,613)	(4,613)	(4,613)
Net Fiscal Impact	\$0	\$(4,613)	\$(4,613)	\$(4,613)

Recommendation

The Governor recommends eliminating the direct grants from the Medical Education and Research Costs (MERC) program, for an annual state savings of \$4.613 million beginning in FY 2013. Since the late 1990s, MERC funding has helped hospitals cover the costs associated with being an education and research institution. MERC dollars are distributed two different ways—through the general distribution and as direct grants. This proposal eliminating the direct grants does not affect the amount awarded through the general distribution formula. (See the Department of Human Service's Governor's Recommendations for other MERC related change items.)

Rationale

MERC direct grants of \$5.350 million are distributed according to statute as follows:

- \$1.475 million - University of Minnesota /Fairview
- \$1.8 million - University of Minnesota / Academic Health Center
- \$2.075 million - University of Minnesota / Dental School.

The grant to University of Minnesota/Fairview receives a fifty percent federal match, therefore the state total of the grants is \$4.613 million and the federal share is \$737,500. The state share of the grants is from dedicated cigarette tax revenue.

The direct grants were enacted as part of the 2007 legislation that changed the general distribution formula for MERC from a formula weighted 67% education/33% Medical Assistance volume to a formula based 100% on Medical Assistance volume. In addition to the creation of these three direct grants, a grant to Mayo was also implemented to transition from the old formula to the new formula. The Mayo grant was sunset during the FY 2010-11 biennium.

This proposal would eliminate the direct grants and redirect the cigarette tax revenue to the general fund.

Statutory Change: 62J.692, subdivision 4, section 297F.10, subdivision 1,

COMMERCE DEPT

Change Item: Extension of the Petrofund Sunset

Item included in Commerce Dept Budget Area. Shown Here for Informational Purposes.

Fiscal Impact (\$000s)	FY 2012	FY 2013	FY 2014	FY 2015
Petroleum Tank Fund				
Expenditures	\$0	\$18,188	\$18,188	\$18,188
Revenues	0	26,333	26,333	26,333
Net Fiscal Impact	\$0	(\$8,145)	(\$8,145)	(\$8,145)

Recommendation

The Governor recommends amending the repealer date (i.e. 'sunset date') in M.S. 115C.13 from June 30, 2012 to June 30, 2017. This legislation would result in a five-year extension of the Petroleum Tank Release Cleanup Fund (Petrofund) program at the Department of Commerce, as well as provide funding for other programs at the Minnesota Pollution Control Agency and the Department of Employment and Economic Development (separate *Change Item* documents are provided by both of those agencies in their budgets).

Rationale

Federal financial responsibility regulations require that petroleum storage tank owners have at least \$1 million of coverage to address contamination from leaking tanks and to pay third-party liability claims. The 'sunset' of the Petrofund, which has served as the tank owners' financial assurance mechanism since 1987, would negatively impact their ability to comply with federal law and would likely result in financial hardships for those tank owners who could not obtain alternative coverage and were obligated to incur the costs related to investigating and cleaning up petroleum contamination on their own. Extension of the 'sunset date' would have no impact on the Department's current operations, since no increases in staffing or annual Petrofund reimbursement program budgets are anticipated. The effective implementation date would be the first day of the extension: July 1, 2012. The new sunset on the PetroFund will be June 30, 2017.

All current and proposed expenditures are fully covered by the Petrofund fee; thus, there is no effect on the General Fund. The Petrofund program's revenue is generated by a fee on gasoline and other petroleum products. Of the \$18.2 million is spending each year, \$1.052 million each year is for the Petroleum Tank Release Cleanup Board while \$11 million is provided in claims.

Key Goals and Measures

The key goal of the Petrofund program is to provide timely financial assistance to those who are cleaning up contaminated soil and groundwater from leaking petroleum storage tanks, with the ultimate goal of helping to protect the public health and welfare and the environment. These objectives go hand-in-hand with the Minnesota Milestones statewide goal regarding water use, which states, in part, "A clean and abundant water supply is essential to economic and human health."

The principal measure for whether or not the Petrofund is providing financial assistance in a timely manner is the 'application backlog'. Minnesota Statute §115C.09 provides that initial applications be reviewed within 60 days of receipt and supplemental applications within 120 days of receipt. The status of the 'application backlog' is assessed weekly by the Petrofund Director and reported to the five-member Petrofund Board at their bi-monthly meetings. The Petrofund staff is currently reviewing applications within the 60-day and 120-day deadlines. The Petrofund has consistently processed reimbursement applications in a timely manner (as illustrated in the following table), and it is anticipated that these high compliance rates will continue into the foreseeable future.

Year	Applications Received	Applications Reviewed Within 60 and 120 Days	Compliance Rate
FY08	807	807	100%
FY09	735	735	100%
FY10	721	681*	94%*

*Short-term lack of compliance due to the departure of one of the three analysts that process applications for reimbursement.

Statutory Change: Change the sunset date contained in M.S. 115C.13 to June 30, 2017

TAX AIDS & CREDITS

Program: PROPERTY TAX REFUND (Homeowner & Renter)

Narrative

Purpose

To provide general property tax relief payments directly to qualifying homeowners and renters.

Funding Source

State General Fund

Program Description

There are 3 types of general property tax relief programs provided by the State directly to homeowners and renters through the issuance of refund payments.

- 1) **Homeowner's Property Tax Refund Program (PTR)** is a state-paid refund providing property tax relief directly to homeowners whose property taxes are high relative to their incomes. The refund varies depending on the income and the property tax of the homeowner. The maximum refund is \$2,350 and homeowners whose income exceeds \$98,289 are not eligible (income threshold for refunds claims filed in 2010). The program uses household income which is a broad measure that includes most type of income.
- 2) **Targeting Property Tax Refund Program** is a state-paid refund providing property tax relief to homeowners who have large property tax increases from one year to the next. A homeowner qualifies if the property tax increase on their home has increased more than 12% over the previous year's tax and the increase is over \$100. There is no maximum income limit for eligibility for this refund. The refund equals 60% of the increase over the greater of (1) 12% of the previous year's tax or (2) \$100. The maximum refund is \$1,000.
- 3) **Renter's Property Tax Refund Program** is a state-paid refund providing tax relief directly to renters whose rent and "implicit" property taxes are high relative to their incomes. For ease of administration the portion of the rent assumed to be attributed to property taxes paid on the apartment is assumed to equal 19% of rent paid. Renters whose income exceeds \$53,539 are not eligible for refunds (income threshold for refund claims filed in 2010). The program uses a broad measure of household income that includes most type of income. The maximum refund is \$1,520. The refund will vary depending on the amount of rent and the amount of income.

Population Served

Filed 2008 payable in 2009	Number of returns	Total Refund Amount	Average per return
Homeowner's PTR	360,800	\$269.3 million	\$746
Targeting Homeowner	42,000	\$6.088 million	\$146
Renter's PTR	304,500	\$180 million	\$591

Current Law

	Actual F.Y. 2009	Actual F.Y. 2010	Estimated F.Y. 2011	Estimated F.Y. 2012	Estimated F.Y. 2013
Property Tax Refunds:					
Homeowners	\$ 252,191	\$ 295,400	\$ 304,700	\$ 318,000	\$ 334,000
Renters	\$ 171,799	\$ 186,000	\$ 145,200*	\$ 199,900	\$ 203,100
Targeting	\$ 7,581	\$ 6,088	\$ 2,400	\$ 3,960	\$ 6,050
Total	\$ 431,571	\$ 487,488	\$ 452,300	\$ 521,860	\$ 537,100

*FY 2011 estimates for renters refund reflect the 2009 unallotment action that was ratified by the 2010 legislature. This reduced rate of rent attributable to property taxes from 19% to 15%.

Legal Citation: M.S. 290A.23; 2010 First Special Session, Chap. 1, Art. 13

Contact

Eric Willette

Research Director Property Tax

Phone: (651)556-6100

E-mail: eric.willette@state.mn.us

TAX AIDS & CREDITS

Program: Sustainable Forest Incentive Act Payment

Narrative

Purpose

To provide aid payments to enrolled owners of forested land as an incentive to practice long-term sustainable forest management.

Funding Source

State General Fund

Program Description

The Sustainable Forest Incentive Act (SFIA) was created 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 participants must be enrolled for a minimum of 8 years and a covenant is recorded. The payment is calculated using 3 formulas based on the average property tax for timberland. The formula that provides the largest payment per acre will be used and the minimum incentive amount is \$7.00 per acre. 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 that is approved by the Department of Natural Resources. All management activities prescribed in the plan must meet the recommended timber harvesting and forest management guidelines created by the Minnesota Forest Resources Council. The land cannot be used for residential or agricultural purposes.
- Participants with more than 1,920 acres enrolled must allow year-round non-motorized access to fish and wildlife resources.

There were 1,675 claimants enrolled in FY 2011.

Current Law

	Actual F.Y. 2009	Actual F.Y. 2010	Estimated F.Y. 2011*	Estimated F.Y. 2012	Estimated F.Y. 2013
SFIA payment	\$ 6,098	\$ 6,983	\$ 5,728	\$ 15,079	\$ 16,304
Total	\$ 6,098	\$ 6,983	\$ 5,728	\$ 15,079	\$ 16,304

*Payments in FY 2011 were capped at \$100,000 per participant under the unallotment action that was ratified by the 2010 legislature. This cap impacted 5 of the 1,675 participants.

Legal Citation: M.S. 290C.08; 2010 First Special Session, Chap. 1, Art. 13

Contact

Eric Willette
Research Director Property Tax Research
Phone: (651) 556-6100
E-mail: eric.willette@state.mn.us

TAX AIDS & CREDITS

Program: Local Government Aid (LGA)

Narrative

Purpose

To provide general support aid and property tax relief to municipal governments.

Funding Source

State General Fund

Program Description

Minnesota has a long history of supplementing local government revenues with state general fund aid payments. Local government aid (LGA) provides general purpose financial support to some cities. In 2011, 760 of the 854 cities were certified to receive LGA. The purposes described for LGA are to help communities with limited property tax wealth provide basic local services; to offset the cost of state mandates; and to limit the overall property tax burden.

LGA is set as a fixed dollar amount in statute that is distributed among the cities on a formula basis using several factors to determine the size of the payment to an individual city. Cities with greater property tax wealth do not receive LGA. In general, the formula attempts to target aid to those cities with the lowest tax capacity and highest need. The formula has changed many times since it was enacted in 1971. 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/industrial property and a population adjustment factor. There are 21 additional aid amounts for individual cities based on unique local circumstances. Beyond the basic formulas, there are three special adjustments that impact more than one city:

- Greater MN regional center base aid of \$60 times the population greater than 5,000 population up to \$2,500,000 (27 cities);
- Jobs base aid of \$25.20 per job for cities over 5,000 in population up to \$4,750,000 (82 cities). This adjustment is reduced for cities that also receive regional center aid;
- \$8.50 per capita for cities under 5,000 population in recognition of the fact that these cities do not qualify for state Municipal Street Aid (672 cities).

LGA is paid in to the cities in two payments, one in July and one in December.

Current Law

	Actual F.Y. 2009	Actual F.Y. 2010	Estimated F.Y. 2011	Estimated F.Y. 2012	Estimated F.Y. 2013
Local Government Aid (LGA)	\$ 430,638	\$ 481,529	\$ 426,438	\$ 527,101	\$ 527,101
Total	\$ 430,638	\$ 481,529	\$ 426,438	\$ 527,101	\$ 527,101

Legal Citation: M.S. 477A.03; 2010 First Special Session Chapter 1, Article 13; 2010 Regular Session Chapter 215

Contact

Eric Willette
Research Director Property Tax Division
Phone: (651)556-6100
E-mail: eric.willette@state.mn.us

TAX AIDS & CREDITS

Program: County Program Aid

Narrative

Purpose

To provide general purpose aid to counties and for general property tax relief.

Funding Source

State General Fund

Program Description

County program aid (CPA) is paid from the state general fund as general purpose aid for the counties and to provide property tax relief. In 2003, several county aids were restructured into a single program called county program aid (CPA). The programs eliminated in the restructuring were attached machinery aid, homestead and agricultural credit aid, manufactured home and agricultural credit aid, county criminal justice aid and family preservation aid.

CPA payments are determined using a formula that consists of three components (1) a county need aid component that recognizes revenue need based on a measure of population over 65, a measure of crimes, and number of households receiving food stamps; (2) a county tax-base equalization aid component that factors measures of population and net tax capacity; and (3) a county transition aid component that provides transitional adjustments aid for following seven counties: Cook, Aitkin, Chippewa, Traverse, Kanabec, Kittson, and Wilkin. Other individualized aid amounts are occasionally targeted to specific counties. CPA payments are made twice a year, one in July and one in December.

Current Law

	Actual F.Y. 2009	Actual F.Y. 2010	Estimated F.Y. 2011	Estimated F.Y. 2012	Estimated F.Y. 2013
County Program Aid	\$ 160,696	\$ 194,883	\$ 164,935	\$ 197,460	\$ 197,454
Total	\$ 160,696	\$ 194,883	\$ 164,935	\$ 197,460	\$ 197,454

Legal Citation: M.S. 477A; 2010 Regular Session Chap. 215, Article 13; 2010 First Special Session, Chap. 1, Art. 13

Contact

Eric Willette
Research Director Property Tax Division
Phone: (651)556-6100
E-mail: eric.willette@state.mn.us

TAX AIDS & CREDITS

Program: Residential Homestead Market Value Credit

Narrative

Purpose

To provide general property tax relief for owners of qualifying residential homestead properties.

Funding Source

State General Fund

Program Description

As part of the 2001 property tax reform measures, a new homestead credit was enacted for agricultural and residential homesteads. This was done to lessen the fiscal impact of the classification rate changes for homesteads.

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 residential homestead market value 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 by 0.09% of each dollar over \$76,000, but may never be less than \$0. Homes valued above \$414,000 do not receive the credit.

Local governments receive a state reimbursement for the reduction in property taxes due to residential and agricultural homestead market value credit. The reimbursement is paid out twice a year to local governments, once in October and once in December. During some budget shortfall periods, the state has not fully compensated local governments for the credit. However, the taxpayer still received the credit which showed as a reduction on their property tax statement.

Current Law

	Actual F.Y. 2009	Actual F.Y. 2010	Estimated F.Y. 2011	Estimated F.Y. 2012	Estimated F.Y. 2013
Residential Hmstd Market Value Cr	\$ 256,202	\$ 238,340	\$ 150,952	\$ 264,921	\$ 255,406
Prior Year Credits	\$ 912	\$ 1,035	\$ 694	\$ 719	\$ 686
Total	\$ 257,114	\$ 239,375	\$ 151,646	\$ 265,630	\$ 256,092

Legal Citation: M.S. 273.1384; 2010 Minn. Laws Regular Session, Chap. 215, Art. 13; 2010 First Special Session, Chap. 1, Art. 13

Contact

Eric Willette
Research Director Property Tax Division
Phone: (651)556-6100
E-mail: eric.willette@state.mn.us

TAX AIDS & CREDITS

Program: Agricultural Homestead Market Value Credit

Narrative

Purpose

To provide general property tax relief for owners of qualifying agricultural homestead properties.

Funding Source

State General Fund

Program Description

As part of the 2001 property tax reform measures, a new homestead credit was enacted for agricultural and residential homesteads. This was done to lessen the fiscal impact of the classification rate changes for homesteads. The agricultural credit is designed to reduce the tax on agricultural homestead land beyond the house, garage and immediately surrounding one acre of land (non-HGA). The home, garage, and immediately surrounding one acre of land would receive the residential homestead market value credit the same as it applies to other homestead properties

The agricultural homestead market value credit is a state funded credit that is shown on the property tax statement as a subtraction from their property taxes. Property in the 2a agricultural homestead classification is eligible for an agricultural credit. For agricultural homestead property with a taxable market value on the non-HGA property of \$115,000 or less, the credit is equal to 0.3 percent of the taxable market value of the property. The maximum credit is limited to \$345 and this amount is reached at \$115,000. This credit decreases as the market value increases to \$345,000. At \$345,000 of agricultural land value or more, the credit is equal to \$230.

Local governments receive a state reimbursement for the reduction in property taxes due to the agricultural homestead market value credit. The reimbursement is paid out twice a year to local governments, once in October and once in December. During some budget shortfall periods, the state has not fully compensated local governments for the credit. However, the taxpayer still received the credit which showed as a reduction on their property tax statement.

Current Law

	Actual F.Y. 2009	Actual F.Y. 2010	Estimated F.Y. 2011	Estimated F.Y. 2012	Estimated F.Y. 2013
Agricultural Hmstd Market Value Credit	\$ 25,049	\$ 23,790	\$ 23,446	\$ 24,419	\$ 23,322
Total	\$ 25,049	\$ 23,790	\$ 23,446	\$ 24,419	\$ 23,322

Legal Citation: M.S. 273.1384, subd. 2; 2010 Minn. Laws Regular Session Chap. 215, Art. 13; 2010 First Special Session, Chap. 1, Art. 13

Contact

Eric Willette
Research Director Property Tax Division
Phone: (651)556-6100
E-mail: eric.willette@state.mn.us

TAX AIDS & CREDITS

Program: Disparity Reduction Aid

Narrative

Purpose

To provide property tax relief related to 1988 property tax law changes.

Funding Source

State General Fund

Program Description

Disparity Reduction Aid (DRA) was created by the 1988 Legislature to provide relief for high tax rate areas as part of the conversion from mill rates and assessed values to net tax capacities. It was first payable to taxing jurisdictions in 1989. While initially paid to all qualifying local jurisdictions, the city amounts were cancelled (and shifted to LGA) beginning with aids paid in 1994. In addition, the amounts originally computed for special taxing districts were rolled into county DRA beginning with aids paid in 1995. DRA applies only to local net tax capacity rates; it has no effect on the state tax rate or any referendum market value rates.

After the initial tax rate is determined, DRA is applied to further reduce the rate to the properties within the unique taxing area. DRA amounts generally remain unchanged from year to year unless the total tax rate in a unique taxing area drops below 90 percent. In 2010 the state paid \$18 million in DRA to local governments. About 15 percent of the state's unique taxing areas receive DRA.

Current Law

	Actual F.Y. 2009	Actual F.Y. 2010	Estimated F.Y. 2011	Estimated F.Y. 2012	Estimated F.Y. 2013
Disparity Reduction Aid	\$ 18,094	\$ 16,729	\$ 17,783	\$ 19,593	\$ 18,007
Total	\$ 18,094	\$ 16,729	\$ 17,783	\$ 19,593	\$ 18,007

Legal Citation: M.S. 273.1398

Contact

Eric Willette
Research Director Property Tax Division
Phone: (651)556-6100
E-mail: eric.willette@state.mn.us

TAX AIDS & CREDITS

Program: Disaster Credits

Narrative

Purpose

To provide reimbursement to local governments for loss of property tax revenue for properties damaged by a disaster.

Funding Source

State General Fund

Program Description

Qualifying property owners within a designated disaster area may receive an abatement of current year property taxes. An abatement of current year taxes may be granted by the county board if 50% of the homestead dwelling or other building was destroyed.

The state reimburses the local jurisdictions for abatements and credits for property located in a declared disaster or emergency area. The disaster credit reduces the property tax of the homestead in the following payable year after damage suffered within a declared disaster or emergency area. The property is reassessed after the damage, and the difference between the original and reassessed value is multiplied by the ratio of the number of full months remaining in the year divided by 12 months. This product is then multiplied by the prevailing local tax rate to obtain the credit amount. The credit program first became effective in 1984.

Cities in a disaster area where 5 percent or more of the tax base is destroyed due to the disaster are eligible to receive tax base replacement aid for the first year the reduced tax base is in effect.

Current Law

	Actual F.Y. 2009	Actual F.Y. 2010	Estimated F.Y. 2011	Estimated F.Y. 2012	Estimated F.Y. 2013
Disaster Credit	\$ 763	\$ 217	\$ 101	\$ 542	\$ 14
Local Option Abatement Reimburse	\$ 249	\$ 0	\$ 250	\$ 0	\$ 0
Local Option Disaster Credit	\$ 0	\$ 133	\$ 4	\$ 34	\$ 1
Tax Base Replacement Aid	\$ 0	\$ 131	\$ 0	\$ 0	\$ 50
Total	\$ 1,012	\$ 481	\$ 355	\$ 576	\$ 65

Legal Citation: M.S. 273.1231 through 273.1235

Contact

Eric Willette
Research Director Property Tax Division
Phone: (651)556-6100
E-mail: eric.willette@state.mn.us

TAX AIDS & CREDITS

Program: Bovine TB Credit

Narrative

Purpose

To provide a property tax credit for farmers with cattle herds that have faced eradication or other controls in a zone designated to control and eliminate the spread of bovine tuberculosis.

Funding Source

State General Fund

Program Description

The bovine tuberculosis credit was designed to reduce the property tax for those farm parcels located within an area identified as the Bovine Tuberculosis Modified Accredited Zone. The credit equals the greater of \$5 per acre for the first 160 acres, or \$5 per acre times five acres times the highest number of animals tested as part of a whole herd test during 2006-2008. (In the first year the credit equaled the tax on class 2a or 2b agricultural land.) The credit expires when the state is declared bovine TB free.

Current Law

	Actual F.Y. 2009	Actual F.Y. 2010	Estimated F.Y. 2011	Estimated F.Y. 2012	Estimated F.Y. 2013
Bovine TB Credit	\$ -	\$ 324	\$ 426	\$ 448	\$ 431
Total	\$ -	\$ 324	\$ 426	\$ 448	\$ 431

Legal Citation: M.S. 273.113

Contact

Eric Willette
Research Director Property Tax Division
Phone: (651)556-6100
E-mail: eric.willette@state.mn.us

TAX AIDS & CREDITS

Program: Border City Reimbursements

Narrative

Purpose

To encourage economic development and job retention in certain border cities.

Funding Source

State General Fund

Program Description

Starting for taxes payable in 1989, the Disparity Reduction Credit reduces property taxes for commercial/industrial, public utility and apartment properties located in five designated border cities of Breckenridge, Dilworth, East Grand Forks, Moorhead, and Ortonville. This property tax credit does not apply to the debt service levy or school district taxes, other than the state equalized levies. The credit is an amount sufficient to reduce the property taxes to 2.3% of the qualified properties market value. The state reimburses those border cities for the reduction in property taxes.

The border city reimbursement is available to the same five designated border cities to reimburse them for tax exemptions granted within a border city zone.

Current Law

	Actual F.Y. 2009	Actual F.Y. 2010	Estimated F.Y. 2011	Estimated F.Y. 2012	Estimated F.Y. 2013
Disparity Reduction Credit	\$ 5,316	\$ 5,482	\$ 5,132	\$ 5,969	\$ 5,800
Border City Reimbursement	\$ 13	\$ 13	\$ 13	\$ 13	\$ 13
Total	\$ 5,329	\$ 5,495	\$ 5,145	\$ 5,982	\$ 5,813

Legal Citation: M.S. 273.1398; 469.1735

Contact

Eric Willette
Research Director Property Tax Division
Phone: (651)556-6100
E-mail: eric.willette@state.mn.us

TAX AIDS & CREDITS

Program: Wetlands Reimbursement Credit

Narrative

Purpose

To provide payment to counties for revenue loss associated with exemptions due to the creation of Wetland Preservation Areas.

Funding Source

State General Fund

Program Description

This provides a payment to counties for lost property tax revenues resulting from the exemption of land in a wetland preservation area. This provision was adopted in 1991 but was utilized for the first time in for taxes payable in 2004. It currently applies to a very limited number of parcels. Only 3 counties currently receive a reimbursement.

Current Law

	Actual F.Y. 2009	Actual F.Y. 2010	Estimated F.Y. 2011	Estimated F.Y. 2012	Estimated F.Y. 2013
Wetlands Reimbursement Credit	\$ 8	\$ 6	\$ 6	\$ 6	\$ 6
Total	\$ 8	\$ 6	\$ 6	\$ 6	\$ 6

Legal Citation: M.S. 275.295

Contact

Eric Willette
Research Director Property Tax Division
Phone: (651)556-6100
E-mail: eric.willette@state.mn.us

TAX AIDS & CREDITS

Program: Taconite State Aid

Narrative

Purpose

To provide additional revenue for funding various distributions of the taconite production tax.

Funding Source

State General Fund

Program Description

The taconite state aid was enacted in 2001 in response to the shutting down of many mining operations. The aid payment is a set in statute at 22 cents per taxable ton of iron ore concentrates. The taconite state aid appropriation is added to the total taconite production tax collected under M.S. 298.27 as if the dollars were taconite production taxes paid by a mining company. The annual state aid payment is equal to 22 cents per taxable ton of iron ore produced. The taconite state aid and taconite production taxes are distributed based on a formula in M.S. 298.28 and distributed as if the aid were production tax revenues. The distributions are sent to local jurisdictions and other entities within the Taconite Tax Relief area. In 2009, those distributions totaled \$98,144,786 million which is the combined total collected from both the taconite production tax and the taconite state aid. The distributions were as follows:

- \$12,240,195 taconite cities and townships
- \$18,859,169 taconite school districts
- \$14,216,385 taconite counties
- \$9,656,986 property tax relief and misc.
- \$30,742,360 Iron Range Resource Board
- \$12,429,692 Other (includes Taconite Economic Development Fund, Range Assoc. of Municipalities and Schools and Hockey Hall of Fame)

Current Law

	Actual F.Y. 2009	Actual F.Y. 2010	Estimated F.Y. 2011	Estimated F.Y. 2012	Estimated F.Y. 2013
Taconite State Aid	\$ 8,527	\$ 7,757	\$ 6,750	\$ 6,590	\$ 7,545
Total	\$ 8,527	\$ 7,757	\$ 6,750	\$ 6,590	\$ 7,545

Legal Citation: M.S. 298.285

Contact

Eric Willette
Research Director Property Tax Division
Phone: (651)556-6100
E-mail: eric.willette@state.mn.us

TAX AIDS & CREDITS

Program: Supplemental Taconite Homestead Credit

Narrative

Purpose

State aid reimbursement to 4 counties for additional homestead property tax credits for homeowners in a limited geographic area surrounding the taconite tax relief area.

Funding Source

State General Fund

Program Description

The supplemental taconite homestead credit was created in 1980. The property tax credit is given to homeowners in five school districts located in 4 counties. The state reimbursement for the credit is paid to the counties of Aitkin, Crow Wing, Itasca and St. Louis.

The supplemental taconite homestead credit is similar to the taconite homestead credit that was created in 1970. The taconite homestead credit is for homeowners in the taconite tax relief area. The supplemental taconite homestead credit provides the same credit but to an area just surrounding the taconite tax relief area. Both the supplemental and the taconite homestead credit are equal to either 57% or 66% of the property tax depending on various factors such as the value of iron ore in the assessment district, proximity to mines, etc. The maximum amount of the homeowner credit is \$289.80 for those receiving the 57% credit and \$315.10 for those receiving the 66% credit. Homeowners in the limited geographic area receiving the supplemental and taconite homestead credit also receive the statewide homestead and agricultural market value credits.

Current Law

	Actual F.Y. 2009	Actual F.Y. 2010	Estimated F.Y. 2011	Estimated F.Y. 2012	Estimated F.Y. 2013
Supplemental Taconite Homestead Credit	\$ 5,211	\$ 5,178	\$ 5,215	\$ 5,269	\$ 5,321
Total	\$ 5,211	\$ 5,178	\$ 5,215	\$ 5,269	\$ 5,321

Legal Citation: M.S. 273.1391

Contact

Eric Willette
Research Director Property Tax Division
Phone: (651)556-6100
E-mail: eric.willette@state.mn.us

TAX AIDS & CREDITS

Program: Taconite Aid Reimbursement

Narrative

Purpose

To provide property tax relief to school districts that no longer receive the defunct taconite occupation tax reduction.

Funding Source

State General Fund

Program Description

Taconite Aid Reimbursement is provided to school district #317 in Itasca County in order to reimburse the district for the "occupation tax" reduction received under M.S. §273.135 Subd. 2(c) before the law was changed in 1978. The affected school districts receive a reimbursement equal to the amount the district received in 1980. This payment has remained constant at \$561,050 over the years.

Current Law

	Actual F.Y. 2009	Actual F.Y. 2010	Estimated F.Y. 2011	Estimated F.Y. 2012	Estimated F.Y. 2013
Taconite Aid Reimbursement	\$ 561	\$ 561	\$ 561	\$ 561	\$ 561
Total	\$ 561	\$ 561	\$ 561	\$ 561	\$ 561

Legal Citation: M.S. 477A.15

Contact

Eric Willette
Research Director Property Tax Division
Phone: (651)556-6100
E-mail: eric.willette@state.mn.us

TAX AIDS & CREDITS

Program: Utility Valuation Transition Aid

Narrative

Purpose

To compensate cities and towns for reductions in their tax base due to the implementation of a new rule pertaining to the assessment of utility property.

Funding Source

State General Fund

Program Description

The utility transition aid was created in 2008 to provide a payment to local governments experiencing a loss of property base market valuation due to a Minnesota Department of Revenue rule change on public utility properties. The rule change was necessary to ensure that the valuation rules for utility properties were adequately assessing properties at their market values per the statutory requirement. The result of the rule change was a reduction in market value for many utility properties. A transition aid was enacted for those local jurisdictions that lost a large percent of their tax base due to the valuation changes. A city or town is eligible for aid if the difference between their net tax capacity under the old rules for assessment year 2007 versus under the new rule exceeds 4%. The aid was first paid in calendar year 2009 to 43 cities and townships. The aid will continue for each qualifying municipality until the current valuation of public utility property exceeds its 2007 valuation under the old utility assessment rules.

Current Law

	Actual F.Y. 2009	Actual F.Y. 2010	Estimated F.Y. 2011	Estimated F.Y. 2012	Estimated F.Y. 2013
Utility Valuation Transition Aid	\$ -	\$ 2,102	\$ 3,024	\$ 1,508	\$ 980
Total	\$ -	\$ 2,102	\$ 3,024	\$ 1,508	\$ 980

Legal Citation: M.S. 477A.16

Contact

Eric Willette
Research Director Property Tax Division
Phone: (651)556-6100
E-mail: eric.willette@state.mn.us

TAX AIDS & CREDITS

Program: Indian Casino Aid

Narrative

Purpose

To provide state aid to counties containing an Indian reservation where the tribe operates a casino and has a tax agreement with the state.

Funding Source

State General Fund

Program Description

This aid provides state tax relief to counties containing an Indian reservation where the tribe operates a casino and has an agreement with the state to collect taxes. If the total payment exceeds \$1.1 million, reductions will be made first to counties that do not have a per capita income less than 80% of the same state level or have 30% or more of total market value of real property that is tax exempt. The aid is equal to 10% of the state share of the taxes collected from the Indian reservation under a tax agreement, up to a maximum of \$1.1 million per year. The Counties receiving the aid are Carlton, Cass, Cook, Goodhue, Itasca, Mahnomon, Mille Lacs, Pine, Redwood, St. Louis, Scott, and Yellow Medicine.

Current Law

	Actual F.Y. 2009	Actual F.Y. 2010	Estimated F.Y. 2011	Estimated F.Y. 2012	Estimated F.Y. 2013
Indian Casino Aid	\$ 669	\$ 754	\$ 754	\$ 754	\$ 754
Total	\$ 669	\$ 754	\$ 754	\$ 754	\$ 754

Legal Citation: M.S. 270C.19

Contact

Eric Willette
Research Director Property Tax Division
Phone: (651)556-6100
E-mail: eric.willette@state.mn.us

TAX AIDS & CREDITS

Program: Public Defender Costs and Local Impact Notes

Narrative

Purpose

To provide aid to help pay for the services of the lawyers and staff needed for public legal defense.

Funding Source

State General Fund

Program Description

After a set amount is made available for County Program Aid, a reduction of \$500,000 is made available to the State of Minnesota Board of Public Defense to help cover the costs of attorney and staff services needed to provide criminal and juvenile public legal defense services to indigent clients. These funds may be used at the board's discretion. However, at the end of the fiscal year any funds not used are to be applied to the next fiscal year's County Program Aid.

A reduction of \$214,000 is made available to Minnesota Management and Budget and the Department of Education for their work in preparing Local Impact Notes.

Current Law

	Actual F.Y. 2009	Actual F.Y. 2010	Estimated F.Y. 2011	Estimated F.Y. 2012	Estimated F.Y. 2013
Public Defender Costs	\$ 495	\$ 493	\$ 500	\$ 500	\$ 500
Local Impact Notes	\$ 214	\$ 214	\$ 214	\$ 214	\$ 214
Total	\$ 709	\$ 707	\$ 714	\$ 714	\$ 714

Legal Citation: M.S. 477A.03

Contact

Eric Willette

Research Director Property Tax Division

Phone: (651)556-6100

E-mail: eric.willette@state.mn.us

TAX AIDS & CREDITS

Program: Mahnomen Property Tax Reimbursement

Narrative

Purpose

To provide payment for property tax revenue loss due to the placement of the Shooting Star Casino land into trust status.

Funding Source

State General Fund

Program Description

The additional payment to Mahnomen County was started in 2006 and made permanent in 2008. The state payment was enacted to offset the loss of property tax revenue due to the placement of the White Earth Tribal Band's Shooting Star Casino into trust status. The Shooting Star casino was one of the largest taxpayers in the county making up 15% of the counties total property tax revenue. A federal judge ruled that the White Earth Band's casino was not subject to county property taxes because the land was purchased through the federal White Earth Land Settlement Act and was automatically placed into trust. The tribe stopped paying taxes in 2006 and the federal court ruling occurred in 2009. The payment to Mahnomen County is to be split between the local tax jurisdictions with \$450,000 to the county, \$80,000 to the city of Mahnomen and \$70,000 to Mahnomen School District #432.

Current Law

	Actual F.Y. 2009	Actual F.Y. 2010	Estimated F.Y. 2011	Estimated F.Y. 2012	Estimated F.Y. 2013
Mahnomen Property Tax Reimburse	\$ 600	\$ 600	\$ 600	\$ 600	\$ 600
Total	\$ 600	\$ 600	\$ 600	\$ 600	\$ 600

Legal Citation: 2008 Minn. Laws Chapter 154, Article 1

Contact

Eric Willette
Research Director Property Tax Division
Phone: (651)556-6100
E-mail: eric.willette@state.mn.us

TAX AIDS & CREDITS

Program: Senior Property Tax Deferral Reimbursement

Narrative

Purpose

To provide senior citizens whose property taxes are high relative to their income an option to defer a portion of their property taxes in order to help them remain in their homes. The counties are reimbursed by the state for the deferral of property taxes of program participants.

Funding Source

State General Fund

Program Description

This program allows senior homeowners whose property taxes are high relative to their incomes to be able to defer a portion of their property taxes until a later time. The tax deferred is a loan that must be paid back when the property is sold, transferred, upon death or if property no longer qualified as a homestead. The tax deferral constitutes a lien on the property. The deferral amount is the property taxes that are greater than 3% of the participant's household income. The eligibility requirements for the program include the following: the homeowner must be 65 years or older (if married the other spouse must be older than 62); total household income must be \$60,000 or less; and the home must have been owned and occupied as a homestead for at least 15 years.

The state general fund cost is the amount of the reimbursement for the property deferrals. For property taxes payable in 2010 there were 271 homes in the program.

Current Law

	Actual F.Y. 2009	Actual F.Y. 2010	Estimated F.Y. 2011	Estimated F.Y. 2012	Estimated F.Y. 2013
Senior Deferral Reimbursement	\$ 504	\$ 608	\$ 838	\$ 1,048	\$ 1,310
Total	\$ 504	\$ 608	\$ 838	\$ 1,048	\$ 1,310

Legal Citation: M.S. 290B.09

Contact

Eric Willette
Research Director Property Tax Division
Phone: (651)556-6100
E-mail: eric.willette@state.mn.us

TAX AIDS & CREDITS

Program: Performance Measurement Reimbursement

Narrative

Purpose

To provide payment to counties and cities for participation in the local performance measurement programs established by the Council on Local Results and Innovation.

Funding Source

State General Fund

Program Description

This payment was established in the 2010 omnibus tax bill as part of a package to improve property tax reform, accountability, value and efficiencies. The 2010 legislation created the Council on Local Results and Innovation which is made up of 11 members. The council is directed to develop by February 15, 2011, ten standard performance measures for the counties and ten for the cities aimed at measuring efficiency and effectiveness of counties and cities in providing services. The council will also establish minimum standards for a comprehensive performance measurement system for counties and cities. Counties and cities that choose to participate in the reporting of standard measurements are eligible for reimbursement by the state of 14 cents per capita, up to a maximum of \$25,000. The state auditor would certify participation in the program to the Commissioner of Revenue. The first payments could be made to participating counties and cities in FY 2012.

Current Law

	Actual F.Y. 2009	Actual F.Y. 2010	Estimated F.Y. 2011	Estimated F.Y. 2012	Estimated F.Y. 2013
Performance Measurement Reimb.	\$ -	\$ -	\$ -	\$ 940	\$ 880
Total	\$ -	\$ -	\$ -	\$ 940	\$ 880

Legal Citation: M.S. 6.91; 2010 Minn. Laws Regular Session Chapter 389, Article 2

Contact

Eric Willette
Research Director Property Tax Division
Phone: (651)556-6100
E-mail: eric.willette@state.mn.us

TAX AIDS & CREDITS

Program: Police and Fire State Aids

Narrative

Purpose

To provide state aid support to the retirement pensions of local peace officers and firefighters.

Funding Source

State General Fund

Program Description

Police State Aid: The initial revenue source for this aid is derived mainly from the auto insurance premium tax, but the available aid is limited to the employers' actual pension obligations each year. Because the revenue usually exceeds the employers' obligations, an "excess police state-aid holding account" is used to allocate the excess revenue to an ambulance account or to additional amortization aid.

Fire State Aid: The initial revenue source for this aid is derived mainly from the fire insurance premium tax ("fire, lightning, sprinkler leakage and extended coverage premiums"). An additional amount of fire aid is also allocated from the annual appropriation for amortization aid.

Insurance Surcharge Aid: This is a state aid to firefighters' relief associations in cities of the first class. The funding is a two percent surcharge on insurance premiums on fire, lightning, and sprinkler leakage in first class cities.

Amortization State Aid: An annual appropriation was provided in 1997 to fund this aid to police or salaried firefighters' pension associations that have an unfunded actuarial accrued liability. Certain reductions to the aid to the Minneapolis association are made annually, depending in part on investment returns.

Firefighters Relief: This payment provides additional funding to support a minimum fire state aid amount for volunteer firefighter relief association pension benefits.

Supplemental Police/Fire Amortization State Aid: This payment provides additional state aid to amortize the unfunded liability of local police and salaried firefighter relief associations, the Teacher's Retirement Association and the St. Paul Teacher's Retirement Association. Like the amortization aid, the supplemental aid terminates when a relief association becomes fully funded.

Current Law

	Actual	Actual	Estimated	Estimated	Estimated
Police and Fire State Aids	F.Y. 2009	F.Y. 2010	F.Y. 2011	F.Y. 2012	F.Y. 2013
Police State Aid	\$ 60,827	\$ 57,471	\$ 59,957	\$ 59,344	\$ 61,829
Fire State Aid	\$ 23,727	\$ 20,522	\$ 22,533	\$ 23,211	\$ 23,866
Insurance Surcharge	\$ 2,250	\$ 2,499	\$ 2,499	\$ 2,499	\$ 2,499
Amortization State Aid	\$ 2,092	\$ 3,626	\$ 4,963	\$ 4,963	\$ 4,963
Firefighter Relief Association	\$ 609	\$ 609	\$ 722	\$ 722	\$ 722
Supplemental Amortization State Aid	\$ 572	\$ 829	\$ 1,000	\$ 1,000	\$ 1,000
Total	\$ 90,077	\$ 85,601	\$ 88,674	\$ 91,739	\$ 94,879

Legal Citations: M.S. 69.031; M.S. 2971.10; M.S. 424A.10; M.S. 423A.02

Contact

Eric Willette
Research Director Property Tax Division
Phone: (651)556-6100
E-mail: eric.willette@state.mn.us

TAX AIDS & CREDITS

Program: Public Employees Retirement Association Aid

Narrative

Purpose

To provide a state aid to cities, counties, towns and other non-school jurisdictions to offset an employer contribution rate increase for the Public Employees Retirement Association (PERA).

Funding Source

State General Fund

Program Description

PERA is a fixed general aid payment to non-school local governments. PERA aid is paid to any county, city, town or special taxing district with an account or accounts in the Public Employees Retirement Association (PERA). It is intended to offset the cost of the increase to the PERA employer contribution rates that were effective beginning in fiscal year 1998. The aid is equal to 0.7% of the jurisdiction's fiscal year 1997 PERA payroll. The amounts will remain the same from year to year, but could potentially decrease in the future if the current PERA payroll drops significantly below the fiscal year 1997 level. The aid payments are scheduled to terminate on June 30, 2020.

Current Law

	Actual F.Y. 2009	Actual F.Y. 2010	Estimated F.Y. 2011	Estimated F.Y. 2012	Estimated F.Y. 2013
PERA Aid	\$ 14,520	\$ 14,390	\$ 14,384	\$ 14,384	\$ 14,384
Total	\$ 14,520	\$ 14,390	\$ 14,384	\$ 14,384	\$ 14,384

Legal Citation: M.S. 273.1385

Contact

Eric Willette
Research Director Property Tax Division
Phone: (651)556-6100
E-mail: eric.willette@state.mn.us

TAX AIDS & CREDITS

Program: DNR PILT

Narrative

Purpose

To provide compensation for the property taxes lost to local government when the Department of Natural Resources (DNR) acquires natural resource land for the state.

Funding Source

State General Fund

Program Description

The payment in lieu of taxes (PILT) was created in 1979 to compensate local governments for state acquired natural resource lands. State-owned land is exempt from property taxes. The reasons given for PILT are to compensate local governments for loss of property taxes and to help pay for the cost of basic services provided for the state owned land. The amount of the payment has changed over the years. The current payment is based on a per-acre rate, the appraised value of the land, or a share of receipts generated from the land. The payment method depends on the land's category of PILT eligibility. The various types of land that are natural resource land for the purpose of calculating PILT are: 1) non-hunting lands that were privately owned prior to DNR's acquisition; 2) hunting grounds that were privately owned prior to DNR's acquisition; 3) consolidated conservation lands that are designated as a state park, state recreation area, scientific and natural area, or wildlife management area; and 4) some tax-forfeited land administered by the county. The 2009 payment rate for most acquired land was either \$5.114 per acre or three-quarters of 1% of the appraised value of the land, whichever was greater. The 2009 payment rate for tax-forfeited land was \$1.278 per acre.

The PILT payments are given to eligible counties, townships and school districts. The statute sets out the distribution of the payment to the counties with a portion to be deposited in county general revenue fund to provide tax levy reduction and a portion for resource development. The appropriation is made initially to the Department of Natural Resources and then transferred to the Commissioner of Revenue. PILT payments are made once a year in the first local government aid payment which is made in July. The payment amount includes an annual inflation adjustment.

Current Law

	Actual F.Y. 2009	Actual F.Y. 2010	Estimated F.Y. 2011	Estimated F.Y. 2012	Estimated F.Y. 2013
DNR PILT	\$ 21,026	\$ 21,824	\$ 21,777	\$ 26,490	\$ 26,801
Total	\$ 21,026	\$ 21,824	\$ 21,777	\$ 26,490	\$ 26,801

Legal Citation: M.S. 477A.11 through 477A.145

Contact

Eric Willette
Research Director Property Tax Division
Phone: (651)556-6100
E-mail: eric.willette@state.mn.us

TAX AIDS & CREDITS

Program: Tax Refund Interest

Narrative

Purpose

For equity purposes, interest is paid on some tax refunds if they are not paid to the taxpayer within a certain period of time.

Funding Source

State General Fund

Program Description

Interest is due and paid to the taxpayer on certain tax refunds if they are not paid within a set statutory time frame. The interest rate paid on refunds is the same rate that the taxpayer would owe on underpayments. The interest rate for 2010 and 2011 is 3%. The interest rate is announced prior to the start of each calendar year and is calculated based on the prime rate charged by banks.

The goal of the Department of Revenue is to pay refunds in a timely fashion and minimize any interest accrual. However, delays in paying refunds and interest accrual can occur for various reasons such as tax disputes that are resolved via court cases, audits and administrative appeals.

For individual income tax and corporate franchise tax, interest on refunds is computed starting 90 days after the due date or the date the return is filed (whichever is later). For both sales and use tax and withholding taxes, interest generally accrues from the date of payment. However, for sales tax refunds of tax paid on capital equipment, certain building materials, and purchaser refunds, interest is computed starting 90 days after the refund claim is filed.

Interest payments can fluctuate greatly from year to year typically as a result of court cases. The unusually low payments of tax refund interest forecast for fiscal year 2011 are partly due to a delay in refund payments that will shift \$236.4 million in refunds (and associated interest) from fiscal year 2011 to fiscal year 2012. This delay was the result of both administrative changes announced at the same time as 2009 unallotments and a 2010 Legislative law change.

Current Law

	Actual F.Y. 2009	Actual F.Y. 2010	Estimated F.Y. 2011	Estimated F.Y. 2012	Estimated F.Y. 2013
Tax Refund Interest	\$ 8,185	\$ 20,037	\$ 9,700	\$ 21,500	\$ 12,000
Total	\$ 8,185	\$ 20,037	\$ 9,700	\$ 21,500	\$ 12,000

Legal Citation: M.S. 289A.56; 2010 Minn. Laws, First Special Session, Chapter 1, Article 12, Sec. 6.

Contact

Paul Wilson

Director Research Division

Phone: (651)556-6138

E-mail: paul.wilson@state.mn.us

TAX AIDS & CREDITS

Program: Political Contribution Refund Program

Narrative

Purpose

To encourage more participation in the political process and to make candidates less dependent on large dollar contributions the state reimburses donors who contribute to political candidates and political party units.

Funding Source

State General Fund

Program Description

The PCR program was enacted in 1990. Under the current PCR program, political contributions made by Minnesotans to qualifying political candidates and political party units are eligible for a state refund of up to a total of \$50 per person (of \$100 per couple) in any calendar year. The refund program is available to political party units and legislative and state-wide candidates who agree to limit their spending by signing a Public Subsidy Agreement. Political candidates and parties are provided with special forms to document their contributions. This documentation is sent to the Department of Revenue, and a refund check is sent to the original donor. In essence, the contributor is donating state general fund money to a political candidate or party. The program is supported through an open appropriation from the general fund.

The program was suspended for political contributions made in fiscal years 2010 and 2011 by 2009 Governor's unallotment actions that were ratified by the 2010 legislature. Expenditures shown for fiscal year 2010 are refunds for contributions made prior to July 1, 2009.

Current Law

	Actual F.Y. 2009	Actual F.Y. 2010	Estimated F.Y. 2011	Estimated F.Y. 2012	Estimated F.Y. 2013
Political Contribution Refund	\$ 5,715	\$ 1,720	\$ 0	\$ 5,400	\$ 6,400
Total	\$ 5,715	\$ 1,720	\$ 0	\$ 5,400	\$ 6,400

Legal Citation: M.S. 290.06; 2010 Minn. Laws, First Special Session, Chapter 1, Article 13, Sec. 4.

Contact

Paul Wilson
Director Tax Research Division
Phone: (651)556-6138
E-mail: paul.wilson@state.mn.us

PAGE

Small Agency Profile	2
Agency Fiscal Page (Gov Rec)	5
Change Summary	6
Agency Change Items	
⇒ Deficiency Request And Budget Increase	7
Agency Revenue Summary Fiscal Page	8
⇒ Designates that this item is a change item	

Agency Purpose

Minnesota Tax Court is a specialized trial court in the executive branch, with statewide jurisdiction. It was specifically established by the Minnesota Legislature to hear and determine all matters arising out of Minnesota's tax laws (Minn. Stat. ch 271).

The court's mission is to provide timely and equitable 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 the 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.

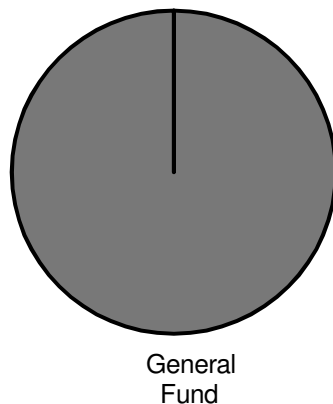
At a Glance

- Six full-time staff: three judges, three administrative staff
- Annual budget of approximately \$790,000
- A written decision is issued, distributed and published on all Regular Division cases.
- Most appeals are scheduled for a first trial setting within a 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
- changes in data practice laws

Est. FY 2010-11 Expenditures by Fund



Source: Consolidated Fund Statement.

Strategies

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 status of case movement; providing information as needed;
- 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 Tax Court also:

- Develops a consistent and uniform body of tax case law;
- Acts as a model for other states and other tax courts through presentations, speeches, and conferences; and
- Coordinates with and educates district courts on managing tax petitions.

The Court resolves complex procedural and substantive issues. A single case may 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 use these handbooks as a model.

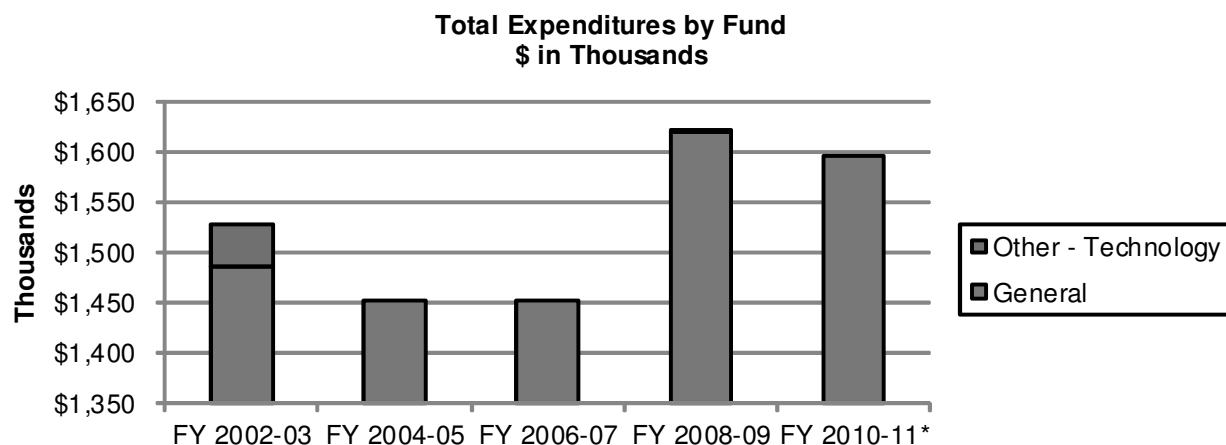
Key Measures

- Minnesota Tax Court issues decisions in all cases within three months of final submission to the court.
- Minnesota Tax Court provides information and searchable text decisions on its web site.
- Minnesota Tax Court produces and distributes procedural handbooks for self-represented (pro se) litigants.

Budget Trends

All funding for Tax Court operations comes from a General Fund appropriation. In the FY 2010-2011 biennium, the appropriation was approximately \$790,000. The Tax Court budget is approximately 75 percent compensation, 20 percent rent and 5 percent operating expenditures.

Minnesota Tax Court generates approximately \$50,000 annually in non-dedicated revenue from filing fees on appeals to an order from the Commissioner of Revenue. Depending on caseload fluctuations an additional \$1 to \$2 million in non-dedicated revenue is generated each biennium by property tax filings. Current fees are \$310 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.



* FY 2010-11 is estimated, not actual. Source data for the previous chart is the Minnesota Accounting and Procurement System (MAPS) as of 9/01/10.

An outside trend that significantly influences the Tax Court is the down turn in the economy which has lead to a decline in the local real estate market, resulting in an increase in foreclosures and adjusted property tax assessments. Due to this, the tax court has seen record increases in filings resulting results in a significant increase in Tax Court's caseload and disposition of cases. With the increase in filings the Tax Court has also experienced a significant increase with litigants who represent themselves (pro se).

Contact

Contact Tax Court by mail:

Minnesota Tax Court
245 Minnesota Judicial Center
25 Rev. Dr. Martin Luther King, Jr. Blvd.
Saint Paul, Minnesota 55155

Visit the Tax Court web site: <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
	FY2010	FY2011	FY2012	FY2013	2012-13
<u>Direct Appropriations by Fund</u>					
General					
Current Appropriation	806	793	793	793	1,586
Recommended	806	831	825	825	1,650
Change		38	32	32	64
% Biennial Change from 2010-11					0.8%
<u>Expenditures by Fund</u>					
Direct Appropriations					
General	810	790	790	790	1,580
Total	810	790	790	790	1,580
<u>Expenditures by Category</u>					
Total Compensation	648	637	637	637	1,274
Other Operating Expenses	162	153	153	153	306
Total	810	790	790	790	1,580
<u>Expenditures by Program</u>					
Tax Court	810	790	790	790	1,580
Total	810	790	790	790	1,580
Full-Time Equivalents (FTE)	5.8	5.5	5.5	5.5	

TAX COURT

Change Summary

<i>Dollars in Thousands</i>				
	FY2011	Governor's Recomm.		Biennium
		FY2012	FY2013	2012-13
Fund: GENERAL				
FY 2011 Appropriations	793	793	793	1,586
Technical Adjustments				
Operating Budget Reduction		(3)	(3)	(6)
Subtotal - Forecast Base	793	790	790	1,580
Change Items				
Deficiency Request and Budget Increase	38	35	35	70
Total Governor's Recommendations	831	825	825	1,650

TAX COURT

Change Item: Deficiency Request and Budget Increase

Fiscal Impact (\$000s)	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015
General Fund					
Expenditures	\$38	\$35	\$35	\$35	\$35
Revenues	0	0	0	0	0
Other Fund					
Expenditures	0	0	0	0	0
Revenues	0	0	0	0	0
Net Fiscal Impact	\$38	\$35	\$35	\$35	\$35

Recommendation

The Governor recommends an annual increase of \$35,000 for a total appropriation of \$825,000 per year to the Tax Court. Additionally, the Governor recommends that an additional \$3,000 is appropriated to the tax court in FY 2011 to cover the agency's overspent appropriation in FY 2010.

Rationale

The Tax Court's budget is comprised of 81% salary and fringe benefits for staff, 16 percent rent payments and three percent other operating costs. In FY 2010 the Tax Court received operating reductions that forced the agency to close operations for several weeks in order to hold its spending within its appropriation. The agency was unable to plan accordingly for the reduction and overspent its appropriation by approximately \$3,000.

Due to the fact that the Tax Court's budget is 97% rent and salary obligations it will need to shut down for several weeks in FY 2011 and each year thereafter in order to spend within its appropriations. Thus the Governor recommends an increase to cover the costs related to the court remaining open and in full service for the entire year for FY 2011 and beyond.

Key Goals and Measures

The mission of the Tax Court is to provide timely and equitable 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.

In order to effectively carry out this mission the Tax Court needs to remain open to serve constituents, local property tax administrators and the Department of Revenue. This recommendation for a budget increase will allow the Tax Court to remain open and carry out its mission.

Statutory Change: Not Applicable.

TAX COURT

Agency Revenue Summary

Dollars in Thousands

	Actual FY2010	Budgeted FY2011	Governor's Recomm. FY2012 FY2013		Biennium 2012-13
<u>Non Dedicated Revenue:</u>					
Other Sources:					
General	39	40	40	45	85
Total Non-Dedicated Receipts	39	40	40	45	85
<u>Dedicated Receipts:</u>					
Total Dedicated Receipts	0	0	0	0	0
Agency Total Revenue	39	40	40	45	85

PAGE

Small Agency Profile	2
Agency Fiscal Page (Gov Rec)	6
Agency Revenue Summary Fiscal Page	7

The mission and vision of the Teachers Retirement Association (TRA) is to:

- Provide retirement, disability and survivor benefits to Minnesota's public educators, assisting them in achieving future income security.
- Strive to provide benefits that attract and retain competent teachers who serve communities throughout the state, building a stronger education system.
- Commit to safeguarding the financial integrity of the fund and to take pride in providing exceptional, innovative services.

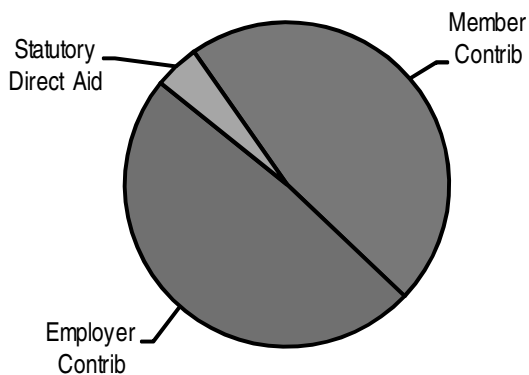
TRA's vision is to be an outstanding retirement system, pursuing benefits and services that exceed members' expectations.

At a Glance

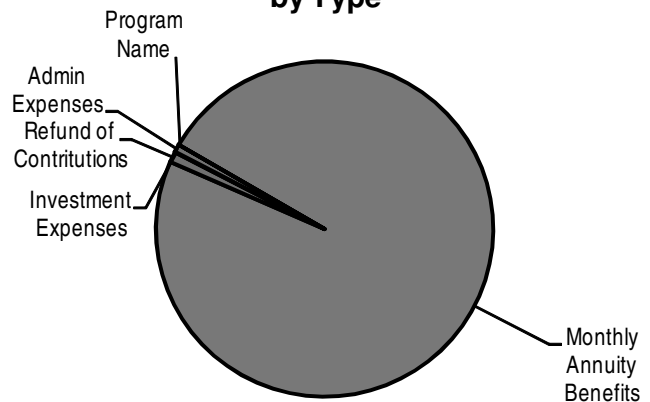
Member and financial data as of June 30, 2010.

- | | |
|---|---|
| • 77,356 active members | • \$3.79 billion (covered salary of active members) |
| • 36,407 inactive members | • \$1.43 billion (annual retirement benefits) |
| • 51,853 benefit recipients | • \$11.6 million (member refund of contributions) |
| • 578 employer units | • \$9.6 million (administrative expenses) |
| Actuarial Value of Assets \$17.3 billion | • \$14.9 billion (assets at fair market value) |
| Actuarial Value of Liabilities \$22.1 billion | • Funded Ratio (Market Value): 67.6% |
| Funded Ratio (Actuarial Value) 78.5% | • 88 Employees |

**Est. FY 2010-11 Expenditures
by Revenue Source**



**Est. FY 2010-11 Expenditures
by Type**



Source: TRA Comprehensive Annual Financial Report

Note: In addition to sources above, TRA investment earnings are expected to annually provide funding for 70% of member benefits.

Source: TRA FY 2011 Budget Document

Strategies

TRA is governed by a Board of Trustees charged with administering the assets of the fund for the exclusive benefit of its members. The board regularly reviews the funding health of the Fund, develops positions on legislative initiatives, and reviews operational goals and performance. Member contributions and demographic data are accumulated during the working career of teachers. Benefits paid are determined by provisions set by

Minnesota Statute. TRA fulfills its mission to provide retirement services by providing accurate and prompt payment of monthly retirement benefits. In addition, members who are actively teaching are offered pre-retirement counseling services through individual sessions, group workshops, and the availability of online or printed publications.

Operations

TRA staffing is organized around the following functional areas: receiving member contributions and data from employer units, providing pre-retirement counseling, and delivering benefits to teachers upon retirement or termination of teaching service. TRA's information technology unit supports the collection, administration, and benefit payment processes.

The TRA management team regularly meets to identify and prioritize staffing and budgetary resources for strategic initiatives. Since TRA plan provisions are governed by statute, implementation of recently enacted legislation holds a very high priority. Several major management initiatives underway during fiscal year 2011 include the development and implementation of a business continuation plan, development and programming of comprehensive business systems (.NET Project), and an enterprise-wide risk assessment to ensure systems controls adequately mitigate business risk. The TRA Board reviews progress reports of the various project teams.

Key Activity Goals & Measures

TRA's commitment to safeguarding the financial integrity of the fund requires continual monitoring of actuarial funding reporting. TRA's funding was severely weakened by the 2008-2009 investment market downturn. The 2010 Legislature enacted significant modifications to TRA contribution rates and plan provisions. These changes were designed to improve TRA's funding condition and improve the long-term sustainability of the fund. Over the next five years, the Minnesota Laws (2010) Chapter 359 is estimated to reduce TRA benefit liabilities by \$635.4 million and increase member and employer contributions by \$234.9 million each. In the fiscal year 2010 actuarial valuation report, TRA's actuary estimates that the 2010 legislative plan modifications and actuarial assumption changes have lowered TRA's actuarial accrued liability by \$1.75 billion. These changes are expected to stabilize TRA's funding ratio and gradually improve it over time. Two important measures of the health of a defined benefit retirement system are: 1) the level of funding, and (2) whether contribution rates are sufficient to earn enough assets to cover pension liabilities over the lifetime of its members. The following chart shows the funded ratio and contribution sufficiency/ (deficiency) as a percent of payroll over the past nine years, based on actuarial value of assets.

Fiscal Year	Funding Ratio*	Sufficiency/ (Deficiency)*
2010	78.5%	(4.00%)
2009	77.4%	(5.12%)
2008	82.0%	(3.33%)
2007	87.5%	(1.65%)
2006	92.1%	(0.80%)
2005	98.5%	0.95%
2004	100.0%	1.54%
2003	103.1%	1.63%
2002	105.3%	2.43%

*Based on actuarial value of assets

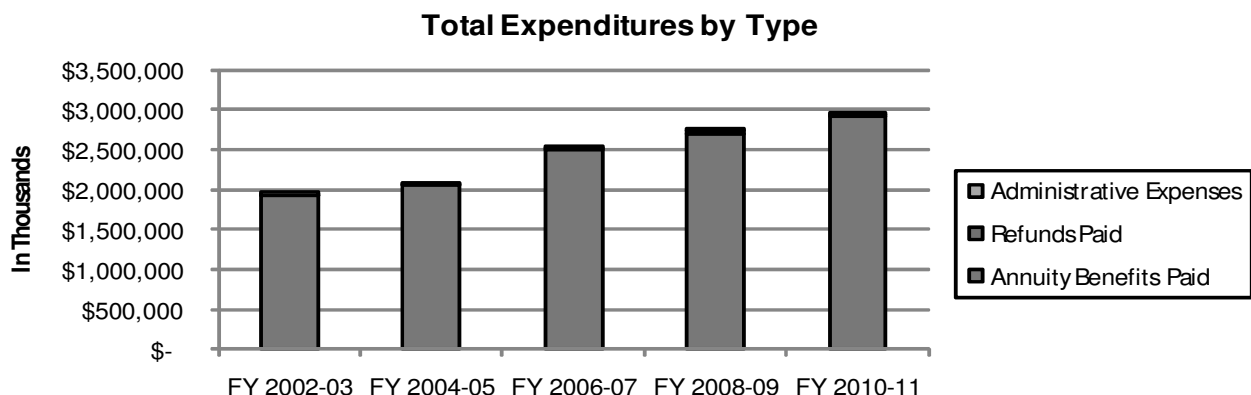
TRA's vision is to be an outstanding retirement system pursuing benefits and services that exceed members' expectations. In addition to a business continuation plan, enterprise risk assessment, and the .NET Project, the completion of the following goals are scheduled for the biennium:

- Unified communications technology allows a user to seamlessly communicate with another person even if two users are in separate locations. As part of this project, TRA could conduct benefit counseling with individual members located at an off-site location, or even in their homes.
- TRA offers a member and employer self-service internet site allowing members immediate access to account information, and the ability to prepare retirement benefit estimates. Benefit recipients have access to update tax withholding and direct deposit designations. Employers have the ability to submit payroll and demographic data online, and to remit member and employer contributions through the use of electronic fund transfer (EFT). As of June 30, 2010, approximately 50% of employer units remit payroll contributions to TRA using electronic fund transfer.
- Completion of a legislatively mandated study of retirement plan design options being conducted jointly with the other statewide retirement systems. The report will be completed by June 1, 2011.

Budget Trends

TRA assets, income and expenses are accounted for exclusively within the TRA Fund. Most members and employers each contribute 5.5% of covered salary to cover a portion of the cost of the TRA member's benefit. Investment earnings during the teaching career of a member are expected to generate about 70% of the funds necessary to fund a lifetime monthly annuity benefit for the member. TRA member and employer contributions total over \$435 million annually. By statute, TRA also receives approximately \$17 million in State General Fund direct aid payments. In addition, TRA also receives about \$4.5 million in local direct aid payments from the City of Minneapolis and the Minneapolis Special School District. These direct aid payments were assumed in 2006 as part of the legislation that merged the former Minneapolis Teachers Retirement Fund Association (MTRFA) into TRA.

TRA pays about \$120 million monthly in retirement benefits. Under law, TRA is expected to achieve full funding of benefits by 2037. In 2010, the Legislature enacted a package of contribution rate increases, lowered post-retirement benefit increases, and other plan provision reductions to stabilize the funding condition that worsened during the 2008-2009 severe investment market downturn. The TRA Board contracts with an actuarial consultant to annually report funding conditions and measurements. The board reviews the funding condition and recommends plan provision changes to the Legislature as deemed necessary. The board will closely monitor the fund's financial status and recommend additional measures, if needed to maintain a stable fund.



*Source: Teachers Retirement Association's Comprehensive Annual Financial Reports (CAFR) for FY 2002-2009. * FY 2010-11 is estimated, not actual*

TRA is affected by multiple external factors and trends. Investment market performance is a major key to the stability of TRA's funding structure. Investment market performance below the assumed annual investment return

of 8.5% tends to increase the need for higher contributions or limits in future benefit growth. School enrollments and desired class sizes affect the number of teachers employed. Teachers who enter teaching, but do not stay in the profession long-term also impact the ultimate cost of the TRA plan. The “baby boom” generation of teachers (members born from 1946 to 1964) has begun to retire and will continue producing a strong demand for retirement counseling services. The availability and cost of post-retirement health insurance influences the timing of teacher retirements. Improvements in longevity and health care affect the amount of time a member will draw TRA benefits and can increase costs. TRA is also affected by a national debate over adequate retirement planning and whether defined benefit or defined contribution plans, or a combination of both, are the most effective means of preparing for an adequate income in retirement.

Contact

Teachers Retirement Association Member Services:

Phone: (651) 296-2409
Toll-Free: (800) 657-3669
Web site: <http://www.tra.state.mn.us>
Email: info.tra@state.mn.us

TEACHERS RETIREMENT ASSOC

Agency Overview

<i>Dollars in Thousands</i>					
	Current		Governor Recomm.		Biennium
	FY2010	FY2011	FY2012	FY2013	2012-13
<u>Expenditures by Fund</u>					
Open Appropriations					
Teachers Retirement	1,443,014	1,527,410	1,502,171	1,527,821	3,029,992
Total	1,443,014	1,527,410	1,502,171	1,527,821	3,029,992
<u>Expenditures by Category</u>					
Total Compensation	6,607	7,060	7,074	7,224	14,298
Other Operating Expenses	4,167	4,548	4,295	4,795	9,090
Local Assistance	1	2	2	2	4
Other Financial Transactions	1,432,239	1,515,800	1,490,800	1,515,800	3,006,600
Total	1,443,014	1,527,410	1,502,171	1,527,821	3,029,992
<u>Expenditures by Program</u>					
Teachers Retire Asn	1,443,014	1,527,410	1,502,171	1,527,821	3,029,992
Total	1,443,014	1,527,410	1,502,171	1,527,821	3,029,992
Full-Time Equivalents (FTE)	89.0	88.0	88.0	88.0	

TEACHERS RETIREMENT ASSOC

Agency Revenue Summary

Dollars in Thousands

	Actual FY2010	Budgeted FY2011	Governor's Recomm. FY2012 FY2013		Biennium 2012-13
<u>Non Dedicated Revenue:</u>					
Other Revenues:					
Teachers Retirement	457,000	468,000	517,050	579,000	1,096,050
Total Non-Dedicated Receipts	457,000	468,000	517,050	579,000	1,096,050
<u>Dedicated Receipts:</u>					
Total Dedicated Receipts	0	0	0	0	0
Agency Total Revenue	457,000	468,000	517,050	579,000	1,096,050

	PAGE
Agency Profile	3
Agency Fiscal Page (Gov Rec)	7
Change Summary	9
Agency Change Items	
⇒ State Road Construction Appropriation	12
⇒ State Planning & Reseach	13
⇒ DBE Collaborative	14
⇒ Armer Maintenance And Operations	15
⇒ General Fund Reduction	17
Programs	
Multimodal Systems	18
Program Summary	19
Budget Activities	
Aeronautics	20
Budget Activity Summary	23
Transit	24
Budget Activity Summary	27
Freight	28
Budget Activity Summary	31
Passenger Rail	32
Budget Activity Summary	34
State Roads	35
Program Summary	36
Budget Activities	
Program Planning And Delivery	38
Budget Activity Summary	41
Operations And Maintenance	42
Budget Activity Summary	49
Electronic Communications	50
Budget Activity Summary	53
Debt Service	54
Budget Activity Summary	56
State Road Construction	57
Budget Activity Summary	60
Local Roads	61
Program Summary	62

- CONTENTS (Continued)

PAGE

Budget Activities

County State Aid Roads	63
Budget Activity Summary	66
Municipal State Aid Roads	67
Budget Activity Summary	69

Agency Management	70
Program Summary	71

Budget Activities

Agency Services.....	73
Budget Activity Summary	75
Building Services.....	76
Budget Activity Summary	78

Federal Funds Summary	79
------------------------------------	-----------

Agency Revenue Summary Fiscal Page	84
---	-----------

⇒ Designates that this item is a change item

Agency Purpose

The Minnesota Department of Transportation 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 the top policy goal of the agency. Mn/DOT's work will be guided by the principles of commitment to mission, a focus on customers, simplified government, management for results and improvement by innovation.

Mn/DOT's vision is to be a global leader in transportation, committed to upholding public needs and collaboration with internal and external partners to create a safe, efficient and sustainable transportation system for the future.

Mn/DOT's mission is to provide the highest quality, dependable, multi-modal transportation system through ingenuity, integrity, alliance and accountability.

Mn/DOT's investment objectives are:

- Preserve Existing Infrastructure – Preserve the state's assets and implement effective improvements that maintain the roads and bridges on the trunk highway system in a safe and sound condition.
- Improve Safety – Implement the Strategic Highway Safety Plan by investing in proactive strategies that reduce transportation-related fatalities and injuries through the use of new and improved technology and safety measures.
- Improve Mobility - Engineer solutions that reduce congestion and improve mobility. Expand multimodal transportation to create alternative means of travel.
- Innovation – Develop innovative and collaborative partnerships within the transportation community to deliver 21st century transportation solutions.

At a Glance

State Roads Program

- \$2 billion construction program for state fiscal years 2010 and 2011, including American Recovery and Reinvestment Act (ARRA) and Chapter 152 bonds
- Chapter 152 provided \$1.8 billion in trunk highway bonding for bridge and other highway improvements
- 64.1% of trunk highway principal arterial pavements are estimated in good condition in FY 2010
- Fatalities on state and local roads continue to decline
- In FY 2009, 18.2% of Metro freeways were congested in peak periods
- Snow and ice removal exceeds plowing performance targets

Local Roads Program

- Program support and project delivery services to 147 cities and 87 counties
- Apportion funds to construct and maintain 3,561 miles of state aid streets and 30,546 miles of county state aid highways

Multimodal Systems Program

- In FY 2010, 83% of public airport runways and taxiways were in good or better condition
- The Northstar Commuter Rail project opened in November 2009
- \$3.7 million in rail improvements funded by the ARRA and \$3.5 million in project grants
- \$26 million in bond fund projects identified to match federal passenger rail program funds

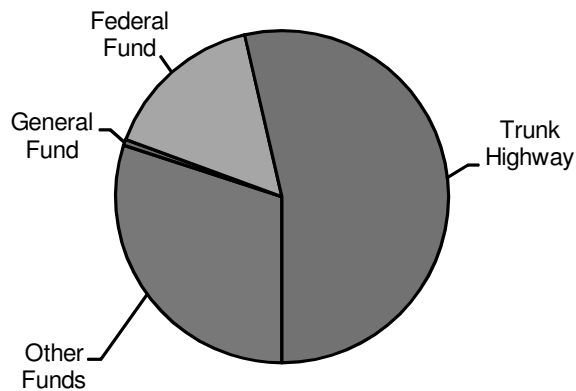
Agency Management Program

- Currently developing strategic staffing and workforce development plans, enhanced by the early retirement incentive
- Drives the transition to SWIFT within the agency

FY 2010-11 Budget by Program Direct Appropriations (000s)

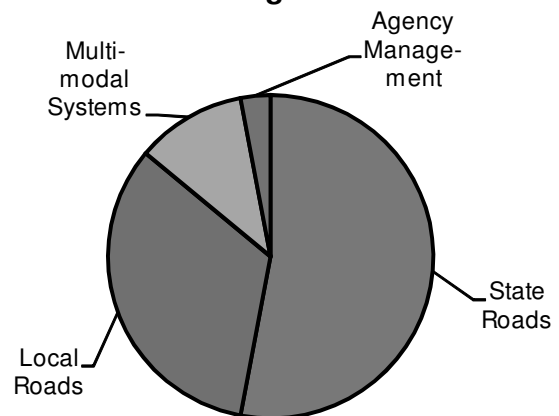
State Roads	\$ 2,447,843
Local Roads	1,296,667
Agency Management	120,379
Multimodal Systems	84,967
Total	\$ 3,949,856

Est. FY 2010-11 Expenditures by Fund



Source: Consolidated Fund Statement.

Est. FY 2010-11 Expenditures by Program



Source: MAPS

Strategies

- **Safety** – Promote and maintain a safe, reliable and modern transportation system
- **Mobility** – Improve access and enhance the movement of people and freight
- **Innovation** – Promote a culture of innovation in the organization
- **Leadership** – Become the transportation leader and employer of choice for Minnesota's diverse population
- **Transparency** – Build public trust in Mn/DOT

The Commissioner has committed Mn/DOT to a Complete Street (CS) vision for our trunk highway system. Complete Streets are designed and operated to enable safe access for all users. Pedestrians, bicyclists, motorists and bus riders of all ages and abilities are able to safely move along and across a complete street. The goal of a CS Policy is to develop a balanced system that integrates all modes and users through integrated planning. We have started work on the effort to modify our processes and guidance documents so that projects are developed with an overall Complete Streets vision for the community. An External Advisory Group has been established and met for the first time to advise Mn/DOT in July of 2010.

Operations

State Roads - Mn/DOT constructs, operates and maintains the state trunk highway system that includes nearly 12,000 miles of roads and 4,840 bridges. This system carries about 58% of all travel for the entire 141,000-mile system of state and local roads.

- **State Road Construction** - 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 advanced design and research contracts. This service also includes financial tracking, regulation and transportation program guidance and analysis.
- **Program Planning & Delivery** - 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.
- **Operations & Maintenance** - Maintains, operates and preserves the state's trunk and interstate highway system including roadways, bridges, roadsides, safety equipment, traffic control and traffic management devices and the equipment and buildings associated with those tasks.

- **Electronic Communications** - Provides expertise in electronic communication technologies and addresses the specialized transportation and public safety communications needs of state and local agencies.
- **Debt Service** - Provides for the repayment of trunk highway bond debt and debt related to local government advances and Transportation Revolving Loan Fund loans.

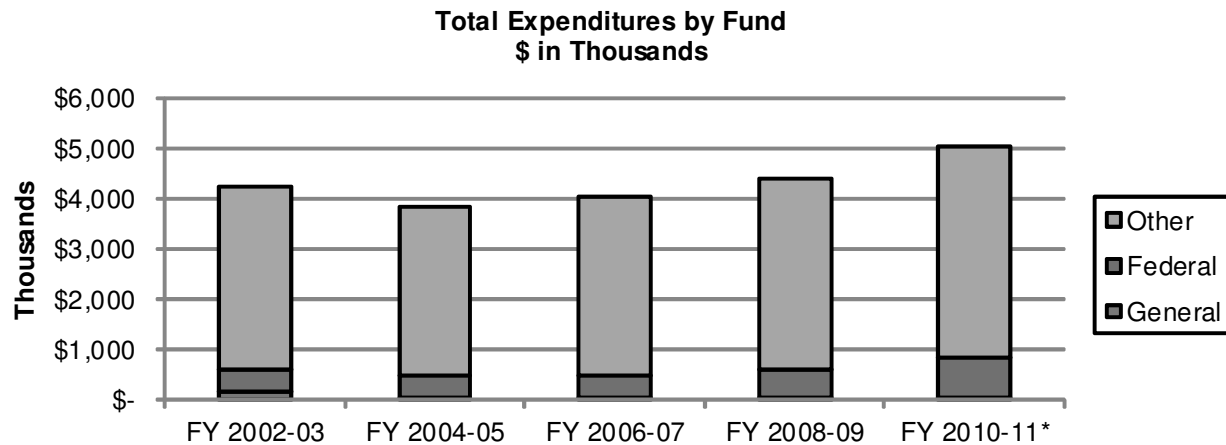
Local Roads – Includes the financial resources for county and municipal roads generated by the constitutional funding sources and federal aid funds.

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.

- **Aeronautics** - Mn/DOT promotes general and commercial aviation throughout the state, and provides services including aircraft registration, airport development, aviation system planning, aviation education, and maintains and operates aviation navigational systems and government aircraft services.
- **Transit** - The transit service helps people and communities in Greater Minnesota meet their mobility needs by supporting safe, responsive efficient and environmentally sound transit services and safely accommodates 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. Mn/DOT is also responsible for planning design and construction of commuter rail (M.S.174.82) and working closely with the Metropolitan Council on design and construction of light rail transit (M.S.174.35).
- **Freight** - This service enhances Minnesota's economic competitiveness by improving access to regional, national and global markets through the safe and efficient movement of goods. This activity also advances highway safety by improving and enhancing the safety and security of commercial transportation operations, and by ensuring compliance with state and federal laws.
- **Passenger Rail** - Provides for improved transportation options for Minnesota residents by the development of an intrastate passenger rail system connecting regional centers and enhances Minnesota's connection to the expanding national passenger rail system. The department is charged with planning, design, development and construction of passenger rail services in Minnesota MS 174.632. The recently adopted Minnesota Statewide Freight and Passenger Rail Plan states that Mn/DOT will lead in the development of passenger rail services and coordinate with Midwest Regional Rail Initiative states in the development of a multi-state passenger rail system in the upper Midwest.

Agency Management – Provides executive leadership, sets policy and determines strategic direction to ensure the Minnesota Department of Transportation provides a coordinated transportation network that is safe, user-friendly and responds to the values of Minnesota's citizens. Agency Management also provides general management and specialized agency services that directs the management and administration of the department's information technology, financial, human and capital resources. It also includes the construction and centrally directed maintenance for all the department's 1,054 buildings.

Budget Trends



*FY 2010-11 is estimated, not actual.

Source data for the previous chart is the Minnesota Accounting and Procurement System (MAPS) as of 7/02/2010.

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. Currently less than 1% of the operating budget is from the General Fund.

External Factors

- Minnesota transportation fuel consumption was down 8% in the years 2004-2009. Higher fuel prices, reduced travel and improved fuel efficiency have resulted in a decline in federal and state motor fuel tax revenues.
- The state's transportation infrastructure is aging and in need of significant rehabilitation or reconstruction during the next 20 years. State highway pavement has not met system-wide performance targets since 2002. Other transportation assets--rail lines, ports, etc.--are also in need of reinvestment to maintain or improve existing service levels. Statewide bridge condition is expected to improve as Mn/DOT completes projects funded through the Chapter 152 bridge program.
- Public demand for an integrated, multimodal transportation system continues to increase due to concerns about health, the environment, energy consumption, economic competitiveness and community livability. New state and federal policy direction calls for greater modal balance and coordination in Mn/DOT policies, plans and programs.
- Oil price fluctuations have contributed to volatility in the costs of construction, which increased dramatically between 2004 and 2008 and then plummeted in 2009 and 2010.
- Federal Surface Transportation Funding for FY 2011 is forecast to remain flat at \$525 million.

Contact

Bernie Arseneau
Deputy Commissioner and Chief Engineer
Minnesota Department of Transportation
395 John Ireland Boulevard
Saint Paul, Minnesota 55155
Phone: (651) 366-4838
email: bernie.arseneau@state.mn.us

Dollars in Thousands					
	Current		Governor Recomm.		Biennium
	FY2010	FY2011	FY2012	FY2013	2012-13
<u>Direct Appropriations by Fund</u>					
General					
Current Appropriation	18,167	12,482	12,482	12,482	24,964
Recommended	18,167	12,482	15,763	15,763	31,526
Change		0	3,281	3,281	6,562
% Biennial Change from 2010-11					2.9%
State Airports					
Current Appropriation	21,859	19,609	19,609	19,609	39,218
Recommended	21,859	19,609	19,609	19,609	39,218
Change		0	0	0	0
% Biennial Change from 2010-11					-5.4%
Municipal State Aid Street					
Current Appropriation	135,922	141,400	141,400	141,400	282,800
Recommended	135,922	141,400	145,455	153,484	298,939
Change		0	4,055	12,084	16,139
% Biennial Change from 2010-11					7.8%
County State Aid Highway					
Current Appropriation	489,050	524,478	524,478	524,478	1,048,956
Recommended	489,050	524,478	545,109	572,773	1,117,882
Change		0	20,631	48,295	68,926
% Biennial Change from 2010-11					10.3%
Trunk Highway					
Current Appropriation	1,200,853	1,408,019	1,408,019	1,408,019	2,816,038
Recommended	1,200,853	1,365,019	1,490,146	1,263,961	2,754,107
Change		(43,000)	82,127	(144,058)	(61,931)
% Biennial Change from 2010-11					7.3%
Federal Stimulus					
Current Appropriation	167,459	25,480	0	0	0
Recommended	167,459	25,480	0	0	0
Change		0	0	0	0
% Biennial Change from 2010-11					-100%

Dollars in Thousands

	Current		Governor Recomm.		Biennium
	FY2010	FY2011	FY2012	FY2013	2012-13
<u>Expenditures by Fund</u>					
Direct Appropriations					
General	18,087	12,560	15,763	15,763	31,526
State Airports	21,030	20,438	19,609	19,609	39,218
Municipal State Aid Street	129,544	141,400	145,455	153,484	298,939
County State Aid Highway	449,579	532,918	545,109	572,773	1,117,882
Trunk Highway	1,065,544	1,369,657	1,431,387	1,242,069	2,673,456
Federal Stimulus	167,459	25,480	0	0	0
Open Appropriations					
State Airports	42	54	54	54	108
Trunk Highway	3,646	5,595	5,595	5,595	11,190
Highway Users Tax Distribution	22	194	194	194	388
Statutory Appropriations					
General	1,268	477	81	81	162
State Government Spec Revenue	7,615	5,359	3,240	3,590	6,830
Miscellaneous Special Revenue	48,077	86,635	62,645	62,686	125,331
State Airports	1,527	1,855	1,515	1,515	3,030
Municipal State Aid Street	2,486	3,672	3,728	3,935	7,663
County State Aid Highway	9,410	11,580	13,977	14,686	28,663
Trunk Highway	12,774	58,781	49,344	49,344	98,688
Federal	283,501	358,455	307,302	304,470	611,772
Federal Stimulus	98,287	96,302	33,936	7,590	41,526
Transit Assistance	14,216	26,437	21,760	23,264	45,024
Miscellaneous Agency	2,435	662	527	527	1,054
Total	2,336,549	2,758,511	2,661,221	2,481,229	5,142,450
<u>Expenditures by Category</u>					
Total Compensation	369,587	368,421	371,079	379,944	751,023
Other Operating Expenses	246,404	365,726	255,319	245,685	501,004
Capital Outlay & Real Property	704,024	834,135	858,380	632,380	1,490,760
Local Assistance	999,877	1,127,807	1,064,831	1,074,741	2,139,572
Other Financial Transactions	16,657	15,950	15,950	15,950	31,900
Transfers	0	46,472	95,662	132,529	228,191
Total	2,336,549	2,758,511	2,661,221	2,481,229	5,142,450
<u>Expenditures by Program</u>					
Multimodal Systems	257,340	291,341	265,479	264,082	529,561
State Roads	1,186,390	1,438,376	1,444,346	1,254,630	2,698,976
Local Roads	802,039	935,197	884,610	895,728	1,780,338
Agency Management	90,780	93,597	66,786	66,789	133,575
Total	2,336,549	2,758,511	2,661,221	2,481,229	5,142,450
Full-Time Equivalents (FTE)	4,950.8	4,977.8	4,922.9	4,922.7	

TRANSPORTATION DEPT

Change Summary

<i>Dollars in Thousands</i>				
	FY2011	Governor's Recomm.		Biennium
		FY2012	FY2013	2012-13
Fund: GENERAL				
FY 2011 Appropriations	12,482	12,482	12,482	24,964
Technical Adjustments				
Current Law Base Change		4,675	4,675	9,350
Operating Budget Reduction		(2)	(2)	(4)
Subtotal - Forecast Base	12,482	17,155	17,155	34,310
Change Items				
General Fund Reduction	0	(1,392)	(1,392)	(2,784)
Total Governor's Recommendations	12,482	15,763	15,763	31,526
Fund: STATE AIRPORTS				
FY 2011 Appropriations	19,609	19,609	19,609	39,218
Subtotal - Forecast Base	19,609	19,609	19,609	39,218
Total Governor's Recommendations	19,609	19,609	19,609	39,218
Fund: MUNICIPAL STATE AID STREET				
FY 2011 Appropriations	141,400	141,400	141,400	282,800
Technical Adjustments				
End-of-session Estimate		10,575	14,623	25,198
November Forecast Adjustment	0	(6,520)	(2,539)	(9,059)
Subtotal - Forecast Base	141,400	145,455	153,484	298,939
Total Governor's Recommendations	141,400	145,455	153,484	298,939
Fund: COUNTY STATE AID HIGHWAY				
FY 2011 Appropriations	524,478	524,478	524,478	1,048,956
Technical Adjustments				
End-of-session Estimate		48,794	65,195	113,989
November Forecast Adjustment	0	(28,163)	(16,900)	(45,063)
Subtotal - Forecast Base	524,478	545,109	572,773	1,117,882
Total Governor's Recommendations	524,478	545,109	572,773	1,117,882
Fund: TRUNK HIGHWAY				
FY 2011 Appropriations	1,408,019	1,408,019	1,408,019	2,816,038
Technical Adjustments				
Current Law Base Change		57,132	57,132	114,264
One-time Appropriations		(122,000)	(122,000)	(244,000)
Subtotal - Forecast Base	1,408,019	1,343,151	1,343,151	2,686,302
Change Items				
State Road Construction Appropriation	(43,000)	146,000	(80,000)	66,000
State Planning & Research	0	865	680	1,545
DBE Collaborative	0	130	130	260
Total Governor's Recommendations	1,365,019	1,490,146	1,263,961	2,754,107
Fund: FEDERAL STIMULUS				
FY 2011 Appropriations	25,480	0	0	0
Subtotal - Forecast Base	25,480	0	0	0
Total Governor's Recommendations	25,480	0	0	0

TRANSPORTATION DEPT

Change Summary

<i>Dollars in Thousands</i>				
	FY2011	Governor's Recomm.		Biennium
		FY2012	FY2013	2012-13
Fund: STATE AIRPORTS				
Planned Open Spending	54	54	54	108
Total Governor's Recommendations	54	54	54	108
Fund: TRUNK HIGHWAY				
Planned Open Spending	5,595	5,595	5,595	11,190
Total Governor's Recommendations	5,595	5,595	5,595	11,190
Fund: HIGHWAY USERS TAX DISTRIBUTION				
Planned Open Spending	194	194	194	388
Total Governor's Recommendations	194	194	194	388
Fund: GENERAL				
Planned Statutory Spending	477	81	81	162
Total Governor's Recommendations	477	81	81	162
Fund: STATE GOVERNMENT SPEC REVENUE				
Planned Statutory Spending	5,359	0	0	0
Change Items				
ARMER Maintenance and Operations	0	3,240	3,590	6,830
Total Governor's Recommendations	5,359	3,240	3,590	6,830
Fund: MISCELLANEOUS SPECIAL REVENUE				
Planned Statutory Spending	86,635	62,645	62,686	125,331
Total Governor's Recommendations	86,635	62,645	62,686	125,331
Fund: STATE AIRPORTS				
Planned Statutory Spending	1,855	1,515	1,515	3,030
Total Governor's Recommendations	1,855	1,515	1,515	3,030
Fund: MUNICIPAL STATE AID STREET				
Planned Statutory Spending	3,672	3,728	3,935	7,663
Total Governor's Recommendations	3,672	3,728	3,935	7,663
Fund: COUNTY STATE AID HIGHWAY				
Planned Statutory Spending	11,580	13,977	14,686	28,663
Total Governor's Recommendations	11,580	13,977	14,686	28,663
Fund: TRUNK HIGHWAY				
Planned Statutory Spending	58,781	49,344	49,344	98,688
Total Governor's Recommendations	58,781	49,344	49,344	98,688
Fund: FEDERAL				
Planned Statutory Spending	358,455	307,302	304,470	611,772
Total Governor's Recommendations	358,455	307,302	304,470	611,772
Fund: FEDERAL STIMULUS				
Planned Statutory Spending	96,302	33,936	7,590	41,526
Total Governor's Recommendations	96,302	33,936	7,590	41,526
Fund: TRANSIT ASSISTANCE				
Planned Statutory Spending	26,437	21,760	23,264	45,024
Total Governor's Recommendations	26,437	21,760	23,264	45,024
Fund: MISCELLANEOUS AGENCY				
Planned Statutory Spending	662	527	527	1,054
Total Governor's Recommendations	662	527	527	1,054

TRANSPORTATION DEPT

Change Summary

<i>Dollars in Thousands</i>				
	FY2011	Governor's Recomm.		Biennium
		FY2012	FY2013	2012-13
<u>Revenue Change Items</u>				
<i>Fund: TRUNK HIGHWAY</i>				
Change Items				
State Road Construction Appropriation	(43,000)	146,000	(80,000)	66,000
State Planning & Reseach	0	865	680	1,545

TRANSPORTATION DEPT

Change Item: State Road Construction Appropriation

Fiscal Impact (\$000s)	FY2011	FY 2012	FY 2013	FY 2014	FY 2015
Trunk Highway Fund					
Expenditures	\$(43,000)	\$146,000	\$(80,000)	\$0	\$0
Revenues	(43,000)	146,000	(80,000)	0	0
Net Fiscal Impact	\$0	\$0	\$0	\$0	\$0

Recommendation

The Governor recommends increasing appropriations related to state road construction from the trunk highway fund by \$146 million in FY 2012 and decreasing by \$80 million in FY 2013, for a \$66 million increase for the biennium due to increased federal funding. The \$43 million in FY 2011 reflects a lower level of federal aid agreements.

Rationale

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. The increase in FY 2012 is due to an increased amount of Federal projects starts, including an increased amount of Federal Earmarks being delivered, and in FY 2013 is less due to fewer Federal project starts.

Federal highway funds for trunk highway purposes require state direct appropriation authority to spend.

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 2012 through 2015.

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 state roads

Statutory Change: Not Applicable.

TRANSPORTATION DEPT

Change Item: State Planning & Research

Fiscal Impact (\$000s)	FY 2012	FY 2013	FY 2014	FY 2015
Trunk Highway Fund				
Expenditures	\$865	\$680	\$680	\$680
Revenues	(865)	(680)	(680)	(680)
Net Fiscal Impact	\$0	\$0	\$0	\$0

Recommendation

The Governor recommends increasing appropriations related to design and construction engineering from the trunk highway fund by \$865,000 in FY 2012 and \$680,000 FY 2013, due to increased federal funding for state planning and research activities.

Rationale

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. This law has been extended beyond 2009 and remains in effect. Federal funding is made available for several purposes, one of which is for state planning and research.

Federal highway funds for trunk highway purposes require state direct appropriation authority to spend.

The requested appropriation increase is based on estimated federal funds at the federal fiscal year (FFY) 2009 amount.

This request is an increase to the base appropriation for design and construction engineering by \$865,000 in FY 2012 and \$680,000 FY 2013 for a biennial total of \$1.545 million (non-SRC portion). The increased funding for state planning and research includes an increase for increased federally mandated reporting under the Federal Funding Accountability and Transparency Act (FFATA). Additionally this funding will be used to provide improved traffic data collection, processing and analysis of traffic monitoring and weigh in motion data and enhanced traffic data for Mn/DOT and local county/city planning. The number of traffic data collection sites will be increased for traffic counts and recounts.

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 state roads.

Statutory Change: Not Applicable

TRANSPORTATION DEPT

Change Item: DBE Collaborative

Fiscal Impact (\$000s)	FY 2012	FY 2013	FY 2014	FY 2015
Trunk Highway Fund				
Expenditures	\$130	\$130	\$130	\$130
Revenues	0	0	0	0
Net Fiscal Impact	\$130	\$130	\$130	\$130

Recommendation

The Governor recommends that Mn/DOT adopt a Targeted Group Business (TGB) Program to remedy the effects of past or present discrimination in the Minnesota highway construction industry. The 2010 disparity study evidenced the underutilization of minority and women-owned businesses within Minnesota highway construction contracts. The Mn/DOT TGB Program shall be pursuant to the Commissioner of Administration designation of Targeted Group Business within Minnesota Statute 16C.16. To initially accommodate the program's start up needs, it will be required to initially increase staff size by two FTE staff positions.

Rationale

The Commissioner of Administration under 16C.16 Subd.(5) designates business that are majority-owned and operated by women, persons with a substantial physical disability, or specific minorities as targeted group businesses. These designations are based on the showing of a statistical disparity in contracting. Pursuant to the Commissioner of Administration's designation, Minn. Stat. §161.321 authorizes Mn/DOT to adopt a targeted group business program for Minnesota highway construction contracts. The statutory language of Minn. Stat. §161.321 must be revised prior to the reinstitution of Mn/DOT's TGB Program. The proposed revisions of the statutory language are intended to ensure the program passes constitutional muster as required for affirmative action programs.

Following the adoption of the revised language the new TGB Program shall be developed and implemented. Mn/DOT will assign goals for these underutilized groups on state funded projects. In order to administer the program Mn/DOT is requesting two additional FTE positions.

Key Goals and Measures

The State of Minnesota and Mn/DOT have procurement objectives to increase the number of designated targeted group businesses actively participating on Mn/DOT state funded projects.

- There would be a greater representation of the designated targeted group business on Minnesota state funded highway construction projects.
- A subsequent disparity study would show the degree of impact that the TGB Program has had.
- The TGB Program is intended to sunset when there is no longer a disparity with regard to a specific group.

Please refer to Disparity Study, (October 23, 2009):

<http://www.mmd.admin.state.mn.us/disparity/Revised2009MnDOTDisparityStudy.pdf>.

Statutory Change: Minnesota Statutes 16C.16 and 161.321.

TRANSPORTATION DEPTChange Item: **ARMER Maintenance and Operations**

Fiscal Impact (\$000s)	FY 2012	FY 2013	FY 2014	FY 2015
911 Fund				
Expenditures - 911 Fund	\$3,240	\$3,590	\$3,590	\$3,590
Transfer from Public Safety	(3,240)	(3,240)	(3,240)	(3,240)
Net Fiscal Impact	\$0	\$0	\$0	\$0

Recommendation

The Governor recommends an increase in the funding required to operate and maintain the Allied Radio Matrix for Emergency Response (ARMER). This increase is based on the additional infrastructure that will be constructed and placed into service in the final phases of the project. Funds to operate and maintain ARMER are appropriated from the 911 Special Revenue Account.

The Department of Public Safety has anticipated these increased costs in the operation and maintenance of ARMER and sufficient funds will be available in the account to provide for this increase. The appropriations to Mn/DOT from the 911 Special Revenue Account will be included in the Governor's public safety proposals for the Department of Public Safety. To preserve the legislative commitment of funds deposited in the 911 Special Revenue Account, the appropriation language will specify that any unused portion of these funds will be returned to the 911 Special Revenue Account. This increase is a permanent increase in base funding.

Rationale

ARMER is a robust, scalable, state-of-the-art, 800 megahertz, digital, trunked, radio communication system, owned and operated by Mn/DOT under an agreement with the Department of Public Safety. It provides a statewide public safety communication backbone that can be shared with city, county, state agency, tribal government and non-government public safety entity. ARMER provides day-to-day public safety communication and is the fundamental infrastructure for emergency responders to achieve seamless interoperable communications.

ARMER was designed to be implemented in six phases. In 2001, Phases 1 and 2 (the metropolitan area) were completed and placed in operation. Phase 3 (southeast and central Minnesota) was funded by the legislature in 2005. That portion of the backbone has been completed and is providing a communication backbone for state and local users. Construction of the ARMER backbone in the remaining portions of the state began in 2008 and is proceeding according to schedule.

Recognizing the need for funds to operate and maintain this expanding system, the 2007 legislature provided Mn/DOT with \$3.11 million per year for fiscal years 2008-09 for the metropolitan area and Phase 3. Anticipating the completion of Phase 4, an additional \$1.95 million per year was appropriated for fiscal years 2010-11, for a total of \$5.06 million. There was no increase in this budget category in 2009. However, the need for future increases in the cost to maintain and operate the ARMER backbone was expected as the final three phases (Phase 4-6) ARMER backbone were completed.

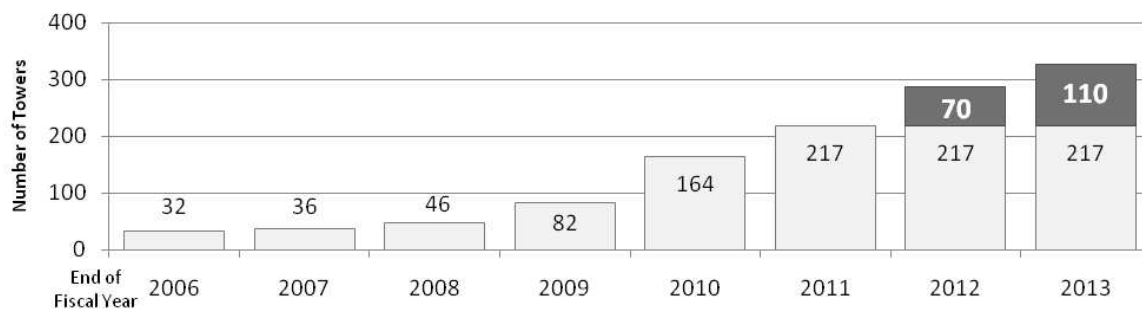
Construction of Phases 4-6 has proceeded on schedule, and that infrastructure is currently being placed into service. ARMER will be substantially completed during fiscal year 2013, and this additional appropriation of \$3,590,000 is needed to provide for the operation and maintenance of the completed system. With this addition, the total appropriation will be \$8.65 million. Less is required in fiscal year 2012 because not all tower sites will be completed or on the air.

A more detailed history is available in the [ARMER System Biennial Report to the Legislature](#)

Key Goals and Measures

The goal set forth by the Statewide Radio Board is 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 manmade disasters*. [Source: Conceptual Statewide Plan, adopted by the Statewide Radio Board pursuant to M.S. 403.36.]

To meet that goal, Mn/DOT must construct, operate, and maintain the entire backbone system. Progress is measured and reported to the Statewide Radio Board on a monthly basis as the total number of tower sites that are operating on-the-air. This change request will enable the system to grow and operate beyond its 2011 level, assuring adequate public safety and emergency response communications capabilities in every county of the state. The graph below illustrates that 110 additional towers will ultimately be operated and maintained as a result of this change request.



Statutory Change: Not Applicable.

TRANSPORTATION DEPT

Change Item: General Fund Reduction

Fiscal Impact (\$000s)	FY 2012	FY 2013	FY 2014	FY 2015
General Fund				
Expenditures	\$(1,392)	\$(1,392)	\$(1,392)	\$(1,392)
Revenues	0	0	0	0
Net Fiscal Impact	\$(1,392)	\$(1,392)	\$(1,392)	\$(1,392)

Recommendation

The Governor recommends a \$1.392 million reduction from Mn/DOT's general fund base for FY 2012 and FY 2013. This reduction to direct appropriated funds includes an 8.3% reduction in grants to greater Minnesota transit providers and a 5% reduction to total general fund administrative functions within the Department of Transportation by reducing an appropriation in the hazardous materials registration program within the freight office.

Rationale

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 2010, 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 70 of 80 counties.

Key Goals and Measures

The goal of Mn/DOT's transit programs is to meet the mobility needs of Minnesota's citizens through access to a high quality, coordinated transit network that is integrated into the overall transportation system. A key measure of transit service is bus service hours. Approximately 1.045 million hours of public transit service will be provided in Greater Minnesota in calendar year 2011. The 8.3%, or \$1.343 million, reduction in General Funds for Greater Minnesota transit corresponds to approximately 23,000 hours of bus service. The reduction in administrative functions in the hazardous materials registration program within the freight office aligns with the 2010 repeal of the Hazardous Material Registration Program. This repeal in 2010 eliminated the state registration requirement that is now done by the federal Pipeline and Hazardous Materials Security Administration.

Statutory Change: Not Applicable

Program Description

The purpose of the Multimodal Systems program is to provide support for transit, freight, 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

This program includes the following budget activities:

- Aeronautics
- Transit
- Freight
- Passenger Rail

TRANSPORTATION DEPT

Program: MULTIMODAL SYSTEMS

Program Summary

Dollars in Thousands					
	Current		Governor Recomm.		Biennium
	FY2010	FY2011	FY2012	FY2013	2012-13
<u>Direct Appropriations by Fund</u>					
General					
Current Appropriation	18,108	12,423	12,423	12,423	24,846
Technical Adjustments					
Current Law Base Change			4,675	4,675	9,350
Subtotal - Forecast Base	18,108	12,423	17,098	17,098	34,196
Governor's Recommendations					
General Fund Reduction		0	(1,392)	(1,392)	(2,784)
Total	18,108	12,423	15,706	15,706	31,412
State Airports					
Current Appropriation	21,834	19,584	19,584	19,584	39,168
Subtotal - Forecast Base	21,834	19,584	19,584	19,584	39,168
Total	21,834	19,584	19,584	19,584	39,168
Trunk Highway					
Current Appropriation	6,509	6,509	6,509	6,509	13,018
Subtotal - Forecast Base	6,509	6,509	6,509	6,509	13,018
Total	6,509	6,509	6,509	6,509	13,018
<u>Expenditures by Fund</u>					
Direct Appropriations					
General	18,028	12,503	15,706	15,706	31,412
State Airports	21,006	20,412	19,584	19,584	39,168
Trunk Highway	6,556	7,246	6,509	6,509	13,018
Statutory Appropriations					
General	0	81	81	81	162
Miscellaneous Special Revenue	34,154	57,393	46,097	46,138	92,235
State Airports	1,527	1,855	1,515	1,515	3,030
Federal	133,024	150,851	145,317	143,220	288,537
Federal Stimulus	26,394	13,993	8,435	7,590	16,025
Transit Assistance	14,216	26,437	21,760	23,264	45,024
Miscellaneous Agency	2,435	570	475	475	950
Total	257,340	291,341	265,479	264,082	529,561
<u>Expenditures by Category</u>					
Total Compensation	13,747	15,276	14,855	15,133	29,988
Other Operating Expenses	7,203	30,395	17,835	16,452	34,287
Capital Outlay & Real Property	20,937	32,876	32,859	32,859	65,718
Local Assistance	212,893	210,763	197,899	197,607	395,506
Other Financial Transactions	2,560	1,950	1,950	1,950	3,900
Transfers	0	81	81	81	162
Total	257,340	291,341	265,479	264,082	529,561
<u>Expenditures by Activity</u>					
Aeronautics	104,848	103,641	97,140	97,140	194,280
Transit	134,655	166,266	148,487	149,187	297,674
Freight	17,077	19,645	16,790	16,790	33,580
Passenger Rail	760	1,789	3,062	965	4,027
Total	257,340	291,341	265,479	264,082	529,561
<u>Full-Time Equivalents (FTE)</u>					
	163.8	178.7	169.7	169.7	

TRANSPORTATION DEPT

Program: MULTIMODAL SYSTEMS

Activity: AERONAUTICS

Narrative

Activity at a Glance

- 11,833 licensed Minnesota pilots
- 7,104 active, registered aircraft
- 6,300 aircraft maintenance technicians
- 135 airports in State Aviation System Plan (97 airports eligible for federal funds)
- 15 public-use seaplane bases
- 31 million commercial passengers

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 Sun Country Airlines, Delta Airlines, and Mesaba Airlines or delivery services like UPS, FEDEX, 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.

Services Provided

Aeronautics Administration:

Provides 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:

Provides air transportation service via state-owned aircraft to state employees, the legislature, university personnel and constitutional officers when conducting official business. Mn/DOT charges a single rate per mile for aircraft use; all flights depart from the St. Paul Downtown Airport.

Airport System Investment and Planning:

The provision of 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 en-route 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 84-radio navigation and communication systems.

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.

TRANSPORTATION DEPT

Program: MULTIMODAL SYSTEMS

Activity: AERONAUTICS

Narrative

Traveler Information:

- Provides weather information to pilots by gathering statewide weather information through a network of 100 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.

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 of funds to the municipality.

Key Activity Goals & Measures

The key goals of the Aeronautics budget activity are to:

- Promote and maintain a safe, reliable and modern transportation system 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.
- Increase access to the transportation system and enhance the movement of people and freight by administering air-service marketing grants to encourage the preservation and expansion of air service in greater Minnesota.

Additional information regarding activity goals is provided in Mn/DOT's strategic vision and directions, available online at <http://www.dot.state.mn.us/strategicvision/vision.html>.

Information on Mn/DOT's long-term transportation policies, strategies and measures for Minnesota is provided in the Statewide Transportation Policy Plan 2009-2028, available at <http://www.dot.state.mn.us/planning/stateplan/download.html>.

Information on Mn/DOT's and Minnesota's transportation system performance can be found in the 2009 Transportation Performance Report, available at <http://www.dot.state.mn.us/measures>.

- Mn/DOT's Office of Aeronautics measures the pavement condition at public airports and works with airport owners to maximize the share in good condition and minimize the share in poor condition. The most important pavement areas are runways and taxiways; the Office has begun to focus measurement on them. For all public airports, in reporting year 2008, 89% of pavement was in good or better condition, and 2% was in poor

TRANSPORTATION DEPT

Program: MULTIMODAL SYSTEMS

Activity: AERONAUTICS

Narrative

or worse condition. In 2009, 86% of pavement was good or better, and 4% poor or worse. In 2010, 83% of pavement was good or better, and 5% in poor or worse condition.

- Passenger miles for Air Transportation Operations continue to recover from a decline in 2002-03. The moderate growth experienced in recent years is predicted to continue over the coming years.
- Mn/DOT's Office of 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 28 in 2008, and 27 in 2009. Improved weather information dissemination and pilot safety seminars are the primary tools available to reduce accidents.
- Fatalities continue to follow a slight downward trend although the numbers of fatalities increased in 2007 and 2008. The goal remains 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 95.2% in 2008. 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 99.1% between the years 1997 and 2009.

Activity Funding

The state airports fund, a statutorily 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).

Contacts:

Chris Roy, Director
Mn/DOT Aeronautics
222 East Plato Boulevard
Saint Paul, Minnesota 55107-1618
Phone: (651) 234-7210
email: Chris.Roy@state.mn.us
Web site: <http://www.state.mn.us/aero>

Brad Swanson
Mn/DOT Aeronautics
222 East Plato Boulevard
Saint Paul, Minnesota 55107-1618
Phone: (651) 234-7211
email: Brad.Swanson@state.mn.us

TRANSPORTATION DEPT
Program: MULTIMODAL SYSTEMS
Activity: AERONAUTICS

Budget Activity Summary

<i>Dollars in Thousands</i>					
	Current		Governor's Recomm.		Biennium
	FY2010	FY2011	FY2012	FY2013	2012-13
<u>Direct Appropriations by Fund</u>					
State Airports					
Current Appropriation	21,834	19,584	19,584	19,584	39,168
Subtotal - Forecast Base	21,834	19,584	19,584	19,584	39,168
Total	21,834	19,584	19,584	19,584	39,168
Trunk Highway					
Current Appropriation	837	837	837	837	1,674
Subtotal - Forecast Base	837	837	837	837	1,674
Total	837	837	837	837	1,674
<u>Expenditures by Fund</u>					
Direct Appropriations					
State Airports	21,006	20,412	19,584	19,584	39,168
Trunk Highway	1,040	1,221	837	837	1,674
Statutory Appropriations					
Miscellaneous Special Revenue	59	746	204	204	408
State Airports	1,527	1,855	1,515	1,515	3,030
Federal	65,352	75,000	75,000	75,000	150,000
Federal Stimulus	15,864	4,407	0	0	0
Total	104,848	103,641	97,140	97,140	194,280
<u>Expenditures by Category</u>					
Total Compensation	3,356	3,252	3,286	3,374	6,660
Other Operating Expenses	4,042	7,228	5,327	5,239	10,566
Capital Outlay & Real Property	633	800	800	800	1,600
Local Assistance	95,817	91,361	86,727	86,727	173,454
Other Financial Transactions	1,000	1,000	1,000	1,000	2,000
Total	104,848	103,641	97,140	97,140	194,280
Full-Time Equivalents (FTE)	38.5	38.5	38.5	38.5	

Activity at a Glance

- County-wide public transit provided in 70 of 80 greater Minnesota counties
- 1.03 million hours of bus service (2010)
- 11.1 million passenger trips (2010)
- Ongoing planning activities for bicycles and pedestrians
- Non-motorized Transportation Advisory Committee
- Northstar Commuter Rail Line opened in November 2009
- Development of a Greater Minnesota Transit Investment Plan is underway

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 70 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.

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 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 2004 from the Mall of America through the airport to downtown Minneapolis. The first commuter rail corridor--Northstar (Big Lake to downtown Minneapolis) opened for service in November 2009. Final design is underway for the Central Corridor LRT project, which will link downtown Minneapolis and downtown St. Paul via University Avenue. Construction began in 2010 and operations are scheduled to begin in 2014.

The Greater Minnesota Transit Investment Plan will be completed in early 2011.

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.

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 continues to increase. One of the strategies to maintain a desirable level of regional accessibility is an improved transit system—this also provides a

TRANSPORTATION DEPT

Program: MULTIMODAL SYSTEMS

Activity: TRANSIT

Narrative

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 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. In the Twin Cities Metropolitan Area, it supports transit corridor projects as well as Rideshare projects and certain Congestion Mitigation Air Quality 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 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 policy, as required by MS 174.75, which will address relevant protocols, guidance, standards, requirements and training, and will integrate related principles of Context Sensitive Solutions.

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 5307, Urban Area Formula Program and Section 5311, Non-urbanized Area Formula Program. Currently grants are provided for operating and capital assistance to fund 59 public transit systems outside the Metropolitan area. County-wide service is provided in 70 of 80 counties (two counties are without public transit service and eight have service only in certain municipalities).

Key Activity Goals & Measures

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, *Mobility—Improve access and enhance the movement of people and freight*. Mn/DOT's most important responsibility is to preserve the state's transportation assets and implement effective improvements. The link to Mn/DOT's Strategic Plan is: <http://www.dot.state.mn.us/strategicvision/vision.html>.

• Public transit service availability in Greater Minnesota

Bus Service Hours: The key measure of public transit service availability in Greater Minnesota is bus service hours. The Greater Minnesota Transit Plan 2010-2030, released in February 2010, presents targets of 80% of bus service hour need and 100% of bus service hour need for 2010 through 2030. The target figures listed below represent 80% of transit service need. The 100% target figures for 2010 and 2011 are 1,775,000 and 1,797,000 hours of service respectively. The service level is projected to grow slowly to 1,085,000 by 2015.

Measure: Number of bus service hours required to meet transit needs in Greater Minnesota
(in thousands)

	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010 (est)</u>	<u>2011 (est)</u>
Data	920	930	950	1,030	1,010	1,025	1,030	1,045
Target	1,090	1,140	1,190	1,240	1,300	1,350	1,420	1,437

TRANSPORTATION DEPT

Program: MULTIMODAL SYSTEMS

Activity: TRANSIT

Narrative

County-wide Service: Another measure of public transit service availability in Greater Minnesota is the number of counties in Greater Minnesota, out of 80 with county-wide public transit service. This number has increased substantially in recent years, from 59 in 1998 to 70 in 2011. An additional eight Greater Minnesota counties operate some level of public transit service (not county-wide).

Measure: Number of counties in greater Minnesota with county-wide public transit service

<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>	<u>2010</u>	<u>2011</u>
59	63	64	64	66	65	65	65	66	66	66	68	68	70

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 priorities 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.

The Minnesota Legislature statutorily dedicated 40% of annual MVST collections for transit with a five-year phase-in beginning in 2008. In 2012, 4% of MSVT is dedicated for Greater Minnesota transit operations. 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.

Related documents and information:

Greater Minnesota Transit Plan 2010-2030; Greater Minnesota Transit Investment Plan;

Annual Transit Report; Transit Programs – Federal: <http://www.dot.state.mn.us/transit>;

Resources for bicyclists: <http://www.dot.state.mn.us/bike>;

Resources for pedestrians: <http://www.dot.state.mn.us/peds>

Contact

Mike Schadauer

Director

Office of Transit

Minnesota Department of Transportation

395 John Ireland Boulevard

Saint Paul, Minnesota 55155

Phone: (651) 366-4161

email: mike.schadauer@state.mn.us

Bryan Dodds

Central Corridor Project Office

Griggs Midway Building

540 Fairview Ave. N.

Suite 200

St. Paul, MN 55104

Phone: (651) 602-1997

email: bryan.dodds@state.mn.us

TRANSPORTATION DEPT
Program: MULTIMODAL SYSTEMS
Activity: TRANSIT

Budget Activity Summary

<i>Dollars in Thousands</i>					
	Current		Governor's Recomm.		Biennium
	FY2010	FY2011	FY2012	FY2013	2012-13
<u>Direct Appropriations by Fund</u>					
General					
Current Appropriation	17,252	11,617	11,617	11,617	23,234
Technical Adjustments					
Current Law Base Change			4,675	4,675	9,350
Subtotal - Forecast Base	17,252	11,617	16,292	16,292	32,584
Governor's Recommendations					
General Fund Reduction		0	(1,343)	(1,343)	(2,686)
Total	17,252	11,617	14,949	14,949	29,898
Trunk Highway					
Current Appropriation	775	775	775	775	1,550
Subtotal - Forecast Base	775	775	775	775	1,550
Total	775	775	775	775	1,550
<u>Expenditures by Fund</u>					
Direct Appropriations					
General	17,247	11,622	14,949	14,949	29,898
Trunk Highway	835	844	775	775	1,550
Statutory Appropriations					
General	0	81	81	81	162
Miscellaneous Special Revenue	31,892	51,725	43,137	43,178	86,315
Federal	60,938	66,233	58,875	58,875	117,750
Federal Stimulus	7,092	8,754	8,435	7,590	16,025
Transit Assistance	14,216	26,437	21,760	23,264	45,024
Miscellaneous Agency	2,435	570	475	475	950
Total	134,655	166,266	148,487	149,187	297,674
<u>Expenditures by Category</u>					
Total Compensation	4,483	5,928	5,542	5,658	11,200
Other Operating Expenses	1,974	17,249	8,033	7,959	15,992
Capital Outlay & Real Property	13,158	24,676	24,659	24,659	49,318
Local Assistance	114,620	117,382	109,222	109,880	219,102
Other Financial Transactions	420	950	950	950	1,900
Transfers	0	81	81	81	162
Total	134,655	166,266	148,487	149,187	297,674
Full-Time Equivalents (FTE)	54.6	68.7	63.2	63.2	

Activity at a Glance (FY2010)

- Mn/DOT received a national Transportation Planning Excellence Award for the 2009 Minnesota Comprehensive Statewide Freight and Passenger Rail Plan from the U.S. DOT and the American Planning Association
- Minnesota Rail Service Program: Administered \$3.5 million in project-directed (grant) state funds; received program loan repayments of \$1.5 million
- Port Development Assistance grants awarded: \$2.2 million for public port authority infrastructure improvements
- ARRA-funded projects delivered: \$3.7 million in rail infrastructure improvements (grade crossing safety, rail track and bridge rehab) and \$3 million in port infrastructure improvements
- Highway/rail grade crossing safety improvement projects (all types): 52
- Rail-related trunk highway construction projects supported: 39
- Motor carrier safety performance evaluations conducted: 983
- Motor carrier safety classes held: 1575
- Motor carrier oversize/overweight permits issued: 72,594
- Motor carrier credentials issued: 7441

Activity Description

This activity enhances Minnesota's economic competitiveness by improving access to regional, national and global markets through the safe and efficient movement of goods. This activity also advances highway safety by improving and enhancing the safety and security of commercial transportation operations, and by ensuring compliance with state and federal laws.

Population Served

Minnesota's freight transportation system carries over 600 million tons of freight annually using multiple modes:

- 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.

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.

Mn/DOT's rail-highway grade crossing protection program was established in 1974 to leverage off of the Federal Highway Administration's 23 USA Section 130 program.

This program is primarily for the protection of motorists on public roadways. Since then, the program has participated in the installation of active warning devices (lights, gates, or a combination of the two) at more than 1,400 grade crossings out of the approximately 4,500 crossings located in Minnesota. Through improvements in infrastructure and public education, grade crossing incidents have declined substantially. Mn/DOT also administers the Federal Highway Administration Section 130 grade crossing safety program funds for Minnesota, which provides approximately \$5.5 million annually. Mn/DOT staff regularly evaluate and prioritize grade crossing improvement projects based on accident frequency and safety needs, as well as replacement needs. The current cost of grade crossing equipment and design allows for funding of about 25 major projects each year.

Mn/DOT administers the Port Development Assistance Program, designed to assist public port authorities that have commercial navigation facilities with access to the great Lakes or Mississippi River systems in Minnesota. The program provides funds to modernize physical infrastructure. This program helps ensure that the state's port infrastructure is adequate for current and future shipping needs.

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 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.

TRANSPORTATION DEPT

Program: MULTIMODAL SYSTEMS

Activity: FREIGHT

Narrative

Freight and Rail 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, including the Statewide Freight Plan and Comprehensive Freight and Passenger Rail Plan.

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 to ensure safety.

Motor Carrier Education: Provide training, technical assistance and educational outreach materials on motor carrier safety regulations through live classes and online e-learning programs to commercial vehicle operators, shippers and other industry groups in order 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.

Key Activity Goals & Measures

The key goals of the Freight budget activity are to:

- Increase access to the transportation system and enhance the movement of freight by conducting track inspections and constructing rail crossing improvements; improving rail and port infrastructure; conducting regulatory compliance reviews for commercial transportation providers; and administering credentialing programs for commercial vehicle operators and shippers.
- Preserve pavements and bridges and protect the safety of highway users by regulating the movement of oversize and overweight trucks on the state's highway system.

Additional information regarding activity goals is provided in Mn/DOT's Strategic Vision and Directions, available online at <http://www.dot.state.mn.us/strategicvision/vision.html>.

Information on Mn/DOT's long-term transportation policies, strategies and measures for Minnesota is provided in the Statewide Transportation Policy Plan 2009-2028, available at <http://www.dot.state.mn.us/planning/stateplan/download.html>.

Information on Mn/DOT's and Minnesota's transportation system performance can be found in the 2009 Transportation Performance Report, available at <http://www.dot.state.mn.us/measures>.

Rail Crossing Crashes: Reduce the number of highway/rail grade crossing crashes. There were 35 total crashes at public crossings in year 2009, versus 69 in 2004, 93 in 1999 and 144 in 1994.

Rail Crossing Fatalities: Reduce the number of highway/rail grade crossing fatalities. There were four fatalities at public crossings in year 2009, versus 12 in 2004, 11 in 1999 and 18 in 1994. The 2009 total was a near record low in Minnesota since data collection began.

Short-Line Railroad Track Speed: Improve all Class 3 railroad track to allow 25 mph railroad service. Thirty-eight percent of the state's railroad network meets this standard. This 25 mph goal is an industry standard that is needed to ensure commercial viability and safety for rail operators, and current and future shippers that rely on them.

Improve Freight Rail Capacity: Continue to improve the condition and capacity (level of service) of Minnesota's primary railroad arterials to accommodate existing and future demand and address critical bottlenecks.

TRANSPORTATION DEPT

Program: MULTIMODAL SYSTEMS

Activity: FREIGHT

Narrative

Increase Port Tonnage: Annual shipments (tonnage) at Minnesota's Great Lakes and Mississippi River ports dropped significantly in 2009 as a result of the economic recession.

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 and to 58 in 2009.

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 FY2010, 96% of all passenger carriers achieved an acceptable safety rating according to federal safety methodology. Future targets are to continue to have at least 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 was 53% in FY2010. The target for FY 2011 is to achieve at least 50%.

Activity Funding

This area is funded by trunk highway fund and general fund appropriations.

Contact

William Gardner

Director

Office of Freight and Commercial Vehicle Operations

Minnesota Department of Transportation

395 John Ireland Boulevard

Saint Paul, Minnesota 55155

Phone: (651) 366-3665

email: william.gardner@state.mn.us

TRANSPORTATION DEPT
Program: MULTIMODAL SYSTEMS
Activity: FREIGHT

Budget Activity Summary

<i>Dollars in Thousands</i>					
	Current		Governor's Recomm.		Biennium
	FY2010	FY2011	FY2012	FY2013	2012-13
<u>Direct Appropriations by Fund</u>					
General					
Current Appropriation	356	306	306	306	612
Subtotal - Forecast Base	356	306	306	306	612
Governor's Recommendations					
General Fund Reduction		0	(49)	(49)	(98)
Total	356	306	257	257	514
Trunk Highway					
Current Appropriation	4,897	4,897	4,897	4,897	9,794
Subtotal - Forecast Base	4,897	4,897	4,897	4,897	9,794
Total	4,897	4,897	4,897	4,897	9,794
<u>Expenditures by Fund</u>					
Direct Appropriations					
General	332	330	257	257	514
Trunk Highway	4,681	5,181	4,897	4,897	9,794
Statutory Appropriations					
Miscellaneous Special Revenue	2,203	4,922	2,756	2,756	5,512
Federal	6,423	8,380	8,880	8,880	17,760
Federal Stimulus	3,438	832	0	0	0
Total	17,077	19,645	16,790	16,790	33,580
<u>Expenditures by Category</u>					
Total Compensation	5,696	5,794	5,720	5,786	11,506
Other Operating Expenses	950	5,219	2,670	2,604	5,274
Capital Outlay & Real Property	7,146	7,400	7,400	7,400	14,800
Local Assistance	2,145	1,232	1,000	1,000	2,000
Other Financial Transactions	1,140	0	0	0	0
Total	17,077	19,645	16,790	16,790	33,580
Full-Time Equivalents (FTE)	68.8	68.5	65.0	65.0	

Activity at a Glance

- In 2008, the State Legislature identified \$26 million in General Obligation Bonds to match federal passenger rail development funds.
- Creation of the Intercity Passenger Rail Transportation Forum to advise the department on the development of the State Rail Plan and federal passenger rail development opportunities.
- \$1.2 million corridor development study is under way (Twin Cities to Chicago).
- \$2.2 million for the Duluth the Twin Cities corridor (environmental work under way).
- The State Rail Plan was completed and submitted to the Federal Railroad Administration in February 2010.
- Mn/DOT received a national Transportation Planning Excellence Award for the Rail Plan from the U.S. DOT and the American Planning Association.

Activity Description

M.S. 174.632 charges the Minnesota Department of Transportation with planning, designing, developing and constructing passenger rail services. The adopted 2010 Minnesota Statewide Freight and Passenger Rail Plan further directs Mn/DOT to lead the development of passenger rail services and to coordinate with Midwest Regional Rail Initiative states in the development of a multi-state passenger rail system in the Upper Midwest. This activity provides these products, services and/or functions.

Population Served

The passenger rail activity serves the people of Minnesota, and travelers from other states as they travel through Minnesota.

Services Provided

Mn/DOT's Passenger Rail Office (PRO) is responsible for the planning and development of passenger rail service in Minnesota. Currently, Minnesota has one passenger train – the Empire Builder. The PRO is working with nine Midwest states to develop a system of high speed (90-110 mph) routes to connect the upper Midwest. These state-

supported services will provide additional regional routes (up to six trains a day) to compliment Amtrak's national system. PRO is also working with local governments, county railroad authorities, host railroads and corridor advocates to develop a system of passenger trains that connect Minnesota communities to each other. PRO provides planning and project development expertise necessary to develop corridors and is the liaison between the Federal Railroad Administration (FRA) and specific corridor development interests.

Twin Cities to Milwaukee High Speed Rail Corridor: PRO is the lead agency partnering with the Wisconsin Department of Transportation in the development of the Milwaukee to the Twin Cities high speed rail corridor. Alternatives analysis and environmental review has begun on all potential rail alignments, and preliminary engineering work will begin in 2011.

Northern Light Express (NLX) - Duluth to Twin Cities Corridor: Work on the NLX project began in 2006, led by the NLX Alliance. Mn/DOT has been actively participating in the development of the corridor and it is intended that the department will assume project development lead in the near future.

Historical Perspective

The 2008 Minnesota Legislature required the department to prepare the State Rail Plan and provided \$26 million in state bonds to match federal passenger rail program development funds. Congress passed the Passenger Rail Investment and Improvement Act in 2008, which provided funding to develop passenger rail service, and required states to complete passenger rail plans to be eligible for federal funding. The department re-established the Passenger Rail Office in the spring of 2009. In March 2009, the American Recovery and Reinvestment Act (ARRA) identified over \$8 billion for high speed passenger service as part of the Obama Administration's Passenger Rail Vision for America. Minnesota applied for planning funds to continue development of the corridor that started with the Midwest Regional Rail Initiative in the mid 1990's. The State Rail Plan was completed and submitted to the FRA in February 2010. A cost-benefit study of passenger rail corridors began in May 2010.

Key Activity Goals & Measures

The goal of the passenger rail activity is to improve mobility for Minnesotans and connect state regional centers with passenger rail. Connecting regional centers will increase the operating passenger rail corridor miles and

TRANSPORTATION DEPT

Program: MULTIMODAL SYSTEMS

Activity: PASSENGER RAIL

Narrative

provide more access particularly to end point corridor populations. The primary measure is "miles of operating passenger rail network" as identified in the 2010 State Rail Plan available at:

<http://www.dot.state.mn.us/planning/railplan/> and "maximizing federal, state and local investments."

Activity Funding

The Passenger Rail Office is funded through a \$1 million biennial general fund appropriation from the legislature. The legislature appropriated \$26 million in General Obligation Bonds for state match of federal passenger rail program development funds M.S. 2009,Ch. 93,Sect. 11,Subd. 5. The current draft proposed use of the State Bond funds is identified below:

Proposed Uses of 2009 G.O. Bonds - Intercity Passenger Rail Projects

<u>Purpose</u>	<u>Amount</u>
Engineering work for BNSF Northtown Yard 3 rd main project	\$ 800,000
Twin Cities to Chicago HSR Corridor	\$ 550,000
Direct Staff costs associated with environmental approval for NLX Corridor project	\$ 125,000
Northern Lights Express	\$ 9,075,000
St. Paul Union Depot	\$ 9,767,500
Minneapolis Transportation Interchange	\$ 3,682,500
Rochester Corridor	<u>\$ 2,000,000</u>
Total	\$26,000,000

Contact

Dan Krom
Director
Passenger Rail Office
Minnesota Department of Transportation
395 John Ireland Boulevard
Saint Paul, Minnesota 55155
Phone: (651) 366-3193
email: Daniel.Krom@state.mn.us

TRANSPORTATION DEPT
Program: MULTIMODAL SYSTEMS
Activity: PASSENGER RAIL

Budget Activity Summary

<i>Dollars in Thousands</i>					
	Current		Governor's Recomm.		Biennium
	FY2010	FY2011	FY2012	FY2013	2012-13
<u>Direct Appropriations by Fund</u>					
General					
Current Appropriation	500	500	500	500	1,000
Subtotal - Forecast Base	500	500	500	500	1,000
Total	500	500	500	500	1,000
<u>Expenditures by Fund</u>					
Direct Appropriations					
General	449	551	500	500	1,000
Statutory Appropriations					
Federal	311	1,238	2,562	465	3,027
Total	760	1,789	3,062	965	4,027
<u>Expenditures by Category</u>					
Total Compensation	212	302	307	315	622
Other Operating Expenses	237	699	1,805	650	2,455
Local Assistance	311	788	950	0	950
Total	760	1,789	3,062	965	4,027
Full-Time Equivalents (FTE)	1.9	3.0	3.0	3.0	

Program Description

The purpose of the State Roads program is to oversee all aspects of the road systems owned and maintained by the Minnesota Department of Transportation. 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, landscaping 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. Staff, 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

This program includes the following budget activities:

- Program Planning and Delivery
- Operations and Maintenance
- Electronic Communications
- Debt Service
- State Road Construction

TRANSPORTATION DEPT

Program: STATE ROADS

Program Summary

Dollars in Thousands					
	Current		Governor Recomm.		Biennium
	FY2010	FY2011	FY2012	FY2013	2012-13
<u>Direct Appropriations by Fund</u>					
General					
Current Appropriation	3	3	3	3	6
Subtotal - Forecast Base	3	3	3	3	6
Total	3	3	3	3	6
Trunk Highway					
Current Appropriation	1,110,742	1,342,095	1,342,095	1,342,095	2,684,190
Technical Adjustments					
Current Law Base Change			56,856	56,856	113,712
One-time Appropriations			(122,000)	(122,000)	(244,000)
Subtotal - Forecast Base	1,110,742	1,342,095	1,276,951	1,276,951	2,553,902
Governor's Recommendations					
State Road Construction Appropriation		(43,000)	146,000	(80,000)	66,000
State Planning & Research		0	800	615	1,415
DBE Collaborative		0	130	130	260
Total	1,110,742	1,299,095	1,423,881	1,197,696	2,621,577
Federal Stimulus					
Current Appropriation	167,459	25,480	0	0	0
Subtotal - Forecast Base	167,459	25,480	0	0	0
Total	167,459	25,480	0	0	0
<u>Expenditures by Fund</u>					
Direct Appropriations					
General	3	3	3	3	6
Trunk Highway	973,639	1,277,938	1,365,122	1,175,804	2,540,926
Federal Stimulus	167,459	25,480	0	0	0
Statutory Appropriations					
General	1,268	396	0	0	0
State Government Spec Revenue	7,615	5,359	3,240	3,590	6,830
Miscellaneous Special Revenue	12,289	24,468	15,440	15,437	30,877
Trunk Highway	12,764	58,780	49,344	49,344	98,688
Federal	11,201	44,813	11,135	10,400	21,535
Federal Stimulus	152	1,047	10	0	10
Miscellaneous Agency	0	92	52	52	104
Total	1,186,390	1,438,376	1,444,346	1,254,630	2,698,976

TRANSPORTATION DEPT
Program: STATE ROADS

Program Summary

<i>Dollars in Thousands</i>					
	Current		Governor Recomm.		Biennium
	FY2010	FY2011	FY2012	FY2013	2012-13
<u>Expenditures by Category</u>					
Total Compensation	316,571	311,445	314,390	322,003	636,393
Other Operating Expenses	202,198	268,410	198,550	190,354	388,904
Capital Outlay & Real Property	644,354	796,366	820,648	594,648	1,415,296
Local Assistance	9,170	1,764	1,177	1,177	2,354
Other Financial Transactions	14,097	14,000	14,000	14,000	28,000
Transfers	0	46,391	95,581	132,448	228,029
Total	1,186,390	1,438,376	1,444,346	1,254,630	2,698,976
<u>Expenditures by Activity</u>					
Program Planning And Delivery	374,961	301,658	225,001	224,082	449,083
Operations And Maintenance	265,078	292,268	269,954	269,940	539,894
Electronic Communications	15,530	16,797	13,750	14,100	27,850
State Road Construction	516,724	767,262	821,000	595,000	1,416,000
Debt Service	14,097	60,391	114,641	151,508	266,149
Total	1,186,390	1,438,376	1,444,346	1,254,630	2,698,976
Full-Time Equivalents (FTE)	4,317.8	4,327.9	4,290.4	4,290.2	

TRANSPORTATION DEPT

Program: STATE ROADS

Activity: PROGRAM PLANNING AND DELIVERY

Narrative

Activity at a Glance

- \$1.555 billion construction program awards for FY 2008 and 2009
- 422 right of way parcels acquired in 2009
- 837 construction projects let for
- CY 2008 and 2009

Activity Description

The program planning and delivery activity directs development and funding of the Minnesota Department of Transportation's road and bridge construction program, in accordance with the priorities and policies set out in Mn/DOT'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 advance new technologies and methods by which transportation improvements are made and implemented.

Population Served

The program planning and delivery activity serves the needs of the traveling public, local governments, public and private entities, and ensures compliance with federal and state government legislation.

Services Provided

Statewide System Planning and Integration:

Statewide system planning performs short and long-range planning and policy making activities for transportation programs and investments, including the Statewide Transportation Plan, Highway Investment Plan, corridor plans, district plans and bike and pathways plans. It administers Mn/DOT's program of transportation research to advance new transportation investment practices, tools and technologies.

State Roads Construction Program Management:

SRC program management directs the development and implementation of the state road construction program and the federal funding programs. This service includes development of the State Transportation Improvement Program (STIP) and area Transportation Improvement Programs. This service also includes program financing, tracking, reporting, regulation and transportation program guidance and analysis.

Construction Project Development:

Project development consists 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, design and plan delivery, and letting. The process is primarily accomplished through the use of state work forces.

Construction Project Management:

Project management includes field inspections to monitor construction projects including the testing and inspection of materials, project documentation and contractor payment approvals. The process is primarily accomplished through the use of state work forces.

Key Activity Goals & Measures

The program planning and delivery activity's primary goal is the development and delivery of highway construction projects and programs on time and within budget. Four key measures are presented below: construction projects let on schedule, construction projects with completed scoping document, right of way acquisition (ROW) and cost variance between engineer estimates and contract award.

Measure: Construction Projects Let on Schedule

The measure for the construction project schedule is the percentage of all Mn/DOT projects in the first year of the STIP that are let for construction in that fiscal year. In FY 2003, 79% of the projects in the first (current) year of the FY 2003–05 STIP were let in the year scheduled. In FY 2009, this value increased to 93% for first year projects in the FY 2009–12 STIP. The ongoing target for this measure is 90%.

TRANSPORTATION DEPT**Program: STATE ROADS****Activity: PROGRAM PLANNING AND DELIVERY****Narrative****Measure: Construction Project Let on Schedule**

Percentage of Mn/DOT Projects Let for Construction in the Year Scheduled (state-let)

Fiscal Year	2002	2003	2004	2005	2006	2007	2008	2009
Data	80%	79%	81%	87%	86%	92%	83%	93%
Target	>= 90%							

Measure: Construction Projects with Completed Scoping Document

Project scoping is the extensive investigation involving all stakeholder groups of all potential issues affecting the design, development and construction of a planned project. Complete project scoping helps prevent unnecessary delays and cost overruns that can happen if the scope changes during project delivery. In 2007, Mn/DOT began incorporating a new process to improve the scoping of projects prior to their inclusion in the STIP. This process has been implemented as a measure for the 2012 projects in the FY 2009–12 STIP and all projects in the FY 2010–13 STIP. The target for this measure is 100%.

- Scoping document completed for 96% of 2012 projects in the FY 2009–12 STIP.
- Scoping document completed for 94% of all projects in the FY 2010–13 STIP.

Measure: Right of Way Acquisition

Delivering projects on time and within budget depends on many processes, of which efficient and timely right of way acquisition is a key. Mn/DOT measures its average ROW acquisition time in months. Mn/DOT works to ensure adequate time to procure ROW—the average available ROW acquisition time—by setting physical project construction limits far enough in advance of the scheduled letting date. The data for average buffer between ROW acquisition and letting indicates that Mn/DOT completed ROW acquisition an average of 1.0 to 3.4 months prior to project letting in the years 2004 – 2009, improving over the negative 3.3 month deficit that existed in 2003.

Number of Parcels Acquired

Fiscal Year	2003	2004	2005	2006	2007	2008	2009
Number of Parcels Acquired	1355	770	797	655	778	419	422

Average ROW Acquisition Time vs. Average Available ROW Acquisition Time*

Fiscal Year	2003	2004	2005	2006	2007	2008	2009
Average ROW Acquisition Time	19.6	16.9	16.2	14.9	16.0	16.7	16.2
Average Available ROW Acquisition Time	16.3	19	17.8	17.5	17.0	20.1	19.7
Average Buffer Time between ROW Acquisition and Letting	-3.3	2.1	1.6	2.6	1.0	3.4	3.4

*Time measured in months

Data: Cost Variance

Mn/DOT is in the process of implementing a new Cost Estimating/Cost Management system. This system will include a number of measures that track variation in cost at points in time during the project development process and construction. The table below shows data comparing the engineers' estimate to the awarded contract prior to implementation of the CE/CM initiative.

Average difference (above or below) between engineers' estimates and awarded contracts as a percent of contract award (weighted)

Fiscal Year	2007	2008	2009
Large Projects (> \$1.5M)	7.8%	4.3%	15.8%
Small Projects (< \$1.5M)	14.5%	14.8%	14.9%

TRANSPORTATION DEPT		
Program:	STATE ROADS	
Activity:	PROGRAM PLANNING AND DELIVERY	Narrative

Activity Funding

This area is funded by trunk highway fund appropriations which include federal aid reimbursement in addition to trunk highway fund bonding authority.

Contact

Abigail McKenzie
 Director
 Office of Capital Programs and Performance Measures
 (formerly known as Office of Investment Management)
 395 John Ireland Boulevard
 Saint Paul, Minnesota 55155
 Phone: (651) 366-3770
 email: Abby.McKenzie@state.mn.us

TRANSPORTATION DEPT

Program: STATE ROADS

Activity: PROGRAM PLANNING AND DELIVERY

Budget Activity Summary

<i>Dollars in Thousands</i>					
	Current		Governor's Recomm.		Biennium
	FY2010	FY2011	FY2012	FY2013	2012-13
<u>Direct Appropriations by Fund</u>					
Trunk Highway					
Current Appropriation	201,461	196,935	196,935	196,935	393,870
Technical Adjustments					
Current Law Base Change			9,053	9,053	18,106
Subtotal - Forecast Base	201,461	196,935	205,988	205,988	411,976
Governor's Recommendations					
State Planning & Research		0	800	615	1,415
DBE Collaborative		0	130	130	260
Total	201,461	196,935	206,918	206,733	413,651
Federal Stimulus					
Current Appropriation	167,459	25,480	0	0	0
Subtotal - Forecast Base	167,459	25,480	0	0	0
Total	167,459	25,480	0	0	0
<u>Expenditures by Fund</u>					
Direct Appropriations					
Trunk Highway	186,484	218,876	206,918	206,733	413,651
Federal Stimulus	167,459	25,480	0	0	0
Statutory Appropriations					
General	1,268	396	0	0	0
Miscellaneous Special Revenue	5,351	11,749	7,496	7,496	14,992
Trunk Highway	3,181	3,732	401	401	802
Federal	11,066	40,286	10,124	9,400	19,524
Federal Stimulus	152	1,047	10	0	10
Miscellaneous Agency	0	92	52	52	104
Total	374,961	301,658	225,001	224,082	449,083
<u>Expenditures by Category</u>					
Total Compensation	159,126	152,005	153,277	157,297	310,574
Other Operating Expenses	36,541	116,211	67,676	62,737	130,413
Capital Outlay & Real Property	170,241	31,678	2,871	2,871	5,742
Local Assistance	9,053	1,764	1,177	1,177	2,354
Total	374,961	301,658	225,001	224,082	449,083
Full-Time Equivalents (FTE)	1,981.0	1,983.4	1,971.5	1,971.3	

TRANSPORTATION DEPT

Program: STATE ROADS

Activity: OPERATIONS AND MAINTENANCE

Narrative

Activity at a Glance

- 11,895 centerline trunk highway miles
- 29,343 lane-miles of interstate and trunk highways
- 1,054 buildings (including truck stations, traffic management centers and rest areas)
- 4,500 adopt a highway groups
- 2,895 traffic management systems (signals, ramp meters, changeable message signs, close circuit televisions, weigh-in-motion sensors, automatic traffic count recorders)
- 97 road weather information systems
- 116 road access control gates
- 28,250 trunk highway lighting fixtures
- 26,389 trunk highway traffic detectors
- 4,840 bridges on Trunk Highway routes, including rail road, pedestrian, and other structures
- 254,880 acres of right of way (including wetlands and ponds)
- 636 vehicles in Central Office fleet
- 3,109 vehicles in district fleets
- 53 rest areas
- 37 waysides

Activity Description

This activity maintains, operates and preserves the state's trunk and interstate highway system including roadways, bridges, roadsides, safety equipment, 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 etc.—traveling for work
- Personal Travelers: Bus riders, pedestrians, single occupant vehicles, 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 Minnesota, including shipments via barge/air/rail/truck and combinations thereof
- Farmers: Those with farming as their primary occupation. They often interface with the Minnesota Department of Transportation as adjacent landowners,

shippers and carriers.

- Emergency Vehicle Operators: Emergency personnel using Minnesota's transportation system in an emergency capacity including: the Minnesota State Patrol, ambulance, fire, county sheriffs, police, towing services, etc.
- Communities and Neighborhoods: groups and individuals that gather for "issue-specific" purposes.

Services Provided

The 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:

Operations Services

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.

Regulation: issuing permits, controlling work by contractors on the right of way and identifies safe routes for trucking with wide or overweight loads.

Fleet Management: acquiring, maintaining and remarketing Mn/DOT vehicles and equipment as well as providing fuel and insurance for the central office fleet (units that operate within the right of way on our highways).

Inventory Control: purchasing, receiving, warehousing, handling and issuing materials, record keeping and hazardous waste coordination.

TRANSPORTATION DEPT

Program: STATE ROADS

Activity: OPERATIONS AND MAINTENANCE

Narrative

Maintenance Services

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 super-commuter system target is to have the highway lanes bare zero to three hours after a snowfall has ceased).

Smooth Roads: paving, drainage repair, shoulder repair and surface repair to ensure a smooth ride. Roads are measured for surface ride-ability annually so that customers receive the best ride possible.

Roadsides: brush and tree removal for improved visibility and safety, mowing, spraying for noxious weed control (legally mandated), litter pickup (Adopt a Highway) and planting vegetation.

Bridges: inspecting, maintaining and repairing bridges to keep structures safe and in service.

Building Management: providing planning, building operations and maintenance services for state-owned buildings and facilities under Mn/DOT's jurisdiction.

Rest Area Management: providing general maintenance, building operations, janitorial services and property management.

Historical Perspective

The state's trunk highway and interstate highway system has taken decades to build and represents a significant investment by the people of Minnesota. There are many challenges associated with preserving and maintaining the state's transportation infrastructure. Increased traffic loading and shipments increase "wear and tear" on the system and cause pavement deterioration. More signs, poles and other infrastructure are damaged due to crashes. In addition, maintenance and operations activities are influenced by numerous other factors, from costs of raw materials, weather, regulatory and customer expectations.

Concentrations of employment and economic activity in the Twin Cities Metro area have increased vehicle miles driven and congestion on Metro area roadways. Significant steps are being taken to assess the challenges of preserving, maintaining and operating the state's transportation infrastructure when the competition for resources is intense and the need for services is increasing. Strategic planning efforts are also being undertaken to provide a framework for managing key maintenance activities throughout Minnesota. Minnesotans' public satisfaction with overall road maintenance has consistently been below target since 2001 (not measured in 2007). Survey data indicates Mn/DOT's overall maintenance score is heavily influenced by the smooth surface pavement rating. Notably, Mn/DOT has not met the smooth surface pavement rating performance target for state highway pavements since 2002.

Key Activity Goals & Measures

- Safety — Promote and maintain a safe, reliable and modern transportation system
- Mobility — Improve access to the transportation system and enhance the movement of people and freight
- Transparency — Build public trust in Mn/DOT
- Leadership — Become a recognized leader, nationally and internationally, in maintenance and operations
- Innovation — Employ innovative technologies in maintenance and operations services

Additional information regarding activity goals is provided in Mn/DOT's strategic vision and directions, available online at <http://www.dot.state.mn.us/strategicvision/vision.html>.

Information on Mn/DOT's long-term transportation policies, strategies and measures for Minnesota is provided in the Statewide Transportation Policy Plan 2009-2028, available at <http://www.dot.state.mn.us/planning/stateplan/download.html>.

Information on Mn/DOT's and Minnesota's transportation system performance can be found in the 2009 Transportation Performance Report, available at <http://www.dot.state.mn.us/measures>.

TRANSPORTATION DEPT**Program: STATE ROADS****Activity: OPERATIONS AND MAINTENANCE****Narrative****Operations Measures****Safety**

Fatalities — all state and local roads: Mn/DOT and the Minnesota Department of Public Safety (DPS) established a Toward Zero Deaths Initiative and Strategic Highway Safety Plan in partnership with local governments and the private sector. In 2006, Minnesota met the plan's first aggressive goal of reducing fatalities to 500; from 657 in 2002. This success prompted Mn/DOT and DPS to establish a new target of reducing traffic fatalities to 350 by 2014.

Measure: Minnesota Roadway Fatalities per Year

Calendar Year	2005	2006	2007	2008	2009	2010	2014
Data	559	494	510	455	421	420	new target
Target(s)	< = 500					< = 400	< = 350

Mobility

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 a.m. and 7 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	2002	2003	2004	2005	2006	2007	2008	2009
Data	36.3	37.3	38.0	38.8	38.8	37.3	37.2	37.7
Target	< = 35 minutes							

Duration and Extent of Freeway Congestion: The congestion measure is the percent of Twin Cities' urban freeway system congested (i.e., percent of miles that operate at average speeds below 45 mph for 5 minutes or longer during a.m. or p.m. peak periods). Some freeway congestion relief in the near-term is expected upon completion of the I35W / Hwy62 Crosstown and Highway 610 projects.

Percentage of Metro Freeway Miles Congested during Peak Periods

Calendar Year	2002	2003	2004	2005	2006	2007	2008	2009
Data*	18.1%	20.8%	19.7%	19.2%	18.3%	20.9%	17.3%	18.2%
Target	New congestion measures and targets are under review.							

* The data set has been adjusted since last reported because the size of the freeway system managed and measured was expanded into more suburban areas, slightly decreasing the average congestion level. Historic data was scaled to the new system size for consistency.

Maintenance Measures**Clear Roads and Traffic Management**

Snow and Ice Removal/Frequency of Achieving Bare Lane within targeted number of hours: This measure provides guidance on meeting customer expectations for snow and ice removal. Frequency of achieving "bare lanes" within a targeted number of hours is the new measure implemented in 2009. Hours are measured from the end of a snow event to when the lanes are "bare" of ice and snow. Target hours vary based on the highway classification, which is based on traffic volume. The new frequency measure has a performance target (goal) equal to or greater than 70% of the time. In Fiscal year 2010, considering all routes, Mn/DOT met the plowing performance target 79% of the time.

TRANSPORTATION DEPT**Program: STATE ROADS****Activity: OPERATIONS AND MAINTENANCE****Narrative**

Measure: Frequency of Achieving Bare Lanes within Targeted Number of Hours

Fiscal Year	2003	2004	2005	2006	2007	2008	2009	2010
Data	84.9%	74.6%	76.2%	77.5%	79.0%	75.0%	68.3%	79%
Target	>=70%							

Pavement Markings and Signing: This measure provides for managing the retro-reflectivity of pavement markings and signs on and along trunk highways and interstate highways. The working target for pavement markings is to have 100% of them meet the requirements of Technical Memorandum No. 08-10-T-02 and this target has been met since 2008. This includes the goal of providing an appropriate pavement marking 365 days-per-year (with presence and retro-reflectivity) to guide motorists and other highway users. The working target for signs is to replace them at the end of their estimated useful life of twelve years. According to 2009 district estimates, 81% of all signs were less than twelve years old. The overall goal for both pavement marking visibility and sign readability is a public satisfaction omnibus survey rating of seven or higher on a ten point scale.

Measure: Pavement Markings "Visible"; Public Satisfaction Omnibus (1 to 10 scale)

Calendar Year	2005	2006	2007	2008	2009	2010 (est.)	2011 (est.)	2012 (est.)
Data	7.4	7.5	N/A	7.5	7.1	7.0	7.1	7.3
Target	>= 7							

Measure: Signs "Readable"; Public Satisfaction Omnibus (1 to 10 scale)

Calendar Year	2005	2006	2007	2008	2009	2010 (est.)	2011 (est.)	2012 (est.)
Data	8.1	8.0	N/A	8.1	7.9	7.9	7.9	7.9
Target	>= 7							

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.

Pavement Condition – Customer Ride Quality Index: 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 the road is so rough that drivers may want to drive less than the posted speed or may have to avoid bad spots. Pavement that deteriorates to the "poor" level is also more costly to repair than if it were fixed sooner.

Measure: Pavement Condition, Ride Quality Index, Principal Arterials, Percentage Good

Calendar Year	2005	2006	2007	2008	2009	2010 (est.)	2011 (est.)	2012 (est.)
Data	66.8%	68.9%	66.3%	67.0%	63.7%	64.1%	64.4%	62.7%
Target	>= 70%							

Measure: Pavement Condition, Ride Quality Index, Principal Arterials, Percentage Poor

Calendar Year	2005	2006	2007	2008	2009	2010 (est.)	2011 (est.)	2012 (est.)
Data	2.6%	2.3%	2.6%	3.4%	5.5%	5.3%	5.2%	5.9%
Target	<= 2%							

TRANSPORTATION DEPT**Program: STATE ROADS****Activity: OPERATIONS AND MAINTENANCE**

Narrative

Measure: Pavement Condition, Ride Quality Index, Non-Principal Arterials, Percentage Good

Calendar Year	2005	2006	2007	2008	2009	2010 (est.)	2011 (est.)	2012 (est.)
Data	60.1%	61.1%	59.1%	60.2%	55.3%	53.2%	53.5%	51.0%
Target	>= 65%							

Measure: Pavement Condition, Ride Quality Index, Non-Principal Arterials, Percentage Poor

Calendar Year	2005	2006	2007	2008	2009	2010 (est.)	2011 (est.)	2012 (est.)
Data	4.8%	5.2%	6.5%	5.9%	8.5%	9.0%	9.8%	11.5%
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.

Bridges

Structural Condition of Bridges: This measure tracks the percentage of state highway principal arterial bridges over 20 feet in good, satisfactory, fair or poor structural condition (principal arterials by square foot areas). The 2,876 state highway principal arterial bridges over 20 feet comprise 85% of all trunk highway bridges. Bridges provide critical economic links across Minnesota. Timely maintenance and replacement of bridges reduce long-term costs and ensure safety. Preserving the structural integrity of Minnesota's bridges is a top priority for Mn/DOT. New directives and funding from the 2008 Legislature support this goal.

Mn/DOT manages state bridges to meet performance targets, ensure safety and extend the life of bridges in good or satisfactory condition within the normal 70 to 80 year aging cycle. Mn/DOT rehabilitates bridges to get full efficient use during their service life.

Mn/DOT has set a target for the share of principal arterial bridges in poor structural condition to be 2% or less. The poor share was reduced to a new low of 3.1% in 2007 and then rose slightly to 3.5% in 2009. Improvement is predicted to resume based on the large 2010-13 construction program. Poor condition bridges are termed "structurally deficient" by the U.S. Department of Transportation. They are safe to drive on, but are approaching the end of their useful lives. Unsafe bridges are closed promptly.

To meet guidelines set by the legislature (Laws 2008, Chapter 152), Mn/DOT is implementing a bridge program to accelerate replacement and repair of approximately 40 fracture-critical and 80 structurally deficient bridges through 2018. By the end of the 2010 construction season, work on 47 of the Chapter 152 bridges will be substantially complete. The completion of these and other Chapter 152 bridge projects is expected to bring the percent of bridges in poor structural condition down to the performance target of 2%.

Measure: Bridges, Principal Arterials, Percentage Good or Satisfactory Structural Condition.

Calendar Year	2005	2006	2007	2008	2009	2010	2011 (est.)	2012 (est.)
Data	88.8%	88.7%	88.9%	88.5%	87.4%	86.9%	87%	87.5%
Target	> = 84%							

TRANSPORTATION DEPT**Program: STATE ROADS****Activity: OPERATIONS AND MAINTENANCE****Narrative**

Measure: Bridges, Principal Arterials, Percentage Fair or Poor Structural Condition.

Calendar Year	2005	2006	2007	2008	2009	2010	2011 (est.)	2012 (est.)
Data	11.2%	11.3%	11.1%	11.5%	12.6%	13.1%	13%	12.5%
Target	< = 16%							

Measure: Bridges, Principal Arterials, Percentage Poor Structural Condition.

Calendar Year	2005	2006	2007	2008	2009	2010	2011 (est.)	2012 (est.)
Data	3.9%	3.6%	3.1%	3.2%	3.5%	3.2%	3.1%	2.6%
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 National Bridge Inspection Standards 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 2008 all 25 truss bridges received a special inspection of their gusset plates in order to include them in the bridge load rating analysis.

Since 2008, Mn/DOT has measured and reported the percentage of routine and fracture-critical bridge inspections that are completed on time. The target is to complete 100% of the scheduled bridge routine and fracture-critical bridge inspections and enter the data into the PONTIS database within 90 days.

Measure: Routine Bridge Inspections, Percentage Completed On Time.

Calendar Year	2002	2003	2004	2005	2006	2007	2008	2009
Data	(...range from 83% to 86%...)					86%	89%	94%
Target	100%							

Bridge Preventive Maintenance: The following seven bridge preventive maintenance activities are targeted by the Highway Systems Operations Plan 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 is to minimize the damage that salt and other chemicals do to Minnesota's bridge decks and beams.

The five-year outcomes of three of the activities have been quantified on a system-wide basis:

- Poured joints in good condition moved from 75% to 76% against the target of 87%
- Sealed cracks in good condition moved from 49% to 59% against the target of 80%
- Strip seals in good condition moved from 91% to 92% against the target of 95%

Preventative maintenance measures and goals currently established by the Bridge Office will remain the same as in past years.

Bridge Reactive Maintenance Repairs: Over the past two years, Mn/DOT has worked 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. A measure to report completion of priority reactive maintenance activities has been developed. The target is to accomplish 100% of required bridge reactive maintenance repairs. In 2009, Mn/DOT completed 54.4% of identified high priority reactionary maintenance items.

TRANSPORTATION DEPT

Program: STATE ROADS

Activity: OPERATIONS AND MAINTENANCE

Narrative

Activity Funding

This activity is primarily funded by a direct appropriation from the Trunk Highway Fund.

Contacts

Steve Lund
State Maintenance Engineer
Office of Maintenance
Minnesota Department of Transportation
Transportation Building
395 John Ireland Boulevard
Saint Paul, Minnesota 55155-1899
Phone: (651) 366-3566
email: steven.lund@state.mn.us

Susan Groth
State Traffic Engineer
Office of Traffic, Safety and Technology
Minnesota Department of Transportation
1500 West County Road B2
Roseville, Minnesota 55113-3174
Phone: (651) 234-7004
email: sue.groth@state.mn.us

Amr Jabr
Director of Operations and Maintenance
Metro District
Minnesota Department of Transportation
1500 West County Road B2
Roseville, Minnesota 55113-3174
Phone: (651) 234-7801
email: amr.jabr@state.mn.us

Duane Hill
State Bridge Engineer, Acting
Office of Bridges
Minnesota Department of Transportation
3485 Hadley Ave N
Oakdale, Minnesota 55128-3307
Phone: (651) 366-4500
email: duane.hill@state.mn.us

TRANSPORTATION DEPT

Program: STATE ROADS

Activity: OPERATIONS AND MAINTENANCE

Budget Activity Summary

<i>Dollars in Thousands</i>					
	Current		Governor's Recomm.		Biennium
	FY2010	FY2011	FY2012	FY2013	2012-13
<u>Direct Appropriations by Fund</u>					
Trunk Highway					
Current Appropriation	251,643	255,892	255,892	255,892	511,784
Technical Adjustments					
Current Law Base Change			11,503	11,503	23,006
One-time Appropriations			(10,000)	(10,000)	(20,000)
Subtotal - Forecast Base	251,643	255,892	257,395	257,395	514,790
Total	251,643	255,892	257,395	257,395	514,790
<u>Expenditures by Fund</u>					
Direct Appropriations					
Trunk Highway	251,116	266,199	257,395	257,395	514,790
Statutory Appropriations					
Miscellaneous Special Revenue	6,433	10,994	6,505	6,502	13,007
Trunk Highway	7,394	10,548	5,043	5,043	10,086
Federal	135	4,527	1,011	1,000	2,011
Total	265,078	292,268	269,954	269,940	539,894
<u>Expenditures by Category</u>					
Total Compensation	150,990	153,927	154,675	158,093	312,768
Other Operating Expenses	113,580	136,336	115,274	111,842	227,116
Capital Outlay & Real Property	508	2,005	5	5	10
Total	265,078	292,268	269,954	269,940	539,894
Full-Time Equivalents (FTE)	2,256.4	2,264.1	2,234.5	2,234.5	

Activity at a Glance

ARMER Program:

- Provide 75% of statewide coverage by 2010
- 95% mobile coverage in each county of the state by the end of 2012
- Ultimately provide Minnesota with the infrastructure and resources to allow its emergency responders to communicate with each other at anytime regardless of the nature or scope of an event.

System Planning:

- Acquire up to 50 ARMER tower sites per year until project completion

ARMER System Implementation:

- Design and construct up to 50 ARMER towers per year until project is completed

Communication System Upgrades:

- Place 82 ARMER tower sites on-the-air in FY 2010

Communications Infrastructure Maintenance:

- 13,590 mobile and portable radios in service
- 1121 base stations in service
- 991 preventative maintenance inspections
- 648 tower sites maintained (all agencies)

Electric Equipment Repair:

- Serve Mn/DOT, DPS, DNR electronic equipment repairs – Transportation Operation and Communication Center, Road Weather Information System, Intelligent Transportation System devices, weight scales, gate controls, mobile data computers

Inventory Control:

- Supply 17 repair facilities statewide

Activity Description

Mn/DOT's Office of Electronic Communications (OEC) provides management; engineering and technical expertise in electronic communication systems and technologies that address the specialized needs of transportation, public safety and other state and local agencies' missions.

Population Served

Many agencies of state government have large mobile work forces that rely on mobile radio communications. OEC provides technical services to Mn/DOT, the Department of Public Safety, the Department of Natural Resources and other state agencies. OEC also provides technical services to regional and local agencies upon request.

In addition to serving state agencies and their radio users, this budget activity complements the support for the statewide public safety radio communications backbone known as Allied Radio Matrix for Emergency Operations (ARMER). ARMER is a robust, scalable, state-of-the-art, 800 megahertz, digital, trunked, radio communication system, owned and operated by Mn/DOT under an agreement with the Department of Public Safety. It provides a statewide public safety communication backbone that can be shared with city, county, state agency, tribal government and non-government public safety entities. ARMER serves the day-to-day and emergency radio communication needs of state agencies and a majority of local and regional public safety agencies, such as law enforcement, fire, emergency medical and public works services to name a few. The system currently serves over 40,000 mobile and portable radios and is the fundamental infrastructure for emergency responders to achieve seamless interoperable communications users.

The citizens of Minnesota have high expectations of their public safety and emergency service providers, and rely upon these services to meet their ongoing business needs. Emergency operations extend around the clock and 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:

- Provide overall electrical engineering direction for the strategic and tactical planning of wireless voice and data systems for ARMER and other public safety or transportation applications.
- Provide electronic communication system engineering, design and construction expertise to Mn/DOT offices and districts, other state agencies and local agencies.
- Act as public safety radio spectrum frequency advisor for the state of Minnesota.

TRANSPORTATION DEPT

Program: STATE ROADS

Activity: ELECTRONIC COMMUNICATIONS

Narrative

Electronic Communications Management:

- Administer, own and operate the ARMER public safety radio backbone used by state and local government.
- 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 service 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, including the Department of Public Safety, the Department of Natural Resources, the National Weather Service and other state and local agencies.

Electronic Communications Administration:

- Perform fiscal operations, manage resources, process accounts receivable and provide activity support.
- Negotiate, process and manage leases for communications tower sites.
- Operate the inventory control center to equip and supply 17 radio repair shops located throughout the state.

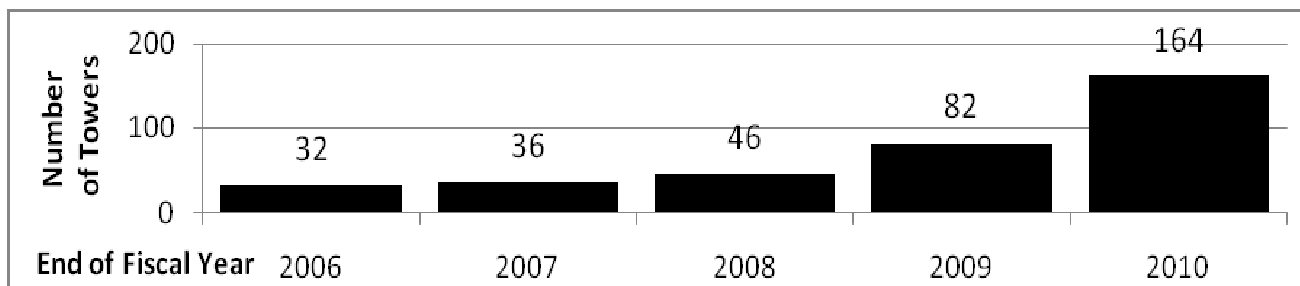
Historical Perspective

The legislature provided capital funding in 2005 and 2007 to extend ARMER beyond the Twin Cities Metro 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. As of July 2010, 164 ARMER tower sites are in operation on the network. A total of about 327 sites will be in the completed network.

Key Activity Goals & Measures

With the emphasis on completion of the ARMER system and the urgency created by Federal Communications Commission 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 manmade disasters. [Source: Conceptual Statewide Plan, adopted by the Statewide Radio Board pursuant to M.S. 403.36.]

Progress is measured and reported to the Statewide Radio Board on a monthly basis as the total number of tower sites that are on-the-air. A total of about 327 sites will be in the completed network.



Activity Funding

This activity is funded by appropriations from the Trunk Highway Fund. The trunk highway funds are used to support the electronic communications needs of Mn/DOT and the Department of Public Safety. Costs attributable to the Department of Public Safety are reimbursed to the Trunk Highway Fund by the Department of Public Safety.

TRANSPORTATION DEPT

Program: STATE ROADS

Activity: ELECTRONIC COMMUNICATIONS

Narrative

The State Government Special Revenue Fund for 911 (administered by the Department of Public Safety) complements trunk highway funds for operation and maintenance of ARMER. The 911 funds allow Mn/DOT to provide local agencies access to ARMER without assessing user fees. Revenue from leasing space on state owned tower sites is used to defray the lease and utility costs of ARMER.

Costs of services provided to external entities are billed to the agencies requesting the services and the receipts reimburse the operating budget of the Office of Electronic Communications. The largest users of OEC services are the Department of Natural Resources and the National Weather Service.

Contact

Mark Gieseke
Electronic Communications Director
Office of Electronic Communications
Minnesota Department of Transportation Metro Division
1500 West County Road B-2
Roseville, Minnesota 55113
Phone: (651) 234-7961
email: mark.gieseke@state.mn.us
Office Web site: <http://www.dot.state.mn.us/oec>
ARMER Web site: <http://www.srb.state.mn.us>

TRANSPORTATION DEPT

Program: STATE ROADS

Activity: ELECTRONIC COMMUNICATIONS

Budget Activity Summary

<i>Dollars in Thousands</i>					
	Current		Governor's Recomm.		Biennium
	FY2010	FY2011	FY2012	FY2013	2012-13
<u>Direct Appropriations by Fund</u>					
General					
Current Appropriation	3	3	3	3	6
Subtotal - Forecast Base	3	3	3	3	6
Total	3	3	3	3	6
Trunk Highway					
Current Appropriation	5,168	5,168	5,168	5,168	10,336
Subtotal - Forecast Base	5,168	5,168	5,168	5,168	10,336
Total	5,168	5,168	5,168	5,168	10,336
<u>Expenditures by Fund</u>					
Direct Appropriations					
General	3	3	3	3	6
Trunk Highway	5,218	5,210	5,168	5,168	10,336
Statutory Appropriations					
State Government Spec Revenue	7,615	5,359	3,240	3,590	6,830
Miscellaneous Special Revenue	505	1,725	1,439	1,439	2,878
Trunk Highway	2,189	4,500	3,900	3,900	7,800
Total	15,530	16,797	13,750	14,100	27,850
<u>Expenditures by Category</u>					
Total Compensation	6,455	5,513	6,438	6,613	13,051
Other Operating Expenses	7,118	11,284	12,372	12,547	24,919
Capital Outlay & Real Property	1,957	0	0	0	0
Transfers	0	0	(5,060)	(5,060)	(10,120)
Total	15,530	16,797	13,750	14,100	27,850
Full-Time Equivalents (FTE)	80.4	80.4	84.4	84.4	

TRANSPORTATION DEPT

Program: STATE ROADS

Activity: DEBT SERVICE

Narrative

Activity at a Glance

Trunk Highway Fund Bond appropriations authorized:

- Laws 2003 Chapter 19 – \$506 million*
- Laws 2007 Chapter 2 – \$20 million*
- Laws 2008 Chapter 152 – \$1.8 billion
- Laws 2009 Chapter 36 and 93 - \$42.7 million
- Laws 2010 Chapter 189 – \$26.4 million
- Laws 2010 Chapter 388 – \$100 million

**special session*

Activity Description

This activity encompasses repayment of trunk highway bond and other types of debt. The State of Minnesota is authorized to issue general obligation bonds for trunk highway purposes under Article XIV of the constitution. Mn/DOT is also authorized to enter into loan agreements using the transportation revolving loan fund under M.S. 161.04, and to enter into local advance agreements under M.S. 161.361.

Population Served

This activity serves the needs of the traveling public, local governments, public and private entities, and ensures

compliance with state and federal government legislation.

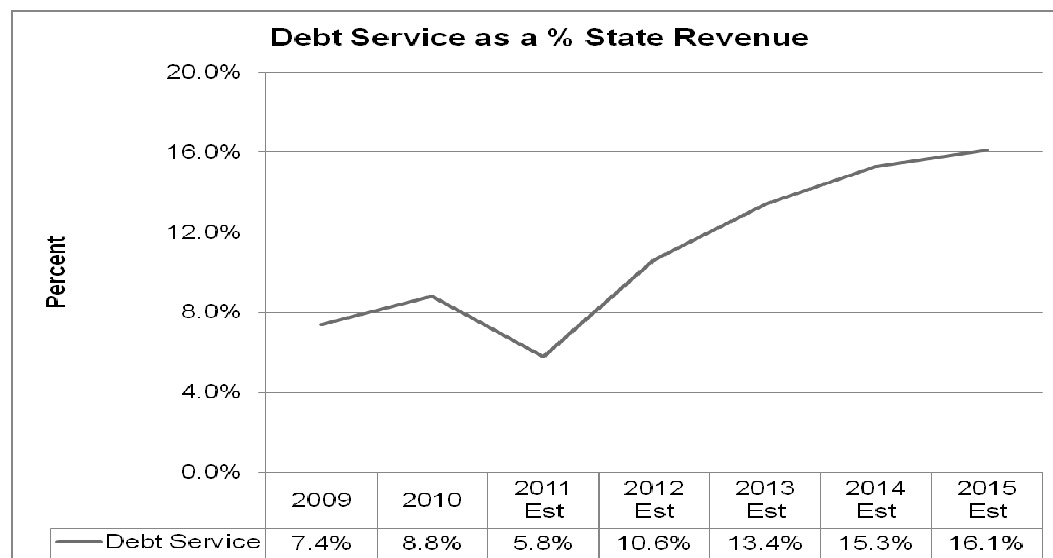
Services Provided

This activity provides the required annual payment of principal and interest to the state debt service fund from the trunk highway fund for bond payments, payments to the transportation revolving loan fund for loan agreements, and repayments for advances from local government agreements.

Key Activity Goals & Measures

Minnesota's goals for the transportation system are established in the department's Strategic Plan and Minnesota's Statewide Transportation Policy Plan. The key goal for the debt service activity is to balance the needs of the transportation system by maximizing the funding resources available within a financially sound debt management policy.

- Debt service threshold does not exceed 20% of annual projected state revenues to the trunk highway fund.
- Trunk highway fund balance should be maintained at not less than the sum of:
 1. a 6% reserve against annual projected state revenues to the trunk highway fund, plus
 2. a 2% reserve against authorized but unissued debt, plus
 3. a reserve to cover future debt service funding shortfalls.



TRANSPORTATION DEPT

Program: STATE ROADS

Activity: DEBT SERVICE

Narrative

Activity Funding

This activity is funded by a trunk highway fund appropriation.

Contact

Pam Tschida
Acting Chief Financial Officer
Office of the Commissioner
Minnesota Department of Transportation
395 John Ireland Boulevard
Saint Paul, Minnesota 55155
Phone: (651) 366-4827
email: pam.tschida@state.mn.us

TRANSPORTATION DEPT
Program: STATE ROADS
Activity: DEBT SERVICE

Budget Activity Summary

<i>Dollars in Thousands</i>					
	Current		Governor Recomm.		Biennium
	FY2010	FY2011	FY2012	FY2013	2012-13
<u>Direct Appropriations by Fund</u>					
Trunk Highway					
Current Appropriation	101,170	173,400	173,400	173,400	346,800
Governor Recommended	101,170	173,400	173,400	173,400	346,800
<u>Expenditures by Fund</u>					
Direct Appropriations					
Trunk Highway	14,097	60,391	114,641	151,508	266,149
Total	14,097	60,391	114,641	151,508	266,149
<u>Expenditures by Category</u>					
Other Financial Transactions	14,097	14,000	14,000	14,000	28,000
Transfers	70,452	46,391	100,641	137,508	238,149
Total	84,639	60,391	114,641	151,508	266,149

TRANSPORTATION DEPT

Program: STATE ROADS

Activity: STATE ROAD CONSTRUCTION

Narrative

Activity at a Glance

- 11,895 centerline trunk highway miles
- 29,343 lane-miles of interstate and other trunk highways
- 254,880 acres of right of way (including wetland and ponds)
- 53 rest areas and 37 waysides
- 4,840 bridges on Trunk Highway routes, including railroad, pedestrian, and other structures

Activity Description

The state road and bridge construction program is the “actual construction, reconstruction and improvement of trunk highways, including design-build contracts and consultant usage to support these activities and includes actual payment to landowners for highway right of way, payment to lessees, interest subsidies and relocation expenses”, in accordance with the priorities and policies set out in Mn/DOT’s performance-based Statewide Transportation Plan. This activity is for the actual program of construction projects to improve asset condition, safety and mobility on the state highway system.

Population Served

The State Road Construction activity serves the needs of the traveling public, local governments, public and private entities and ensures compliance with federal and state government legislation.

Services Provided

State Roads Construction Investment:

Capital improvement construction on the trunk highway system includes long term physical improvements to the state road and bridge system and purchase of right of way.

Contracted Construction Project Development:

Contracted consultant activities are those activities directly tied to project construction 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 bid opening.

Contracted Construction Project Management:

Contracted consultant activities include testing and inspection of materials used in construction projects, conducting field inspections to monitor construction projects, project documentation and approving contractor payment requests.

Key Activity Goals & Measures

Minnesota’s goals for the highway system are established in the Department’s Strategic Plan and Minnesota’s Statewide Transportation Policy Plan.

Additional information regarding activity goals is provided in Mn/DOT’s strategic vision and directions, available online at <http://www.dot.state.mn.us/strategicvision/vision.html>.

Information on Mn/DOT’s long-term transportation policies, strategies and measures for Minnesota is provided in the Statewide Transportation Policy Plan 2009-2028, available at <http://www.dot.state.mn.us/planning/stateplan/download.html>.

Specific information on planned spending for State Road Construction is in the Statewide 20-year Highway Investment Plan 2009-2028 at <http://www.dot.state.mn.us/planning/stateplan/downloadinvestmentplan.html>.

Information on Mn/DOT’s and Minnesota’s transportation system performance can be found in the 2009 Transportation Performance Report, available at <http://www.dot.state.mn.us/measures>.

Mn/DOT has a wide range of transportation system condition measures that include safety, pavement and bridge condition, congestion and travel speeds. Three key measures are presented below: pavement ride quality, bridge condition and system congestion. Bridge condition is repeated in the Operations and Maintenance activity narrative.

Measure: Pavement Condition — Customer Ride Quality Index

Transportation infrastructure faces constant deterioration due to heavy use, age and weather. Mn/DOT regularly monitors and measures the physical condition of pavements.

TRANSPORTATION DEPT**Program: STATE ROADS****Activity: STATE ROAD CONSTRUCTION****Narrative**

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 the road is so rough that drivers may want to drive less than the posted speed or may have to weave to avoid bad spots. Pavement that deteriorates to the “poor” level is also more costly to overhaul than if it were fixed sooner.

Pavements with Good Ride Quality Index — Principal Arterials

Percent of Principal Arterial miles rated in “good” condition

Calendar Year	2005	2006	2007	2008	2009	2010 (est.)	2011 (est.)	2012 (est.)
Data	66.8%	68.9%	66.3%	67.0%	63.7%	64.1%	64.4%	62.7%
Target	>= 70%							

Pavements with Poor Ride Quality Index — Principal Arterials

Percent of Principal Arterial miles rated in “poor” condition

Calendar Year	2005	2006	2007	2008	2009	2010 (est.)	2011 (est.)	2012 (est.)
Data	2.6%	2.3%	2.6%	3.4%	5.5%	5.3%	5.2%	5.9%
Target	<= 2%							

Pavements with Good Ride Quality Index — Non-Principal Arterials

Percent of Non-Principal Arterial miles rated in “good” condition

Calendar Year	2005	2006	2007	2008	2009	2010 (est.)	2011 (est.)	2012 (est.)
Data	60.1%	61.1%	59.1%	60.2%	55.3%	53.2%	53.5%	51.0%
Target	>= 65%							

Pavements with Poor Ride Quality Index — Non-Principal Arterials

Percent of Non-Principal Arterial miles rated in “poor” condition

Calendar Year	2005	2006	2007	2008	2009	2010 (est.)	2011 (est.)	2012 (est.)
Data	4.8%	5.2%	6.5%	5.9%	8.5%	9.0%	9.8%	11.5%
Target	<= 3%							

Principal Arterial pavements make up 53% of state roadway miles and Non-Principal Arterials 47%.

Measure: Structural Condition of Bridges

This measure tracks the percentage of bridges (by square foot areas) on the State Highway Principal Arterial system over 20 feet in length that are in good, satisfactory, fair or poor structural condition (2,876 bridges) which comprises 85% of all trunk highway bridges, measured by square foot deck area. Bridges provide critical economic links across Minnesota. Timely maintenance and replacement of bridges reduce long-term costs and ensure safety. Preserving the structural integrity of Minnesota's bridges is a top priority for Mn/DOT. New directives and funding from the 2008 Minnesota Legislature support this goal.

Mn/DOT manages state bridges to meet performance targets, ensure safety and extend the life of bridges in good or satisfactory condition within the normal 70 to 80 year replacement cycle. Mn/DOT rehabilitates bridges to get full efficient use during their service life.

Mn/DOT has set a target for the share of principal arterial bridges in poor structural condition to be 2% or less. The poor share was reduced to a new low of 3.1% in 2007, and then rose slightly to 3.5% in 2009. Improvement is predicted to resume based on the large 2010-13 construction program. Poor condition bridges are termed “structurally deficient” by the U.S. Department of Transportation. They are safe to drive on, but are approaching the end of their useful lives. Unsafe bridges are closed promptly.

To meet the requirements of Minnesota Laws 2008, Chapter 152, Mn/DOT is implementing a bridge program to accelerate replacement and repair of approximately 40 fracture-critical and 80 structurally deficient bridges through 2018. By the end of the 2010 construction season, work on 47 of the Chapter 152 bridges will be

TRANSPORTATION DEPT**Program: STATE ROADS****Activity: STATE ROAD CONSTRUCTION****Narrative**

substantially complete. The completion of these and other Chapter 152 bridge projects is expected to bring the percent of bridges in poor structural condition down to the performance target of 2%.

Bridges in Good and Satisfactory Structural Condition — Principal Arterials

Percent of Principal Arterial Bridges (by surface area) rated in "good or satisfactory" structural condition

Calendar Year	2005	2006	2007	2008	2009	2010	2011 (est.)	2012 (est.)
Data	88.8%	88.7%	88.9%	88.5%	87.4%	86.9%	87%	87.5%
Target	≥ 84%							

Bridges in Fair and Poor Structural Condition — Principal Arterials

Percent of Principal Arterial Bridges (by surface area) rated in "fair or poor" structural condition

Calendar Year	2005	2006	2007	2008	2009	2010	2011 (est.)	2012 (est.)
Data	11.2%	11.3%	11.1%	11.5%	12.6%	13.1%	13%	12.5%
Target	≤ 16%							

Bridges in Poor Structural Condition — Principal Arterials

Percent of Principal Arterial Bridges (by surface area) rated in "poor" structural condition

Calendar Year	2005	2006	2007	2008	2009	2010	2011 (est.)	2012 (est.)
Data	3.9%	3.6%	3.1%	3.2%	3.5%	3.2%	3.1%	2.6%
Target	≤ 2.0%							

Measure: Metro Freeway Congestion

The congestion measure is the percent of the Twin Cities Metro area urban freeway system congested (i.e., percent of miles that operate at average speeds below 45 mph for 5 minutes or longer in a.m. or p.m. peak periods). Some freeway congestion relief in the near-term is expected upon completion of the I-35W/Hwy 62 Crosstown and Highway 610 project.

Duration and Extent of Twin Cities Metro Area Freeway Congestion

Percentage of Twin Cities Metro Area Freeway Miles Congested in Peak Periods

Calendar Year	2002	2003	2004	2005	2006	2007	2008	2009
*Data	18.1%	20.8%	19.7%	19.2%	18.3%	20.9%	17.3%	18.2%
Target	New congestion measures and targets are under review.							

* The data set has been adjusted since last reported because the size of the freeway system managed and measured was expanded into more suburban areas, slightly decreasing the average congestion level. Historic data was scaled to the new system size for consistency.

Activity Funding

This area is generally funded by trunk highway fund appropriations which include federal aid reimbursement. It has also received trunk highway bonding authority as well as some general fund appropriations in the past.

Contact

Abigail McKenzie
 Director
 Office of Capital Programs and Performance Measures
 (formerly known as Office of Investment Management)
 Minnesota Department of Transportation
 395 John Ireland Boulevard
 Saint Paul, Minnesota 55155
 Phone: (651) 366-3770
 email: Abby.McKenzie@state.mn.us

TRANSPORTATION DEPT

Program: STATE ROADS

Activity: STATE ROAD CONSTRUCTION

Budget Activity Summary

<i>Dollars in Thousands</i>					
	Current		Governor's Recomm.		Biennium
	FY2010	FY2011	FY2012	FY2013	2012-13
<u>Direct Appropriations by Fund</u>					
Trunk Highway					
Current Appropriation	551,300	710,700	710,700	710,700	1,421,400
Technical Adjustments					
Current Law Base Change			36,300	36,300	72,600
One-time Appropriations			(112,000)	(112,000)	(224,000)
Subtotal - Forecast Base	551,300	710,700	635,000	635,000	1,270,000
Governor's Recommendations					
State Road Construction Appropriation		(43,000)	146,000	(80,000)	66,000
Total	551,300	667,700	781,000	555,000	1,336,000
<u>Expenditures by Fund</u>					
Direct Appropriations					
Trunk Highway	516,724	727,262	781,000	555,000	1,336,000
Statutory Appropriations					
Trunk Highway	0	40,000	40,000	40,000	80,000
Total	516,724	767,262	821,000	595,000	1,416,000
<u>Expenditures by Category</u>					
Other Operating Expenses	44,959	4,579	3,228	3,228	6,456
Capital Outlay & Real Property	471,648	762,683	817,772	591,772	1,409,544
Local Assistance	117	0	0	0	0
Total	516,724	767,262	821,000	595,000	1,416,000

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. It also provides 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
	FY2010	FY2011	FY2012	FY2013	2012-13
<u>Direct Appropriations by Fund</u>					
Municipal State Aid Street					
Current Appropriation	135,922	141,400	141,400	141,400	282,800
Technical Adjustments					
End-of-session Estimate			10,575	14,623	25,198
November Forecast Adjustment		0	(6,520)	(2,539)	(9,059)
Subtotal - Forecast Base	135,922	141,400	145,455	153,484	298,939
Total	135,922	141,400	145,455	153,484	298,939
County State Aid Highway					
Current Appropriation	489,050	524,478	524,478	524,478	1,048,956
Technical Adjustments					
End-of-session Estimate			48,794	65,195	113,989
November Forecast Adjustment		0	(28,163)	(16,900)	(45,063)
Subtotal - Forecast Base	489,050	524,478	545,109	572,773	1,117,882
Total	489,050	524,478	545,109	572,773	1,117,882
<u>Expenditures by Fund</u>					
Direct Appropriations					
Municipal State Aid Street	129,544	141,400	145,455	153,484	298,939
County State Aid Highway	449,579	532,918	545,109	572,773	1,117,882
Statutory Appropriations					
Miscellaneous Special Revenue	3	1,574	0	0	0
Municipal State Aid Street	2,486	3,672	3,728	3,935	7,663
County State Aid Highway	9,410	11,580	13,977	14,686	28,663
Federal	139,276	162,791	150,850	150,850	301,700
Federal Stimulus	71,741	81,262	25,491	0	25,491
Total	802,039	935,197	884,610	895,728	1,780,338
<u>Expenditures by Category</u>					
Total Compensation	6,173	6,523	6,541	6,663	13,204
Other Operating Expenses	6,692	13,274	12,214	13,008	25,222
Capital Outlay & Real Property	11,373	120	100	100	200
Local Assistance	777,801	915,280	865,755	875,957	1,741,712
Total	802,039	935,197	884,610	895,728	1,780,338
<u>Expenditures by Activity</u>					
County State Aid Roads	670,009	790,125	735,427	738,309	1,473,736
Municipal State Aid Roads	132,030	145,072	149,183	157,419	306,602
Total	802,039	935,197	884,610	895,728	1,780,338
Full-Time Equivalents (FTE)	66.3	67.3	65.9	65.9	

TRANSPORTATION DEPT

Program: LOCAL ROADS

Activity: COUNTY STATE AID ROADS

Narrative

Activity at a Glance

- Supervise the distribution of funds to the state's 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 the Local Road Improvement Program

Activity Description

The County State Aid activity primarily deals with the 29% of the Highway User Tax Distribution Fund (HUTD) 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.

The County State Aid Highways (CSAH) system is continuing to age and the miles of highway in poor condition increased by more than 70 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 2009 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 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. The SALT Division assists agencies in fulfilling the requirements for federal aid requirement, such as public involvement and in development of 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 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.

Historical Perspective

The SALT Division assists 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 & Measures

The key goals of the County State Aid budget activity are to:

- Promote and maintain a reliable and modern transportation system through the preservation of 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.
- Enhance the movement of people and freight by providing fund distribution, technical support, oversight and coordination to ensure the smooth integration of the County State Aid Highway and State Trunk Highway systems.
- Additional information regarding activity goals is provided in Mn/DOT's strategic vision and directions, available online at <http://www.dot.state.mn.us/strategicvision/vision.html>.

Information on Mn/DOT's long-term transportation policies, strategies and measures for Minnesota is provided in the Statewide Transportation Policy Plan 2009-2028, available at <http://www.dot.state.mn.us/planning/stateplan/download.html>.

Information on Mn/DOT's and Minnesota's transportation system performance can be found in the 2009 Transportation Performance Report, available at <http://www.dot.state.mn.us/measures>.

The products and services provided by the SALT Division are monitored based primarily upon customer satisfaction. The funds administered in this program are not sufficient to meet the needs and wants of local government as reflected in their efforts to find new funding sources outside this program and through general fund bonding in both the Local Road Improvement Program and the Local Bridge Replacement program. These programs are annually promoted by local governments with testimony of unmet needs.

Age of System

- Currently about 26% of the system mileage is considered to be in good condition (less than 25 years since the roadway was last graded/rebuilt).
- Currently about 44% 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/rebuilt).
- Currently about 30% of the system mileage is considered to be in poor condition (more than 50 years since the roadway was last graded/rebuilt).

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 200 miles are being rebuilt.

Activity Funding

Funds in the HUTD Fund 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 the SALT Division and for system-wide expenditures.

Federal funds are distributed by the Area Transportation Partnerships in each of the Minnesota Department of Transportation 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,

TRANSPORTATION DEPT

Program: LOCAL ROADS

Activity: COUNTY STATE AID ROADS

Narrative

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 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

Julie Skallman
Director
State Aid Division
Minnesota Department of Transportation
395 John Ireland Boulevard
Saint Paul, Minnesota 55155-1899
Phone: (651) 366-4831
email: Julie.Skallman@state.mn.us

TRANSPORTATION DEPT

Program: LOCAL ROADS

Activity: COUNTY STATE AID ROADS

Budget Activity Summary

<i>Dollars in Thousands</i>					
	Current		Governor's Recomm.		Biennium
	FY2010	FY2011	FY2012	FY2013	2012-13
<u>Direct Appropriations by Fund</u>					
County State Aid Highway					
Current Appropriation	489,050	524,478	524,478	524,478	1,048,956
Technical Adjustments					
End-of-session Estimate			48,794	65,195	113,989
November Forecast Adjustment		0	(28,163)	(16,900)	(45,063)
Subtotal - Forecast Base	489,050	524,478	545,109	572,773	1,117,882
Total	489,050	524,478	545,109	572,773	1,117,882
<u>Expenditures by Fund</u>					
Direct Appropriations					
County State Aid Highway	449,579	532,918	545,109	572,773	1,117,882
Statutory Appropriations					
Miscellaneous Special Revenue	3	1,574	0	0	0
County State Aid Highway	9,410	11,580	13,977	14,686	28,663
Federal	139,276	162,791	150,850	150,850	301,700
Federal Stimulus	71,741	81,262	25,491	0	25,491
Total	670,009	790,125	735,427	738,309	1,473,736
<u>Expenditures by Category</u>					
Total Compensation	4,493	4,753	4,763	4,850	9,613
Other Operating Expenses	5,886	11,372	10,264	10,886	21,150
Capital Outlay & Real Property	11,373	120	100	100	200
Local Assistance	648,257	773,880	720,300	722,473	1,442,773
Total	670,009	790,125	735,427	738,309	1,473,736
Full-Time Equivalents (FTE)	47.7	48.7	47.9	47.9	

TRANSPORTATION DEPT

Program: LOCAL ROADS

Activity: MUNICIPAL STATE AID ROADS

Narrative

Activity at a Glance

- Supervise the distribution of funds to 147 cities for their use in building and maintaining the Municipal State Aid 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 the Local Road Improvement Program

Activity Description

The Municipal State Aid activity primarily deals with the 9% of the Highway User Tax Distribution (HUTD) Fund 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 3,561 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.

The Municipal State Aid Street (MSAS) system has grown by 108 miles in the past four years. The overall condition has improved slightly. The increased miles have increased 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 144 cities, with Medina, Byron and Zimmerman being added this year for a total of 147.

Services Provided

Municipal State Aid Administration Services supports 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 147 in 2010, 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. Communities are finding they are less able to respond to improvement project needs for citizens.

Key Activity Goals & Measures

The key goals of the Municipal State Aid Roads budget activity are to:

- Promote and maintain a safe, reliable and modern transportation system through the preservation of the state's 3,561 mile system of municipal state aid streets.
- Improve access to the transportation system and enhance the movement of people and freight by providing fund distribution, technical support, oversight and coordination to 147 cities sharing in the Municipal State Aid Fund.

Additional information regarding activity goals is provided in Mn/DOT's strategic vision and directions, available online at <http://www.dot.state.mn.us/strategicvision/vision.html>.

TRANSPORTATION DEPT

Program: LOCAL ROADS

Activity: MUNICIPAL STATE AID ROADS

Narrative

Information on Mn/DOT's long-term transportation policies, strategies and measures for Minnesota is provided in the Statewide Transportation Policy Plan 2009–2028, available at <http://www.dot.state.mn.us/planning/stateplan/download.html>.

Information on Mn/DOT's and Minnesota's transportation system performance can be found in the 2009 Transportation Performance Report, available at <http://www.dot.state.mn.us/measures>.

The products and services provided by the SALT Division are monitored based primarily upon customer satisfaction. The funds administered in this program are not sufficient to meet the needs and wants of local government as reflected in their efforts to find new funding sources outside this program and through general fund bonding in both the Local Road Improvement Program and the Local Bridge Replacement program. These programs are annually promoted by local governments with testimony of unmet needs.

Age of System

- Currently about 31% of the system mileage is considered to be in good condition (less than 20 years since the roadway was last graded/rebuilt).
- 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/rebuilt).
- Currently about 40% of the system mileage is considered to be in poor condition (more than 40 years since the roadway was last graded/rebuilt).

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 HUTD fund 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, 2.0% is set aside by statute for the operating expenses of SALT Division and for system-wide expenditures. 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 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 trunk highway improvements as a use and added the Local Road Improvement Program. The priority remains turnbacks and it is anticipated that the fund will be used for that purpose for the foreseeable future.

Contact

Julie Skallman
Director
State Aid Division
Minnesota Department of Transportation
395 John Ireland Boulevard
Saint Paul, Minnesota 55155-1899
Phone: (651) 366-4831
email: Julie.Skallman@state.mn.us

TRANSPORTATION DEPT

Program: LOCAL ROADS

Activity: MUNICIPAL STATE AID ROADS

Budget Activity Summary

<i>Dollars in Thousands</i>					
	Current		Governor's Recomm.		Biennium
	FY2010	FY2011	FY2012	FY2013	2012-13
<u>Direct Appropriations by Fund</u>					
Municipal State Aid Street					
Current Appropriation	135,922	141,400	141,400	141,400	282,800
Technical Adjustments					
End-of-session Estimate			10,575	14,623	25,198
November Forecast Adjustment		0	(6,520)	(2,539)	(9,059)
Subtotal - Forecast Base	135,922	141,400	145,455	153,484	298,939
Total	135,922	141,400	145,455	153,484	298,939
<u>Expenditures by Fund</u>					
Direct Appropriations					
Municipal State Aid Street	129,544	141,400	145,455	153,484	298,939
Statutory Appropriations					
Municipal State Aid Street	2,486	3,672	3,728	3,935	7,663
Total	132,030	145,072	149,183	157,419	306,602
<u>Expenditures by Category</u>					
Total Compensation	1,680	1,770	1,778	1,813	3,591
Other Operating Expenses	806	1,902	1,950	2,122	4,072
Local Assistance	129,544	141,400	145,455	153,484	298,939
Total	132,030	145,072	149,183	157,419	306,602
Full-Time Equivalents (FTE)	18.6	18.6	18.0	18.0	

Program Description

The purpose of the Agency Management program is to provide 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.

Budget Activities

- Agency Services
- Buildings

TRANSPORTATION DEPT

Program: AGENCY MANAGEMENT

Program Summary

Dollars in Thousands					
	Current		Governor Recomm.		Biennium
	FY2010	FY2011	FY2012	FY2013	2012-13
<u>Direct Appropriations by Fund</u>					
General					
Current Appropriation	56	56	56	56	112
Technical Adjustments					
Operating Budget Reduction			(2)	(2)	(4)
Subtotal - Forecast Base	56	56	54	54	108
Total	56	56	54	54	108
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	60,802	59,415	59,415	59,415	118,830
Technical Adjustments					
Current Law Base Change			276	276	552
Subtotal - Forecast Base	60,802	59,415	59,691	59,691	119,382
Governor's Recommendations					
State Planning & Reseach		0	65	65	130
Total	60,802	59,415	59,756	59,756	119,512

TRANSPORTATION DEPT

Program: AGENCY MANAGEMENT

Program Summary

<i>Dollars in Thousands</i>					
	Current		Governor Recomm.		Biennium
	FY2010	FY2011	FY2012	FY2013	2012-13
<u>Expenditures by Fund</u>					
Direct Appropriations					
General	56	54	54	54	108
State Airports	24	26	25	25	50
Trunk Highway	85,349	84,473	59,756	59,756	119,512
Open Appropriations					
State Airports	42	54	54	54	108
Trunk Highway	3,646	5,595	5,595	5,595	11,190
Highway Users Tax Distribution	22	194	194	194	388
Statutory Appropriations					
Miscellaneous Special Revenue	1,631	3,200	1,108	1,111	2,219
Trunk Highway	10	1	0	0	0
Total	90,780	93,597	66,786	66,789	133,575
<u>Expenditures by Category</u>					
Total Compensation	33,096	35,177	35,293	36,145	71,438
Other Operating Expenses	30,311	53,647	26,720	25,871	52,591
Capital Outlay & Real Property	27,360	4,773	4,773	4,773	9,546
Local Assistance	13	0	0	0	0
Total	90,780	93,597	66,786	66,789	133,575
<u>Expenditures by Activity</u>					
Agency Services	51,302	69,407	48,332	48,335	96,667
Building Services	39,478	24,190	18,454	18,454	36,908
Total	90,780	93,597	66,786	66,789	133,575
Full-Time Equivalents (FTE)	402.9	403.9	396.9	396.9	

TRANSPORTATION DEPT

Program: **AGENCY MANAGEMENT**

Activity: **AGENCY SERVICES**

Narrative

Activity at a Glance

- Agency Services consists of approximately 350 employees
- Agency Services serves all of Mn/DOT, approximately 4,600 employees

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. Agency Services also provides general management and specialized support services that direct the management

and administration of the department's financial, human and capital resources.

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 and shippers using trucks and multimodal transport modes. Additional major 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, internal and external audit functions, 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, purchasing, accounting, payroll services, employee services, 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 of human resources services.
- **Technology Services** include leadership and management of agency-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 within the agency to assist in effective decision-making for a better transportation system.

Key Activity Goals and Measures

The key goals of the Agency Services budget activity are to:

- Provide the agency's "internal infrastructure"—a skilled, productive and diverse workforce as well as financial, technical and administrative systems that support all functions and allow Mn/DOT to accomplish its mission.

Additional information regarding activity goals is provided in Mn/DOT's strategic vision and directions, which is available online at <http://www.dot.state.mn.us/strategicvision/vision.html>.

TRANSPORTATION DEPT

Program: AGENCY MANAGEMENT

Activity: AGENCY SERVICES

Narrative

The key measures are to:

- 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.
- Mn/DOT is currently developing strategic staffing and workforce development plans that will assist in identifying needed skills and competencies that match the needs of the agency for the future.
- Mn/DOT has entered into several partnerships with other government agencies and organizations to recruit a more diverse population of candidates for employment. Our objective is to be a "workplace of choice" for the citizens of Minnesota.
- A first draft of Mn/DOT's Comprehensive Information Technology Strategic Plan has been developed. In FY 2010, 28 department-wide desktop software upgrades were tested and successfully deployed; 16 enterprise level IT projects were completed; the average monthly IT project performance had 95% projects on budget and 69% on schedule (target is 80% for both); and 15,040 service tickets were completed at an on-time rate of 96.62% (target is 95%).

Activity Funding

This activity is funded by direct appropriation from the Trunk Highway Fund.

Contact

Pamela Tschida
Acting Chief Financial Officer
Minnesota Department of Transportation
395 John Ireland Boulevard
Saint Paul, Minnesota 55155
Phone: (651) 366-4827
email: tom.pam.tschida@state.mn.us

Sue Mulvihill
Division Director
Employee and Corporate Services
Minnesota Department of Transportation
395 John Ireland Boulevard
Saint Paul, Minnesota 55155
Phone: (651) 366-4814
email: sue.mulvihill@state.mn.us

TRANSPORTATION DEPT
Program: AGENCY MANAGEMENT
Activity: AGENCY SERVICES

Budget Activity Summary

<i>Dollars in Thousands</i>					
	Current		Governor's Recomm.		Biennium
	FY2010	FY2011	FY2012	FY2013	2012-13
<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	43,415	42,424	42,424	42,424	84,848
Technical Adjustments					
Current Law Base Change			(517)	(517)	(1,034)
Subtotal - Forecast Base	43,415	42,424	41,907	41,907	83,814
Governor's Recommendations					
State Planning & Reseach		0	65	65	130
Total	43,415	42,424	41,972	41,972	83,944
<u>Expenditures by Fund</u>					
Direct Appropriations					
State Airports	24	26	25	25	50
Trunk Highway	46,737	62,746	41,972	41,972	83,944
Open Appropriations					
State Airports	42	54	54	54	108
Trunk Highway	3,646	5,595	5,595	5,595	11,190
Highway Users Tax Distribution	22	194	194	194	388
Statutory Appropriations					
Miscellaneous Special Revenue	821	791	492	495	987
Trunk Highway	10	1	0	0	0
Total	51,302	69,407	48,332	48,335	96,667
<u>Expenditures by Category</u>					
Total Compensation	30,820	32,997	33,148	33,907	67,055
Other Operating Expenses	20,411	36,353	15,127	14,371	29,498
Capital Outlay & Real Property	59	57	57	57	114
Local Assistance	12	0	0	0	0
Total	51,302	69,407	48,332	48,335	96,667
Full-Time Equivalents (FTE)	375.0	376.0	369.0	369.0	

TRANSPORTATION DEPT

Program: AGENCY MANAGEMENT

Activity: BUILDINGS

Narrative

Activity at a Glance

Mn/DOT owns and operates – 1,054 buildings with a total of 5,621,074 square feet, including:

- 133 truck station sites
- 18 regional/headquarters maintenance sites
- Five special service sites: MNRoad Research Facility, Arden Hills Training Center, Central Shop, Maplewood Materials Lab and the Aeronautics building.
- 173 salt/sand delivery sites
- Estimated facilities replacement cost of \$733,059,665 (at \$130 per square foot)
- Funded by direct appropriation from the trunk highway fund and from trunk highway bonds

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 M.S. 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 quickly 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 Department of Public Safety's Minnesota State Patrol and Driver and Vehicle Services.

Services Provided

This activity provides facilities to support 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, regarding 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 identifies annual maintenance and repair projects that require plans and/or specifications developed by licensed professionals. Over 125 major maintenance and repair projects were planned, bid and awarded for completion in FY 2010, 200 projects have been requested for FY 2011 and 220 projects remain unfunded.

Wherever and whenever possible, Mn/DOT partners with local government subdivisions to construct facilities that will provide savings in effort and methods of operation, efficiencies in manpower and taxpayer monies. Mn/DOT has in-house engineering and architectural design and construction staff, available on a limited basis, who are capable of producing project documentation, bidding, construction supervision and inspection. When in-house service capabilities are exceeded, projects are reviewed and grouped for efficiencies and location, then contracted with consultants for design and some construction services. Mn/DOT staff continues to provide facility standards, equipment requirements and specification details. Further, Mn/DOT staff supervise and coordinate consultant services as project managers.

Key Activity Goals & Measures

The key goal of the building services budget activity is to promote prompt and efficient responses to the public's transportation needs by planning, building, and maintaining the structures necessary to house Mn/DOT personnel, equipment, and supplies.

TRANSPORTATION DEPT

Program: AGENCY MANAGEMENT

Activity: BUILDINGS

Narrative

Additional information regarding activity goals is provided in Mn/DOT's strategic vision and directions, available online at <http://www.dot.state.mn.us/strategicvision/vision.html>.

Information on Mn/DOT's long-term transportation policies, strategies and measures for Minnesota is provided in the Statewide Transportation Policy Plan 2009-2028, available online at <http://www.dot.state.mn.us/planning/stateplan/download.html>.

Information on Mn/DOT's and Minnesota's transportation system performance can be found in the 2009 Transportation Performance Report, available at <http://www.dot.state.mn.us/measures>.

- **Building Adequacy — Target: 80% of Mn/DOT buildings meet 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 2009, 77.45% of Mn/DOT buildings met functional needs. FY 2011 assessments are scheduled.

- **Building Improvement and Replacement – 100% of the current biennium, six-year capital budget design and construction program is 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 within 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:

- Warren Truck Station: Replacement
- Anoka Salt Storage: Replacement
- Oakdale Bridge Storage Building
- Mankato Brine Storage Building
- Morris Salt Storage Building
- Bagley Truck Station
- Wabasha Salt Storage Building
- Caledonia Truck Station: Replacement
- Nopeming Salt Storage: Replacement
- Mankato Salt Storage: New Building
- Redwood Falls Salt Storage Building
- Litchfield Unheated Storage Building
- Milaca Truck Station
- Perham Salt Storage Building

Activity Funding

This activity is primarily funded by direct appropriation from the trunk highway fund. Additional funding is provided by appropriation of Trunk Highway bonds.

Contact

Robert Miller, P.E.
Building Services Director
Office of Maintenance
Minnesota Department of Transportation
395 John Ireland Boulevard
Saint Paul, Minnesota 55155
Phone: (651) 366-3573
email: robert.miller@state.mn.us

TRANSPORTATION DEPT
Program: AGENCY MANAGEMENT
Activity: BUILDING SERVICES

Budget Activity Summary

<i>Dollars in Thousands</i>					
	Current		Governor's Recomm.		Biennium
	FY2010	FY2011	FY2012	FY2013	2012-13
<u>Direct Appropriations by Fund</u>					
General					
Current Appropriation	56	56	56	56	112
Technical Adjustments					
Operating Budget Reduction			(2)	(2)	(4)
Subtotal - Forecast Base	56	56	54	54	108
Total	56	56	54	54	108
Trunk Highway					
Current Appropriation	17,387	16,991	16,991	16,991	33,982
Technical Adjustments					
Current Law Base Change			793	793	1,586
Subtotal - Forecast Base	17,387	16,991	17,784	17,784	35,568
Total	17,387	16,991	17,784	17,784	35,568
<u>Expenditures by Fund</u>					
Direct Appropriations					
General	56	54	54	54	108
Trunk Highway	38,612	21,727	17,784	17,784	35,568
Statutory Appropriations					
Miscellaneous Special Revenue	810	2,409	616	616	1,232
Total	39,478	24,190	18,454	18,454	36,908
<u>Expenditures by Category</u>					
Total Compensation	2,276	2,180	2,145	2,238	4,383
Other Operating Expenses	9,900	17,294	11,593	11,500	23,093
Capital Outlay & Real Property	27,301	4,716	4,716	4,716	9,432
Local Assistance	1	0	0	0	0
Total	39,478	24,190	18,454	18,454	36,908
Full-Time Equivalents (FTE)	27.9	27.9	27.9	27.9	

Mn/DOT Federal Funds Narrative

The major federal fund accounts include: federal grants revenue deposited in the federal fund, either on an advance or reimbursement basis. Federal Highway Administration federal aid, the agencies largest federal program, is on a cost reimbursement basis, with a significant portion of program reimbursements deposited directly into the Trunk Highway Fund for the department's state road construction program.

Maintenance level of effort:

The regular formula federal funds are typically are split 80% federal 20% state. There are two ARRA programs in Mn/DOT that have maintenance of effort requirements: the Federal Highway Administration - Highway Infrastructure Investment Program and the Federal Aviation Administration – Grants-in-Aid for Airports Program. The effort requirements were met for both programs and were matched with non-general funds.

Related state spending:

Federal funds are matched by varying state funds depending on the program. For example, the major Federal Highway Administration program is matched by a combination of trunk highway fund, municipal and county state aid funds, and local government funds depending on the project. The major Federal Aviation Administration program is matched by local government funds. General funds, revenues from the motor vehicle sales tax and local government funds match the federal funding from the Federal Transit Administration programs.

Basis for estimates:

Estimates are based on the best funding information currently available to Mn/DOT program managers. For the major formula funds program, there is increased spending for FY 2011 predominantly due to ARRA and additional federal FY2010 appropriations. Overall, federal funds anticipated during the FY2012-13 biennium will be a reduction from the 2010-11 biennium.

TRANSPORTATION DEPT

Federal Funds Summary

Federal Program (\$ in Thousands)	Appr	Purpose	New Grant	Required state match/ MOE?		SFY 2010 Revenue	Est SFY 2011 Revenue	Est SFY 2012 Revenue	Est SFY 2013 Revenue
				Match	MOE				
MULTIMODAL PROGRAM									
Aeronautics									
Federal Airports	117	Upgrading and modernizing airports in Minnesota				65,352	75,000	75,000	75,000
Transit									
Vehicle Disposition FTA Section 16 (190821)	102	Vehicle Disposition Receipts: for mass transportation purposes only				1	50	50	50
FTA Capital Purchases (190822)	103	Section 5310 vehicles and administration funds		yes		811	1,424	2,005	2,005
FTA Section 18 (190823)	104	Section 5311 Operating, RTAP, Intercity, Administration and Capital		yes		12,789	15,745	15,064	15,064
Rideshare - Federal (190824)	106	Rideshare Coordinator				47	148	148	148
Planning FTA Section 5303/5313 (190831)	126	Section 5303 & 5313: MPO and planning funds		yes		5,062	7,001	5,672	5,672
Central Corridor 20.500 (190831)	128	Federal Grant MN030057. Grant closed 8-6-10		yes		3	-	-	-
Rushline: Chisago County	340	MN-04-0006 Chisago County		yes		-	286	286	286
FTA Cedar Valley/Albert Lea	341	MN-04-0032 Albert Lea		yes			340	340	340
Northstar Commuter Busmn	534					255			
Transitways /Red Rock/N*	674	MN030088 Transitways Grant for the Northstar and Red Rock Corridor. Includes public education, identifying transportation options, preparing a draft environmental impact statement and site planning.		yes		62	1,984	1,984	1,984
Rush Line	732	MN030094 closed 4/23/07 MN39X001 Audit requested 9/15/10 Rushline Corridor – Park & Pool Lot.		yes		181	657	-	-
Arrowhead Koochiching	827	MN-03-0118 Provide a transit facility for Arrowhead/Koochiching Transit. Grant closed 1/29/10.				5	-	-	-
Non-Motorized Evaluation	831	FHWA funds to: encourage pedestrian and bicycle transportation in Minneapolis and adjoining communities. Products include infrastructure projects, data collection and educational programs.	X			-	135	135	135
Red Lake Reservation Bus Facility	887	MN-03-0124. Red Lake Bus Facility. Grant closed 3/22/10.		yes		40	-	-	-
FTA Northstar Construction	897	Northstar Commuter Rail Project		yes		39,811	25,160	25,160	25,160
FTA 04-0005 Fond Du Lac	11A	MN-04-0027 Fond du Lac bus. Grant closed 4/26/10.				66	-	-	-
FTA 04-0011 Rock County Facility	11E	MN-04-0011 Rock County Facility. Grant closed 4/26/10.		yes		495	-	-	-
JARC	12B	Provide funding for job access and reverse commute service for low-income individuals so that they can expand their job opportunities.		yes		1,109	1,199	897	897
New Freedom	12C	Provide for Transit capital and operating costs of services and facility improvement in excess of those required by the Americans with Disabilities Act.		yes		402	877	557	557
Northfield Environment Assessor	16T	MN-04-0020 Northfield Transit Hub		yes		-	277	277	277
Governor's Rural Safety	GRS					-	3,496	11	-
New Transit Grants	NTG		X				1,000	1,000	1,000

TRANSPORTATION DEPT

Federal Funds Summary

Federal Program (\$ in Thousands)	Appr	Purpose	New Grant	Required state match/ MOE?		SFY 2010 Revenue	Est SFY 2011 Revenue	Est SFY 2012 Revenue	Est SFY 2013 Revenue
				Match	MOE				
Transit Bike/Ped PR	SPR						60	60	60
FTA MN -04-0021 St. Peter	14Z	MN-04-0021 St Peter Bus & Facility		yes		46	160	160	160
Bike/Ped Coordinators (190835)	163	Bike/Ped Coordinator Account				84	80	80	80
North Star Phase II	TR8	Northstar Phase II: application pending		yes		-	-	3,000	3,000
City of St Paul Complete Streets	TG1		X				250		
City Staples Overpass Project	TG2		X				7,650		
FTA Transit Capital	TR3		X	yes		-	-	2,000	2,000
Freight									
Federal/Local Rail Project	100	Grade Crossing Safety				5,446	6,000	6,500	6,500
Motor Carrier Safety (190825)	114	Prevent commercial vehicle accidents				977	1,380	1,380	1,380
MVRRRA FY 2010	21U	Funding for Minnesota Valley Regional Rail Authority				-	1,000	1,000	1,000
Passenger Rail									
MVRRRA Amend 2 FY 2008	883							950	
Duluth Passenger Rail	16K					311	788		
Southern Rail Corridor	21P	Rochester bypass				-	450	37	-
Northern Lights Express (2010)	21R					-		500	-
Northern Lights Express (2009)	21T					-		475	465
MN WI NEPA Service	EPA		X					600	
Mobile Data Collection Project	MDC		X				500	500	
Subtotal: Multimodal						133,355	153,097	145,828	143,220
STATE ROADS									
Pooled Fund Project (190830)	125	State planning/research Part II, Mn/Road research activities regarding pavement performance				86	600	600	600
Multimodal Innovation Office	318					19	300		
UPA Federal Grant Approp	358					3,058	3,607		
UPA Fed Grant Prog Delivery	359					462	174		
Safety Analyst Software	346					-	23	26	34
ITS Special Projects	472					1	1,799		
County Mini Grants NHTSA	529	Toward Zero Deaths , State Hwy Safety Plan, Projects for Counties				-	-	1,500	1,500
Towards Zero Deaths Committee	675	Statewide Traffic Safety Improvement				201	25		
Civil Rights: DBE, OJT	870					364	1,800	2,215	2,415
Pie/Tero Roads		Placement of women and minorities in construction trades							
Leach Lake Employment Office PIE/TERO									
OJT/SS8701 (152) (153)									
On the Job Training									
Native Summer Training Institute									
White Earth Reservation, Leech Lake, Fond DuLac									
DBE SS02		Disadvantaged Business Enterprises (DBE) Support Services							
DBE SS03									
DBE Support SS04									
FY12-13 DBE Support Services									
Non-Intrusive Technology									
Sec 112 Planning Grant									
G CBD -MN Road TPF	784						10		
I-394 MnPass Enf, Pln, Edu	797	Mn/DPS State Highway Patrol, GV PD, Mpls PD enforcement for MnPASS and Education, Outreach & Planning.				2			

TRANSPORTATION DEPT

Federal Funds Summary

Federal Program (\$ in Thousands)	Appr	Purpose	New Grant	Required state		SFY 2010 Revenue	Est SFY 2011 Revenue	Est SFY 2012 Revenue	Est SFY 2013 Revenue
				Match	MOE				
CICAS	798	Cooperative intersection collision avoidance system with UofM CTS				54	1,500		
Integrated Corridor Management Stage One	835	Minnesota TC Metro was selected by USDOT to design a coordinated motor vehicle and transit corridor that maximizes transportation volumes while using a minimal amount of land.				-	80	20	20
Public Acpt Mileage-Based	840					63	188		
Parking Pricing Demonstr Stud	841					71	231		
Fast Miles Pricing I394	842	Project completed: FY11				397	287	-	-
Hazard Elim/Pavement Marking	13F					5	-	-	-
Hazard Elimination NHTSA	13V					2,900	9,155	3,500	3,500
Seat Belt Performance Grant	16S					4,825	2,162	700	222
TIS Recovery	19T					150	100	-	-
Safety Analyst Software Support	20T						23	23	23
Road Research	15M						4,500	750	750
Ultrasonic Pulse Echo Evaluation		Determine feasibility of pulse-echo for measuring air voids in asphalt							
Built-in Curl Determination		Determine effective built-in Curling of concrete pavements							
MnROAD: Communicating Results		Communicating the results and lessons learned from MnROAD Research							
MnROAD Surface Characteristics		Construct cell at MnROAD with Longitudinal tined surface							
Research, Development and Training		250,000 for pavement related activities in the "general " R&D line item							
SPNR Mn/Road Allocation	CM1						150	150	150
Acid Modified Asphalt 8607(149)		Research of the use of Polyphosphoric modified asphalt							
Basic Mn/Road Allocation									
Cost Estimating Capacity Bldg	EST					73	136	-	-
MN Tech Transfer Fund	LTP					129	280		
SPNR Mn/Road PF100%	MR1					417	3,000		
SPNR Mn/Road PF80%	MR8					69	3,000		
Research Pooled Fund	PF1					224	2,000		
SPNR Research 100%	SR1					13	3,600		
SPNR Research 80%	SR8					991	4,500		
New State Roads Grants	SRG	New/Pending State Road Grants	X				1,000	1,000	1,000
Wadena Transportation Study	WTS		X				40	140	186
Sub-total State Roads						14,574	44,270	10,624	10,400
Federal Formula Highway Agreements	n-d								
Construction						460,203	448,937	214,669	392,015
Local Federal in SRC									
LAC Request									
Earmarks						35,000	13,022	87,861	39,961
Less: Section 164 Sanction		State road & bridge construction projects (Agreements)				(12,000)	(12,000)	(12,000)	(12,000)
Less: AC Conversions						(110,469)	(34,169)	(35,500)	(92,805)
+ New Advance Construction						70,000	100,750	89,770	17,629
Fed Aid Operations						30,054	28,000	28,000	28,000
Total Construction Agreements						472,788	544,540	372,800	372,800
Move Appr 958/959 to Fund 309						(167,459)	(25,480)		
UPA Funding 358/359						(3,520)	(3,781)		
Net Highway Agreements						301,809	515,279	372,800	372,800
Subtotal: State Roads						316,383	559,549	383,424	383,200

TRANSPORTATION DEPT

Federal Funds Summary

Federal Program (\$ in Thousands)	Appr	Purpose	New Grant	Required state		SFY 2010 Revenue	Est SFY 2011 Revenue	Est SFY 2012 Revenue	Est SFY 2013 Revenue
				Match	MOE				
LOCAL ROADS									
Fed. County Road & Bridge (190834)	129	Administration and grants to local governments for federal construction projects				138,386	160,000	150,000	150,000
Fed/CO R+B - Cultural Res	849			yes		761	2,600	650	650
Reimb for grant expenses municipal	n-d					256	179	179	179
Reimb for grant expenses county	n-d					422	300	300	300
Safe Routes to School	794	FHWA Funds: to Coordinate improvement of safety and facilities in and around school zones. Funds administered by State Aid.				85	150	200	200
Subtotal: Local Roads						139,910	163,229	151,329	151,329
Total Federal Non-ARRA						589,648	875,875	680,581	677,749
American Recovery and Reinvestment Act of 2009									
Multimodal Program						SFY 2010 Revenue	Est SFY 2011 Revenue	Est SFY 2012 Revenue	Est SFY 2013 Revenue
Aeronautics									
Recovery FAA Aeronautics ARRA	917	will be completed by 2011.				15,864	4,407		
Transit									
Recovery Vehicle Capital	904	MN-86-X0001				6,773	2,974	2,974	2,974
ARRA Trailblazer Facility Remodel	914	MN-86-X002				132	2,550	2,418	2,418
ARRA Paul Bunyan Transit Facility	915	MN-86-X004				104	1,020	916	916
ARRA AMCAT Facility Remodel	916	MN-86-X003				82	255	173	173
ARRA Rural ITS Project	918	MN-86-X006				-	600	600	600
ARRA Three Rivers Transit Facility	930	MN-86-X005				1	510	509	509
TIGGER Hybrid Buses	931	MN-77-0002				-	845	845	-
Freight									
ARRA-Non-Trunk Highway	938					3,590	1,879	10	-
Total Multimodal ARRA						26,546	15,040	8,445	7,590
State Roads									
Recovery-Trunk Highway Projects	958					163,936	20,447		
Recovery-Trk Hwy Prog Deliv	959					3,523	5,033		
Total State Roads ARRA						167,459	25,480		
Local Roads									
Recovery Local County Cities	929					71,741	71,262	491	
Ramsey County RRA	RRA		X				10,000	25,000	
Total Local Roads ARRA						71,741	81,262	25,491	-
Subtotal: Recovery						265,746	121,782	33,936	7,590
Total Agency ARRA			\$	429,054					
Agency Total Federal Funds									
						\$ 855,394	\$ 997,657	\$ 714,517	\$ 685,339

TRANSPORTATION DEPT

Agency Revenue Summary

Dollars in Thousands

	Actual FY2010	Budgeted FY2011	Governor's Recomm. FY2012 FY2013		Biennium 2012-13
<u>Non Dedicated Revenue:</u>					
Departmental Earnings:					
General	128	150	150	150	300
State Airports	13	10	10	10	20
Trunk Highway	3,475	7,413	7,763	7,763	15,526
Highway Users Tax Distribution	4,247	3,410	3,410	3,410	6,820
Grants:					
Municipal State Aid Street	256	179	179	179	358
County State Aid Highway	433	300	300	300	600
Trunk Highway	462,671	544,840	519,965	293,780	813,745
Federal	(11)	0	0	0	0
Other Revenues:					
General	1	50	50	50	100
State Airports	429	142	162	162	324
Municipal State Aid Street	1,093	740	1,120	4,430	5,550
County State Aid Highway	3,069	2,160	3,240	12,860	16,100
Trunk Highway	6,463	7,237	8,057	16,987	25,044
Highway Users Tax Distribution	382	260	390	1,560	1,950
Taxes:					
General	1,246	0	0	0	0
State Airports	13,843	14,321	14,321	18,554	32,875
Total Non-Dedicated Receipts	497,738	581,212	559,117	360,195	919,312
<u>Dedicated Receipts:</u>					
Departmental Earnings:					
Miscellaneous Special Revenue	3,429	3,150	2,800	2,800	5,600
State Airports	642	500	500	500	1,000
Trunk Highway	6,979	4,303	4,303	4,303	8,606
Miscellaneous Agency	0	1	1	1	2
Grants:					
State Government Spec Revenue	2,854	0	0	0	0
Miscellaneous Special Revenue	16,897	43,635	38,414	38,455	76,869
Trunk Highway	24,956	39,900	39,900	39,900	79,800
Federal	283,093	356,107	307,071	304,239	611,310
Federal Stimulus	97,957	96,302	33,936	7,590	41,526
Other Revenues:					
Miscellaneous Special Revenue	16,245	20,206	20,231	20,231	40,462
State Airports	9	3	3	3	6
Trunk Highway	3,084	5,151	5,141	5,141	10,282
Federal	548	229	231	231	462
Miscellaneous Agency	182	476	476	476	952
Other Sources:					
Miscellaneous Special Revenue	1,179	1,200	1,200	1,200	2,400
State Airports	492	700	700	700	1,400
Miscellaneous Agency	2,253	50	50	50	100
Total Dedicated Receipts	460,799	571,913	454,957	425,820	880,777
Agency Total Revenue					
	958,537	1,153,125	1,014,074	786,015	1,800,089

	PAGE
Agency Profile	2
Agency Fiscal Page (Gov Rec)	6
Change Summary	7
Agency Change Items	
⇒ Cost Increases.....	8
Agency Revenue Summary Fiscal Page	9
Change Items	
⇒ Unavoidable Cost Increases	10
⇒ Designates that this item is a change item	

Agency Purpose

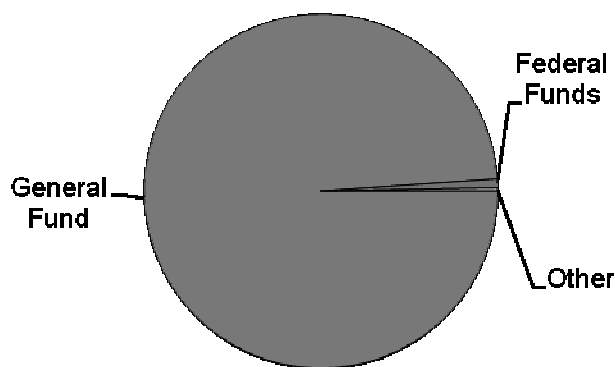
Minnesota's trial courts resolve citizens' criminal cases and civil disputes. Most cases begin in Minnesota trial courts.

- **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.

At a Glance

- Each year, about 1.7 million cases are 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.
- The judiciary completed a massive transformation, moving from a county-funded to state-funded system. As of FY 2006 all trial courts are state funded. Significant efficiencies have been made possible as a result of reducing middle management costs
- Today over 50% of counties are sharing a court administrator and are moving staff and work across county lines as needed.
- Redesign of core court technology is underway.
 - In 2008, the trial courts fully implemented the new Minnesota Court Information System (MNCIS) technology application in counties throughout the state.
 - The clerical processing of 1.1 million payable citations is being transferred from 87 counties to a centralized, virtual payment center to reduce costs, improve customer service, and increase collections.
 - The branch is promoting e-citations, e-complaints, e-charging, and e-filing with justice partners to reduce manual labor, improve data accuracy, and cut costs.
 - New interactive television (ITV) rules were promulgated to expand use of video conferencing to save time and travel costs for justice partners.
- 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.

Est. FY 2010-11 Expenditures by Fund



Source: Consolidated Fund Statement.

Strategies

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.

The Trial Courts conducts its work in support of the following three strategic priority areas:

- **Access to Justice** – Ensuring the justice system is open, affordable, effective, and accountable to the people it serves.
- **Administering Justice for More Effective Results** – Working across branches of government and with other stakeholders to improve outcomes for and the delivery of services for children, families, and alcohol and other drug (AOD) addicted offenders who come into our courts.
- **Public Trust Accountability and Impartiality** – Through education, outreach to diverse communities, and a commitment to system-wide customer service and accountability, improving citizens' understanding of and confidence in the Third Branch of government.

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. Attached is a link to the FY 2010-11 Judicial Branch Strategic Plan:

http://www.mncourts.gov/Documents/0/Public/Judicial_Council/FY10-11_Strategic_Plan.pdf

Service strategies the trial courts currently are implementing are as follows:

- 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.

Key Activity Goals & Measures

It is the policy of the Minnesota Judicial Branch to establish core performance goals and to monitor key results that measure progress toward meeting these goals in order to ensure accountability of the branch, improve overall operations of the court, and enhance the public's trust and confidence in the judiciary. The six core performance goals of the Judicial Branch are as follows: Access to Justice; Timeliness; Integrity and Accountability; Excellence; Fairness and Equity; Quality Court Workplace Environment. Each of the goals is accompanied by corresponding performance measures. Regular review of these measures enables the Branch to identify what it is doing well and what it needs to improve.

The full report, entitled, "Judicial Branch 2010 Performance Measures – Key Results and Measures Report" can be found at the following link:

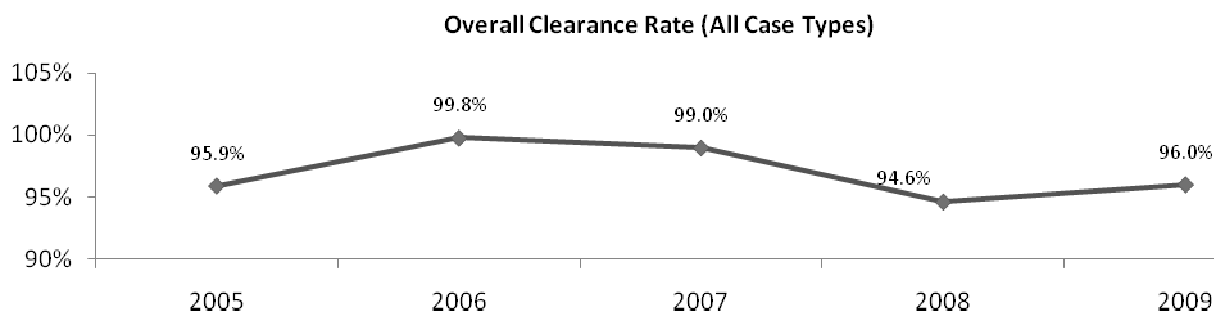
http://www.mncourts.gov/Documents/0/Public/Court_Information_Office/Annual_Report_2010_Performance_Measures.pdf

The goal of timeliness indicates whether the Trial Courts are handling cases in a timely manner. Recent budget cuts along with chronic underfunding have contributed to the Trial Courts lacking the resources they need to perform their work in a timely way. As a result the Trial Courts have some areas of performance that are in need of improvement. The measures below outline some areas of concern:

Goal: Timeliness – The Minnesota Judicial Branch will resolve cases and controversies in a timely and expeditious way without unnecessary delays.

Measure: Clearance Rates

Number of dispositions for a specified period of time divided by the number of filings (multiplied times 100). A Clearance Rate of 100% indicates a court is 'keeping up' with cases filed.



Source: Branch 2010 Performance Measures – Key Results and Measures Report

Findings:

- District courts disposed of 96% of the number of cases filed in 2009.
- The 2009 statewide overall clearance rate (96%) is the same as in 2005, and has declined since 2006.
- Minor Criminal Clearance Rates have been below 100% in the past four of five years resulting in the number of pending cases increasing by 6% from 2005-2009. (The appendix to the Branch 2010 Performance Measures report contains complete statewide clearance rates reports by case type. A link to that report has been provided.)

Measure: Time to Disposition

Time to Disposition assesses the length of time it takes to process cases compared to the Judicial Council objectives for timely case processing as outlined in Judicial Council Policy 505(a), Timing Objective for Case Dispositions. The measure is reported as a percentage of cases that have met the timing objectives for when 90%, 97% and 99% of cases should be disposed. Cases disposed beyond the 99th percentile are considered to have not met timing objectives.

For the Major Criminal case type, which includes felonies and gross misdemeanors, 90% of cases are to be disposed in four months, 97% of cases are to be disposed in six months, and 99% of cases are to be disposed in 12 months.

Findings:

- In 2009 only 53% of Major Criminal cases were disposed at the 90th percentile objective of four months.
- The 2009 disposition results for the Serious Felony case type – a subset of the Major Criminal case group – were as follows:
 - Only 21% of Serious Felony cases were disposed at the 90th percentile objective of four months.
 - 36% were disposed at the 97th percentile objective of six months.
 - And, 71% were disposed at the 99th percentile of 12 months. In other words, nearly one-third (29%) of Serious Felony dispositions occurred beyond the 12 month objective.

Measure: Age of Pending

Age of Pending is the percent of currently pending cases that are within the timing objectives for timely case processing (time objectives vary by case type and are the same as those used for Time to Disposition per Judicial Council Policy 505(a)). Cases pending beyond the 99th percentile objective can be considered as one measure of court backlog.

Findings:

- Only 59% of Major Criminal cases, which include felonies and gross misdemeanors, are within the 90th percentile timing objective of four months.
- Seventy-seven percent (77%) of Domestic Abuse, Major Juvenile and Minor Criminal cases are within the 90th percentile timing objectives for their case types (For Domestic Abuse, the 90th percentile timing objective is two months. For Major Juvenile and Minor Criminal, the 90th percentile timing objective is three months.)

Operations

With nearly two million cases filed each year, the work of the trial courts has a substantial impact on Minnesota citizens, businesses, and government at all levels.

There are trial courts in 100 locations across the state providing access and justice to citizens in every county. Judges are assisted in their adjudicative work by law clerks (who perform legal research) and court reporters (who record trial proceedings). Court administration 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.

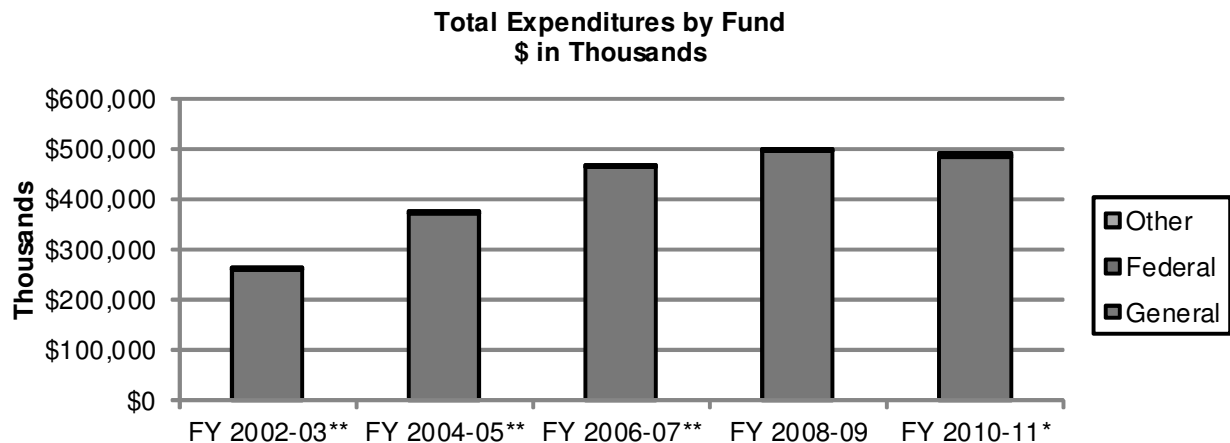
Budget Trends

For the trial courts, General Fund direct appropriations are the primary funding source. For FY 2010-11, General Fund direct appropriations account for 98.9% of funding for the trial court. Federal grants represent 0.8% of funding for the trial courts. The balance of funding is from special revenue funds and other grants and gifts, representing 0.3% of the trial courts funding.

Most of the increased expenditures for the period of FY 2002 through FY 2006 reflect the transformation of moving the judiciary from a county-funded to state-funded system. Trial Court budgets were established through

the transfer of Homestead Agriculture Credit Aid (HACA) from county budgets to the state general fund. These funds were then appropriated by the Legislature. As of FY 2006 all trial courts are state funded.

For the past eight years, the State GAL program has functioned as a mandated service housed within the State Court Administrators Office and funded in the Trial Courts budget. The Legislature created a new Board to move the State Guardian Ad Litem Program out of the state court system and establish an independent guardian ad litem program, effective July 1, 2010. Estimated expenditures for FY 2010-11 were reduced by \$12.4 million to reflect this transition.



* FY 2010-11 is estimated, not actual

** The judiciary completed a massive transformation, moving from a county-funded to state-funded system. As of FY 2006 all trial courts are state funded.

Source data for the previous chart is the Minnesota Accounting and Procurement System (MAPS) as of 8/26/10.

Significant external factors impacting agency operations include: Economic downturn/recession; inadequate and increasingly unstable funding base; budget cuts to public defender offices, counties and municipalities; increased demand for interpreter services due to clients with limited English proficiency; fluctuating court filings; growing complexity of Children in Need of Protective Services (CHIPS) cases; increasing number of self-represented litigants; economic downturn resulting in increased conciliation and consumer credit cases; aging population placing greater pressure on monitoring of vulnerable adults (conservators and guardians); murder rates rising in the Twin Cities' metropolitan area.

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>

Dollars in Thousands					
	Current		Governor Recomm.		Biennium
	FY2010	FY2011	FY2012	FY2013	2012-13
<u>Direct Appropriations by Fund</u>					
General					
Current Appropriation	247,384	244,567	244,567	244,567	489,134
Recommended	247,384	244,567	233,422	237,041	470,463
Change		0	(11,145)	(7,526)	(18,671)
% Biennial Change from 2010-11					-4.4%
<u>Expenditures by Fund</u>					
Direct Appropriations					
General	233,645	245,939	233,422	237,041	470,463
Miscellaneous Special Revenue	0	77	71	71	142
Statutory Appropriations					
General	279	0	0	0	0
Miscellaneous Special Revenue	527	609	660	668	1,328
Federal	1,761	2,412	2,178	2,170	4,348
Federal Stimulus	220	485	8	0	8
Miscellaneous Agency	1,669	5,042	5,040	5,040	10,080
Gift	42	66	67	76	143
Total	238,143	254,630	241,446	245,066	486,512
<u>Expenditures by Category</u>					
Total Compensation	205,515	208,495	206,817	210,436	417,253
Other Operating Expenses	30,733	41,070	29,610	29,611	59,221
Local Assistance	258	85	39	39	78
Other Financial Transactions	1,637	4,980	4,980	4,980	9,960
Total	238,143	254,630	241,446	245,066	486,512
<u>Expenditures by Program</u>					
Trial Courts	238,143	254,630	241,446	245,066	486,512
Total	238,143	254,630	241,446	245,066	486,512
Full-Time Equivalents (FTE)	2,417.3	2,520.0	2,493.8	2,462.2	

TRIAL COURTS

Change Summary

<i>Dollars in Thousands</i>				
	FY2011	Governor's Recomm.		Biennium
		FY2012	FY2013	2012-13
Fund: GENERAL				
FY 2011 Appropriations	244,567	244,567	244,567	489,134
Technical Adjustments				
Transfers Between Agencies		(12,367)	(12,367)	(24,734)
Subtotal - Forecast Base	244,567	232,200	232,200	464,400
Change Items				
Cost Increases	0	1,222	4,841	6,063
Total Governor's Recommendations	244,567	233,422	237,041	470,463
Fund: MISCELLANEOUS SPECIAL REVENUE				
Planned Statutory Spending	609	660	668	1,328
Total Governor's Recommendations	609	660	668	1,328
Fund: FEDERAL				
Planned Statutory Spending	2,412	2,178	2,170	4,348
Total Governor's Recommendations	2,412	2,178	2,170	4,348
Fund: FEDERAL STIMULUS				
Planned Statutory Spending	485	8	0	8
Total Governor's Recommendations	485	8	0	8
Fund: MISCELLANEOUS AGENCY				
Planned Statutory Spending	5,042	5,040	5,040	10,080
Total Governor's Recommendations	5,042	5,040	5,040	10,080
Fund: GIFT				
Planned Statutory Spending	66	67	76	143
Total Governor's Recommendations	66	67	76	143

TRIAL COURTS

Change Item: Cost Increases

Fiscal Impact (\$000s)	FY 2012	FY 2013	FY 2014	FY 2015
General Fund				
Expenditures	\$1,222	\$4,841	\$4,841	\$4,841
Revenues	0	0	0	0
Other Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact	\$1,222	\$4,841	\$4,841	\$4,841

Recommendation

The Governor recommends an increase of \$1.222 million in FY 2012 and \$4.841 million in FY 2013 to pay for anticipated cost increases related to state-paid health insurance for state employees and pension contributions. No additional funding is provided for any other compensation-related cost increases.

Rationale

Court employees are compensated under the judicial branch compensation plan administered by the State Court Administrator's Office under the direction of the Judicial Council. This recommendation would only fund anticipated cost increases related to state-paid health insurance and pension contributions. It would help the courts to avoid further reductions in their workforce and to maintain vital judicial services to Minnesotans.

Key Goals and Measures

Funding these anticipated cost increases will reduce the likelihood of staffing reductions in the courts, thus allowing the court agencies to accomplish their constitutional role of adjudicating disputes. MN Const., Art. 1, Sec.8.

Statutory Change: Not Applicable.

TRIAL COURTS

Agency Revenue Summary

Dollars in Thousands

	Actual FY2010	Budgeted FY2011	Governor's Recomm. FY2012 FY2013		Biennium 2012-13
<u>Non Dedicated Revenue:</u>					
Other Revenues:					
General	25,298	24,496	24,717	24,717	49,434
Total Non-Dedicated Receipts	25,298	24,496	24,717	24,717	49,434
<u>Dedicated Receipts:</u>					
Departmental Earnings:					
Miscellaneous Special Revenue	289	291	291	291	582
Grants:					
Miscellaneous Special Revenue	5	13	13	13	26
Federal	1,740	2,412	2,178	2,170	4,348
Federal Stimulus	220	485	8	0	8
Other Revenues:					
General	594	0	0	0	0
Miscellaneous Special Revenue	150	221	221	221	442
Miscellaneous Agency	3,847	5,020	5,020	5,020	10,040
Gift	52	69	69	69	138
Other Sources:					
Miscellaneous Agency	18	20	20	20	40
Total Dedicated Receipts	6,915	8,531	7,820	7,804	15,624
Agency Total Revenue	32,213	33,027	32,537	32,521	65,058

TRIAL COURTS

Change Item: Unavoidable Cost Increases

Fiscal Impact (\$000s)	FY 2012	FY 2013	FY 2014	FY 2015
General Fund				
Expenditures	\$1,222	\$4,841	\$4,841	\$4,841
Revenues	0	0	0	0
Other Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact	\$1,222	\$4,841	\$4,841	\$4,841

Recommendation

The Trial Court requests \$6,063.0 million in the FY 2012-13 biennium for unavoidable health insurance and statutorily mandated employer pension contribution increases to maintain core justice operations. This request represents a 1.31% increase to the Trial Court biennial base budget.

Rationale

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 2,231 employee FTEs and 289 judges. The judicial branch is heavily reliant on state general fund appropriations. 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 plan administered by the State Court Administrator's Office (SCAO) under the direction of the Judicial Council.

The judicial branch employee compensation 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 and Budget for all state employees.

For the FY 2010-11 biennium, the judicial branch negotiated a zero across-the-board adjustment to the salary range and zero merit and step increases for its employees. Judges did not receive salary increases. For the FY 2012-13 biennium, the judicial branch requests no additional salary funding, but requests funding for statutorily mandated increases in employer paid retirement plan contributions and for health insurance costs which are estimated to increase by 0.07% in FY11, by 7.7% in FY12 and by 16.2% in FY13. This request is made to avoid further lay-offs and reductions to our workforce, which is already unable to keep up with the incoming workload and timely disposition of the cases brought to our courts.

Key Goals and Measures

Failure to fund unavoidable health insurance and statutorily mandated employer pension contribution increases will result in staffing reductions, which will negatively impact the ability of the Trial Courts to fulfill their constitutional mandate to adjudicate and resolve cases promptly and without delay. MN Const., art I, Sec. 8.

Statutory Change: Not Applicable.

PAGE

Small Agency Profile	2
Agency Fiscal Page (Gov Rec)	4

Agency Purpose

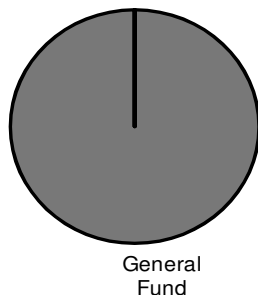
The eight Minnesota commissioners on Uniform Laws participate, as Minnesota's members, in the activities of the Nation Conference of Commissioner on Uniform State Laws (NCCUSL), now known as the Uniform Laws Commission (ULC). The ULC is a 118-year old organization of approximately 350 members representing 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 drafting uniform laws for the various state legislatures to consider and enact. The commissioners are uncompensated.

Currently Minnesota has more than 70 uniform laws in effect and seven to nine will be presented to the legislature in 2011-12.

**Est. FY 2010-11 Expenditures
by Fund**



Source: Consolidated Fund Statement.

Strategies

The strategies used by 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 more than 70 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 week 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 the 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 & Measures

The ULC seeks to help the Minnesota legislature, and all other legislatures, to address wisely issues with private law that are especially complex or technical. 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.

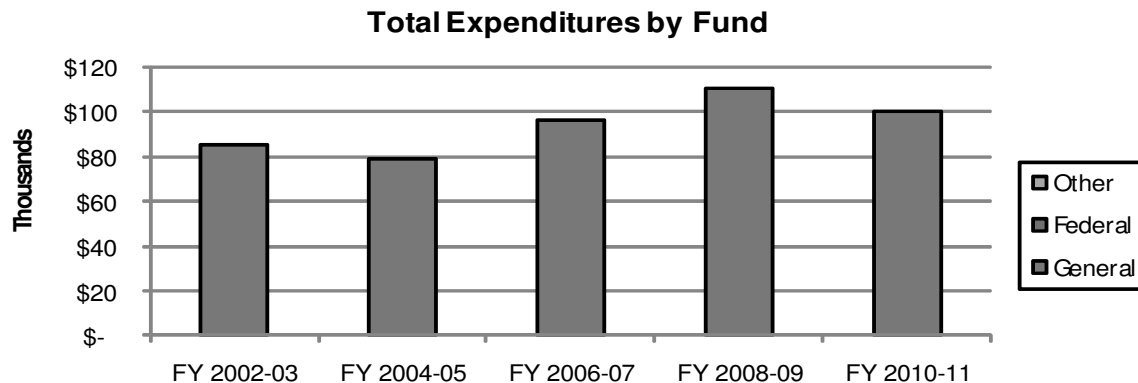
The drafting of each uniform act takes place over two or more years to ensure that the act, when finally promulgated, represents the best common sense and the best drafting that can be achieved. The Minnesota legislature, by making full use of the acts the ULC has drafted, can better serve our businesses and our families.

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 70 uniform acts and codes in its statutes today.

The Minnesota legislature in 2010 enacted three uniform acts: the Uniform Arbitration Act, the Uniform Foreign-Country Money Judgments Recognition Act, and the Uniform Unsworn Foreign Declarations Act. Having three acts enacted is quite typical.

During the next two years the following acts are among those that might be brought to the legislature by the Minnesota commissioners: Amendments to Article 9 of the Uniform Commercial Code, Military and Overseas Voters Act, Collateral Consequences of Convictions Act, Unincorporated Nonprofit Associations Act, Child Abduction Prevention Act, Revised Uniform Law on Notarial Acts, Faithful Presidential Electors Act, and Child Witness Testimony Act. The following probate acts will be presented: Estate Tax Apportionment, Power of Attorney, Multiple Person Accounts, and amendments to the Intestacy article of the Uniform Probate Code.

Budget Trends



* FY 2010-11 is estimated, not actual. Source data for the previous chart is the Minnesota Accounting and Procurement System (MAPS) as of 08/31/10.

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 2010-11 biennium is estimated to be \$100,000.

Contact

Robert Tennessen
Phone: (651) 201-9641

<i>Dollars in Thousands</i>					
	Current		Governor Recomm.		Biennium
	FY2010	FY2011	FY2012	FY2013	2012-13
<u>Direct Appropriations by Fund</u>					
General					
Current Appropriation	51	49	49	49	98
Recommended	51	49	49	49	98
Change		0	0	0	0
% Biennial Change from 2010-11					-2%
<u>Expenditures by Fund</u>					
Direct Appropriations					
General	51	49	49	49	98
Total	51	49	49	49	98
<u>Expenditures by Category</u>					
Other Operating Expenses	51	49	49	49	98
Total	51	49	49	49	98
<u>Expenditures by Program</u>					
Uniform Laws Cmsn	51	49	49	49	98
Total	51	49	49	49	98

	PAGE
Agency Profile	2
Agency Fiscal Page (Gov Rec)	8
Change Summary	10
Agency Change Items	
⇒ Base Reduction	12
Programs	
Maintenance & Operations	
Program Summary	13
Health Science Special	
Program Summary	14
Agriculture Special	
Program Summary	15
LCMR/MN Resources	
Program Summary	16
Permanent University Fund	
Program Summary	17
Special Projects	
Program Summary	18
System Specials	
Program Summary	19
Technology Special	
Program Summary	20
U/Mayo Partnership	
Program Summary	21

Agency Purpose

The University of Minnesota is both the state's land-grant university and its primary research institution. The statutory mission of the University of Minnesota 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 (MN Statute 135A.052).

The University carries out its **mission of research and discovery** by conducting high-quality research, scholarship, and artistic activity. University research benefits students by providing a unique educational experience that is only possible at a research one institution. University researchers work in partnership with businesses, governmental agencies, and communities throughout the state to respond to a continuously changing world, address developing needs, and attain common goals.

The University shares knowledge, understanding, and creativity through its **teaching and learning mission**, by providing a broad range of educational programs for students at the undergraduate, graduate, and professional levels.

Since the creation of land-grant colleges by the Morrill Act of 1862, the University's **outreach and public service mission** has been evolving. The Hatch Act of 1887 and Smith-Lever Act of 1914 expanded the role of land-grant colleges by establishing agricultural experiment stations and extension services for the purpose of bringing the results of research into communities. Today, the University extends, applies, and exchanges knowledge in multiple disciplines by applying scholarly expertise to community problems, by helping organizations and individuals respond to their changing environments, and by making the knowledge and resources created and preserved at the University accessible to the citizens of the state.

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.

At a Glance

Locations and operations

- Five campuses (Crookston, Duluth, Morris, Rochester, Twin Cities)
- \$3.4 billion annual budget—FY 2011
- 19,157 faculty and staff employees; 14,256 student workers

Research and discovery programs

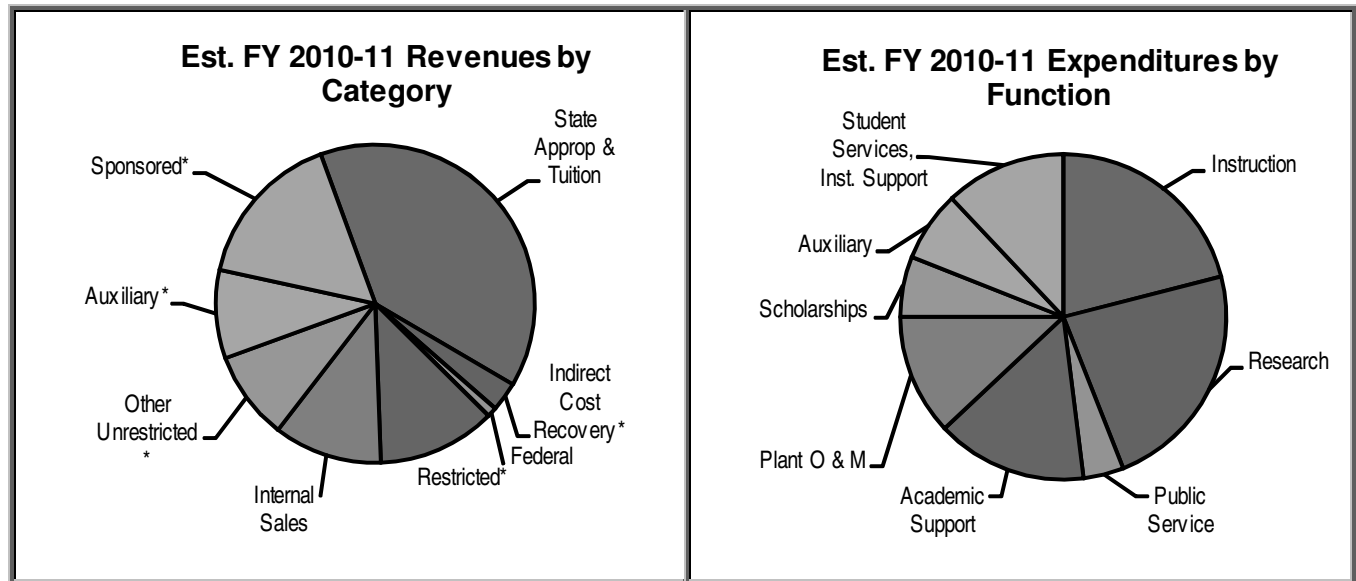
- The U of M ranks ninth among the nation's top 20 public institutions.
- The U of M posted the largest percentage increase (9.5%) in research & development expenditures among the top 20 research institutions.

Outreach and public service programs

- 11 research and outreach centers and agricultural experiment stations
- 16 regional extension offices

Teaching and learning programs

- **67,364 students enrolled** in undergraduate (63%), graduate (22%), first professional (6%) and non-degree programs (9%), in fall 2009.
- **13,929 degrees granted** in associate (<1%), bachelor (65%), master (24%), doctoral (6%) and professional (6%) programs, for 2008-09.



Source: Approved Operating Budget 2010-11

* Restricted = Gifts, Endowment earnings, Contracts

* Other Unrestricted = Fees, Sales, Clinical Income

* Auxiliary = Residence halls, bookstores, parking and other self-supporting enterprises

* Sponsored = Research grants for a specific purpose

* Indirect Cost Recovery = Partial reimbursements based on a percentage of sponsored grants/contracts that may be used for administration and maintenance.

Source: Approved Operating Budget 2010-11

*Other: Student Services, Institutional Support

Strategies

The University of Minnesota's strategic plan, adopted in 2005, addresses every aspect of the University's mission and operations. The plan is organized around four essential "pillars," each of which includes strategies and measurable outcomes that support our mission on behalf of the state:

- **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 Innovation**—Inspire exploration of new ideas and breakthrough discoveries that address the critical problems and needs of the University, state, nation, and the world.
- **Exceptional Organization**—Be responsible stewards of resources, focused on service, driven by performance, and known as the best among our peers.

A complete progress report on the strategic positioning initiatives is available at:

http://www1.umn.edu/urelate/govrel/assets/pdf/reports/SPReport_FINAL.pdf.

Exceptional Students: The University is working hard to enhance the undergraduate educational experience and improve retention and graduation rates. The U's ability to graduate students on time is not only an indicator of educational quality, but also speeds the flow of students to the workforce and improves the University's educational capacity. Careful self-analysis has yielded two key principles:

- **Early engagement and intervention matter**—A student's first-year experience is a strong indicator of future success and degree completion, sparking first-year reforms and initiatives including Welcome Week, the Summer Bridge program and improved academic advising.

- *Incentives work to promote timely graduation and cost savings*—For example, tuition banding (offering credits above and beyond 13 per semester free of charge) significantly impacts four-year graduation rates and total cost of education.

On the Twin Cities campus, targeted admissions and more effective orientation programs have led to twice the applications of ten years ago, as well as more diverse freshman classes with higher average ACT scores, more students in the top 10% and 25% of their high-school classes, and higher levels of engagement and leadership. Increased emphasis on freshman seminars, undergraduate research opportunities, study abroad, honors and writing programs, student learning outcomes, new liberal education requirements, classroom and laboratory upgrades, and online classes and services have also contributed significantly to rising retention, graduation and student satisfaction rates.

In addition, the University has made expanding its scholarship programs a top priority. In FY 2009, more than 27,000 resident and non-resident undergraduates received scholarships from the University that substantially lowered the cost of tuition; many students also received federal and state need-based grants. In addition, in the past five years the University has increased the number of fellowships to support graduate students nearly 45 percent, to 701. For example, today the University educates approximately two-thirds of the state's health professionals. To keep pace with demand, we have grown enrollments in health-related fields across the board, developed new models of care for today's patients, and changed curricula to reflect recent advances and to emphasize health promotion and preventative care.

Exceptional Faculty and Staff: The University invested nearly \$90 million from 2005 to 2007 to compete with top universities for world-class faculty and staff. Our faculty is ranked in the top ten nationally in fields including chemistry, computer science, environment/ecology, agricultural sciences, engineering, mathematics, social sciences, and others. Their research provides the discoveries that help feed Minnesota's innovation pipeline and address some of the critical issues facing our nation.

In addition to strengthening our performance evaluation and merit compensation systems, we also are working to grow new University leaders from within and increase the number of faculty nominated for national and international awards. In the past year, a member of our faculty earned a Guggenheim Fellowship; three were elected to the American Association for the Advancement of Science, three to the American Academy of Arts and Sciences, three to the National Academy of Sciences, and four to the Institute of Medicine. Leading faculty like these attract graduate students and fellow researchers. They are also in global demand, and competition to attract and keep them will remain intense for the foreseeable future.

Exceptional Innovation: The University has also transformed its research enterprise, driving innovation and economic growth by creating new knowledge, new solutions, new companies and new jobs. Total research expenditures of \$683M in 2008 placed the University ninth among U.S. public universities, the largest percent increase among the top 20 ranking research universities. These federal funds are critical to Minnesota's economy: according to the U.S. Department of Commerce, \$1 million of research spending generates approximately 39 new jobs, suggesting that the University's federal research budget from 2008 alone created more than 26,000 jobs in the Minnesota economy.

State and private support for research is also critically important. The Minnesota Biomedical Research Program partnership between the state and the University is an historic \$292 million investment in a shared future, as is the recent \$65 million gift from Minnesota Masonic Charities to support cancer research, treatment and prevention. In these areas of historic strength and emerging opportunity, the University's scope enables it to emphasize interdisciplinary translational science, speeding new treatments, new drugs, and new ways of improving health and health care to the Minnesota's communities.

Exceptional Organization: The University recognizes that it cannot succeed in its mission without continually re-evaluating priorities and progress to ensure the quality of its management. In recent years, the University has reorganized colleges and Extension, updated its master plan and capital planning process, reformed construction management practices and the employee health plan, and much more—effectively saving hundreds of millions of dollars.

The University is also focusing on aggressively implementing Board of Regents policies on sustainability, sharing services to achieve economies of scale, and leveraging the U's leadership position in information technology. The development of an electronic learning platform has enabled 24/7 online education at the U. Plans are in development to realign and leverage existing online offerings and capacity to improve access to the University of Minnesota for students everywhere.

As the state's only research and its only land-grant university, the University's stewardship of state resources includes meeting regional and statewide needs for information and expertise. The Veterinary Diagnostic Laboratory provides early surveillance of diseases affecting animals and humans, the Office of Technology Commercialization bridges the gap between the lab and the marketplace to connect faculty with companies, the Academic Health Center provides extraordinary leadership on issues of health care policy, practice and reform, while the Institute on the Environment led the development of the state's comprehensive conservation and preservation plan. When concerns emerged about mesothelioma on the Iron Range, the School of Public Health quickly responded. From the new Urban Research and Outreach/Engagement Center in North Minneapolis to the Center for Small Towns in Morris, the University is working to address the issues of Minnesota's communities.

Operations

The University conducts its mission activities on five campuses, 11 research and outreach centers and agricultural experiment stations, and at 16 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 University is governed by a 12-member, legislatively appointed Board of Regents.

The **Twin Cities campus** is one of the two largest campuses in the country in terms of enrollment (51,659 students) and also one of the most comprehensive. It is the state's major research university.

The **University of Minnesota, Duluth** (11,664 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** (1,705 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** (2,279 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.

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 **operations and maintenance**.

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.

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 2009, the University was awarded \$607 million in grants to pursue research activities. Included in the figure is approximately \$409 million from federal agencies; additional grants were received from business and industry as well as state and local governments. University researchers filed 44 patents in fiscal year 2009 and currently there are more than 300 revenue-generating agreements with industry. The University's Office for Technology Commercialization oversees all aspects of technology commercialization at the University, bridging the gap between the lab and the marketplace to connect faculty with companies. Additionally, multiple ranking systems place the University of Minnesota among the top ten 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.

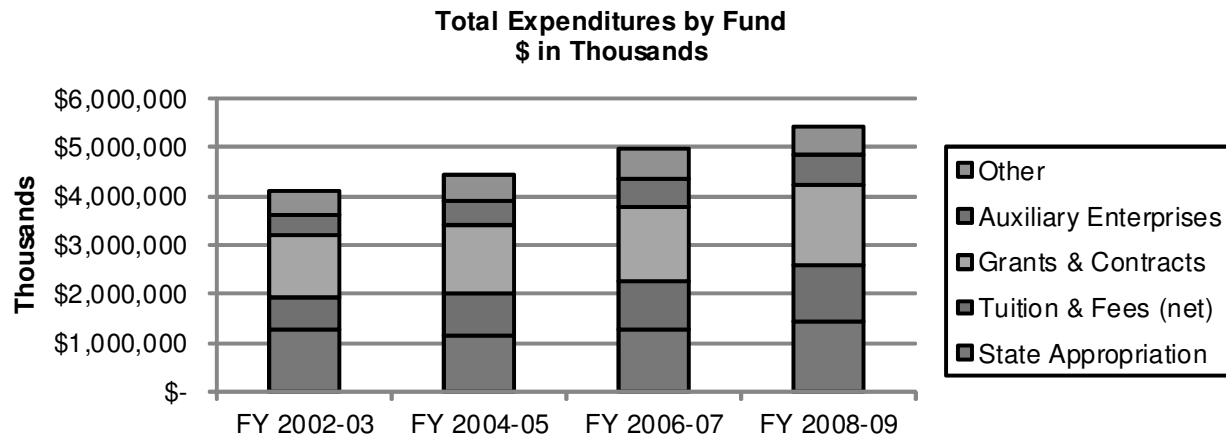
Key Goals & Measures

Within the University's comprehensive strategic review, four "pillars" upon which its efforts to achieve the aspirational goal were identified. Each of these goals 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/2009.html>). The four pillars, together with selected key measures (for the Twin Cities campus) are:

- **Exceptional Students:** Recruit, educate, challenge, and graduate outstanding students who become highly motivated lifelong learners, leaders, and global citizens.
 - Measure: Fourteen percent increase in freshmen from the top 10% of their high school class since 2000
 - Measure: Four-year graduation rate up 8.3 percentage points since 2000
- **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.
 - Measure: Faculty overall satisfaction at 78%
 - Measure: Staff overall satisfaction at 79%
- **Exceptional Organization:** Be responsible stewards of resources, focused on service, driven by performance, and known as the best among our peers.
 - Measure: Overall energy consumption reduced by 5% in past year, saving \$2.3 million and reducing CO₂ emissions by 25,000 tons
 - Measure: Construction management reforms saved \$15 million in past five years
- **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.
 - Measure: Eighteen new start-up companies launched since 2002

- Measure: \$823 million in grants awarded in FY 2010

Budget Trends



* Source: University of Minnesota Annual Financial Statements

External Factors. Higher education is at a crossroads. So is the University of Minnesota. The University faces an array of profound challenges that compels it to renew and transform this great university:

- Demographics are changing: Minnesota's traditional college-age population will begin to decline within the next five years.
- Competition is increasing: National and international competition for talented students, faculty, and staff is growing stronger.
- Funding resources are tightening: Minnesota ranks 29th in the nation when it comes to financial support for higher education from state funding and local taxes; 25 years ago it was in sixth place.
- Expectations are different: American society increasingly views higher education as a private benefit rather than a public good, while expecting research universities to deliver breakthrough solutions in health and science.
- The old ways of doing business are fading: Research dollars are shifting to multidisciplinary, multi-institutional grants and contracts.

These challenges present unprecedented opportunity to bring the University to a new level of distinction. These challenges are being addressed through the University's strategic plan.

Contact

University of Minnesota Office of University Relations
3 Morrill Hall
100 Church Street Southeast
Minneapolis, Minnesota 55455

Phone: (612) 624-6868
Web site: <http://www.umn.edu>

Dollars in Thousands					
	Current		Governor Recomm.		Biennium
	FY2010	FY2011	FY2012	FY2013	2012-13
<u>Direct Appropriations by Fund</u>					
Environment & Natural Resource					
Current Appropriation	1,780	7,796	7,796	7,796	15,592
Recommended	1,780	7,796	0	0	0
Change		0	(7,796)	(7,796)	(15,592)
% Biennial Change from 2010-11					-100%
General					
Current Appropriation	623,417	591,191	591,191	591,191	1,182,382
Recommended	623,417	591,191	603,622	603,622	1,207,244
Change		0	12,431	12,431	24,862
% Biennial Change from 2010-11					-0.6%
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 2010-11					0%
Miscellaneous Special Revenue					
Current Appropriation	22,250	22,343	22,343	22,343	44,686
Recommended	22,250	22,343	22,343	22,343	44,686
Change		0	0	0	0
% Biennial Change from 2010-11					0.2%
Federal Stimulus					
Current Appropriation	89,323	0	0	0	0
Recommended	89,323	0	0	0	0
Change		0	0	0	0
% Biennial Change from 2010-11					-100%
Clean Water					
Current Appropriation	750	305	305	305	610
Recommended	750	305	0	0	0
Change		0	(305)	(305)	(610)
% Biennial Change from 2010-11					-100%
Parks And Trails					
Current Appropriation	400	0	0	0	0
Recommended	400	0	0	0	0
Change		0	0	0	0
% Biennial Change from 2010-11					-100%

<i>Dollars in Thousands</i>					
	Current		Governor Recomm.		Biennium
	FY2010	FY2011	FY2012	FY2013	2012-13
<u>Expenditures by Fund</u>					
Carry Forward					
General	1,400	1,000	0	0	0
Direct Appropriations					
Environment & Natural Resource	1,780	7,796	0	0	0
General	606,017	573,791	586,222	586,222	1,172,444
Miscellaneous Special Revenue	22,250	22,343	22,343	22,343	44,686
Federal Stimulus	38,591	50,732	0	0	0
Clean Water	750	305	0	0	0
Parks And Trails	400	0	0	0	0
Statutory Appropriations					
General	17,400	17,400	17,400	17,400	34,800
Miscellaneous Agency	8,059	2,105	9,672	10,717	20,389
Total	696,647	675,472	635,637	636,682	1,272,319
<u>Expenditures by Category</u>					
Other Operating Expenses	17,400	17,400	17,400	17,400	34,800
Local Assistance	679,247	658,072	618,237	619,282	1,237,519
Total	696,647	675,472	635,637	636,682	1,272,319
<u>Expenditures by Program</u>					
Maintenance & Operations	588,936	578,142	543,668	543,668	1,087,336
Health Science Special	28,925	27,855	26,579	26,579	53,158
Permanent University Fund	8,059	2,105	9,672	10,717	20,389
Agriculture Special	52,255	45,610	42,873	42,873	85,746
Technology Special	1,387	1,211	1,138	1,138	2,276
System Specials	6,155	5,373	5,051	5,051	10,102
Lcmr/Mn Resources	1,780	7,796	0	0	0
Special Projects	1,150	398	93	93	186
U/Mayo Partnership	8,000	6,982	6,563	6,563	13,126
Total	696,647	675,472	635,637	636,682	1,272,319

<i>Dollars in Thousands</i>				
	FY2011	Governor's Recomm.		Biennium
		FY2012	FY2013	2012-13
Fund: ENVIRONMENT & NATURAL RESOURCE				
FY 2011 Appropriations	7,796	7,796	7,796	15,592
Technical Adjustments				
One-time Appropriations		(7,796)	(7,796)	(15,592)
Subtotal - Forecast Base	7,796	0	0	0
Total Governor's Recommendations	7,796	0	0	0
Fund: GENERAL				
FY 2011 Appropriations	591,191	591,191	591,191	1,182,382
Technical Adjustments				
Current Law Base Change		50,960	50,960	101,920
Subtotal - Forecast Base	591,191	642,151	642,151	1,284,302
Change Items				
Operations & Maintenance Reduction	0	(34,702)	(34,702)	(69,404)
Ag & Extension Services Reduction	0	(2,737)	(2,737)	(5,474)
Health Sciences Reduction	0	(276)	(276)	(552)
Institute of Technology Reduction	0	(73)	(73)	(146)
System Specials Reduction	0	(322)	(322)	(644)
U-Mayo Partnership Reduction	0	(419)	(419)	(838)
Total Governor's Recommendations	591,191	603,622	603,622	1,207,244
Fund: HEALTH CARE ACCESS				
FY 2011 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 2011 Appropriations	22,343	22,343	22,343	44,686
Subtotal - Forecast Base	22,343	22,343	22,343	44,686
Total Governor's Recommendations	22,343	22,343	22,343	44,686
Fund: FEDERAL STIMULUS				
FY 2011 Appropriations	0	0	0	0
Subtotal - Forecast Base	0	0	0	0
Total Governor's Recommendations	0	0	0	0
Fund: CLEAN WATER				
FY 2011 Appropriations	305	305	305	610
Technical Adjustments				
One-time Appropriations		(305)	(305)	(610)
Subtotal - Forecast Base	305	0	0	0
Total Governor's Recommendations	305	0	0	0
Fund: PARKS AND TRAILS				
FY 2011 Appropriations	0	0	0	0
Subtotal - Forecast Base	0	0	0	0
Total Governor's Recommendations	0	0	0	0

<i>Dollars in Thousands</i>				
	FY2011	Governor's Recomm.		Biennium
		FY2012	FY2013	2012-13
<i>Fund: GENERAL</i>				
Planned Statutory Spending	18,400	17,400	17,400	34,800
Total Governor's Recommendations	18,400	17,400	17,400	34,800
<i>Fund: MISCELLANEOUS AGENCY</i>				
Planned Statutory Spending	2,105	9,672	10,717	20,389
Total Governor's Recommendations	2,105	9,672	10,717	20,389

UNIVERSITY OF MINNESOTA

Change Item: Base Reduction

Fiscal Impact (\$000s)	FY 2012	FY 2013	FY 2014	FY 2015
General Fund				
Expenditures	\$(38,529)	\$(38,529)	\$(38,529)	\$(38,529)
Revenues	0	0	0	0
Other Fund				
Expenditures	0	0	0	0
Revenues				
Net Fiscal Impact	\$(38,529)	\$(38,529)	\$(38,529)	\$(38,529)

Recommendation

The Governor recommends a 6% reduction from base to the University of Minnesota's General Fund appropriations in FY 2012 and FY 2013, for a total biennial reduction of \$77.058 million. This includes the University's operating and maintenance, agricultural and extension services, health sciences, institute of technology, system specials and U-Mayo Partnership appropriations.

The Governor recommends that the reductions be taken in the following manner:

<u>Appropriation</u>	<u>Reduction</u>
Operations and Maintenance	\$(34,702,000)
Ag & Extension Services	(2,737,000)
All Health Sciences	(276,000)
Institute of Technology	(73,000)
System Specials	(322,000)
U-Mayo Partnership	(419,000)
Total	\$(38,529,000)

The Governor respects the constitutional autonomy of the University of Minnesota and calls upon the Board of Regents in this challenging time to focus their activities on increasing student access and affordability, leveraging the University of Minnesota's resources to spur job creation, and collaborating with other state institutions to nurture innovation in the delivery of higher education.

Rationale

Higher education is a top priority of this administration. However, given the current budget climate, reductions in this area must be made. To reduce the impact on the core research, education and outreach elements of the University's mission, the University is encouraged to maximize efficiency in activities that are not directly related to this mission. While this is a 6% reduction from the University's FY 2012-13 base, it does provide a \$12.4 million (1.9%) increase from FY 2010-11 to FY 2012-13.

UNIVERSITY OF MINNESOTA

Program: MAINTENANCE & OPERATIONS

Program Summary

Dollars in Thousands					
	Current		Governor Recomm.		Biennium
	FY2010	FY2011	FY2012	FY2013	2012-13
<u>Direct Appropriations by Fund</u>					
General					
Current Appropriation	550,345	527,410	527,410	527,410	1,054,820
Technical Adjustments					
Current Law Base Change			50,960	50,960	101,920
Subtotal - Forecast Base	550,345	527,410	578,370	578,370	1,156,740
Governor's Recommendations					
Operations & Maintenance Reduction		0	(34,702)	(34,702)	(69,404)
Total	550,345	527,410	543,668	543,668	1,087,336
Federal Stimulus					
Current Appropriation	89,323	0	0	0	0
Subtotal - Forecast Base	89,323	0	0	0	0
Total	89,323	0	0	0	0
<u>Expenditures by Fund</u>					
Direct Appropriations					
General	532,945	510,010	526,268	526,268	1,052,536
Federal Stimulus	38,591	50,732	0	0	0
Statutory Appropriations					
General	17,400	17,400	17,400	17,400	34,800
Total	588,936	578,142	543,668	543,668	1,087,336
<u>Expenditures by Category</u>					
Other Operating Expenses	17,400	17,400	17,400	17,400	34,800
Local Assistance	571,536	560,742	526,268	526,268	1,052,536
Total	588,936	578,142	543,668	543,668	1,087,336
<u>Expenditures by Activity</u>					
Maintenance & Operations	588,936	578,142	543,668	543,668	1,087,336
Total	588,936	578,142	543,668	543,668	1,087,336

UNIVERSITY OF MINNESOTA

Program: HEALTH SCIENCE SPECIAL

Program Summary

Dollars in Thousands					
	Current		Governor Recomm.		Biennium
	FY2010	FY2011	FY2012	FY2013	2012-13
<u>Direct Appropriations by Fund</u>					
General					
Current Appropriation	5,275	4,605	4,605	4,605	9,210
Subtotal - Forecast Base	5,275	4,605	4,605	4,605	9,210
Governor's Recommendations					
Health Sciences Reduction		0	(276)	(276)	(552)
Total	5,275	4,605	4,329	4,329	8,658
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>					
Carry Forward					
General	1,400	1,000	0	0	0
Direct Appropriations					
General	5,275	4,605	4,329	4,329	8,658
Miscellaneous Special Revenue	22,250	22,250	22,250	22,250	44,500
Total	28,925	27,855	26,579	26,579	53,158
<u>Expenditures by Category</u>					
Local Assistance	28,925	27,855	26,579	26,579	53,158
Total	28,925	27,855	26,579	26,579	53,158
<u>Expenditures by Activity</u>					
Health Science Special	6,675	5,605	4,329	4,329	8,658
Tobacco Medical Education	22,250	22,250	22,250	22,250	44,500
Total	28,925	27,855	26,579	26,579	53,158

UNIVERSITY OF MINNESOTA
Program: AGRICULTURE SPECIAL

Program Summary

<i>Dollars in Thousands</i>					
	Current		Governor Recomm.		Biennium
	FY2010	FY2011	FY2012	FY2013	2012-13
<u>Direct Appropriations by Fund</u>					
General					
Current Appropriation	52,255	45,610	45,610	45,610	91,220
Subtotal - Forecast Base	52,255	45,610	45,610	45,610	91,220
Governor's Recommendations					
Ag & Extension Services Reduction		0	(2,737)	(2,737)	(5,474)
Total	52,255	45,610	42,873	42,873	85,746
<u>Expenditures by Fund</u>					
Direct Appropriations					
General	52,255	45,610	42,873	42,873	85,746
Total	52,255	45,610	42,873	42,873	85,746
<u>Expenditures by Category</u>					
Local Assistance	52,255	45,610	42,873	42,873	85,746
Total	52,255	45,610	42,873	42,873	85,746
<u>Expenditures by Activity</u>					
Agriculture Special	52,255	45,610	42,873	42,873	85,746
Total	52,255	45,610	42,873	42,873	85,746

UNIVERSITY OF MINNESOTA

Program: LCMR/MN RESOURCES

Program Summary

Dollars in Thousands					
	Current		Governor Recomm.		Biennium
	FY2010	FY2011	FY2012	FY2013	2012-13
<u>Direct Appropriations by Fund</u>					
Environment & Natural Resource					
Current Appropriation	1,780	7,796	7,796	7,796	15,592
Technical Adjustments					
One-time Appropriations			(7,796)	(7,796)	(15,592)
Subtotal - Forecast Base	1,780	7,796	0	0	0
Total	1,780	7,796	0	0	0
<u>Expenditures by Fund</u>					
Direct Appropriations					
Environment & Natural Resource	1,780	7,796	0	0	0
Total	1,780	7,796	0	0	0
<u>Expenditures by Category</u>					
Local Assistance	1,780	7,796	0	0	0
Total	1,780	7,796	0	0	0
<u>Expenditures by Activity</u>					
Lcmr/Mn Resources	1,780	7,796	0	0	0
Total	1,780	7,796	0	0	0

UNIVERSITY OF MINNESOTA

Program: PERMANENT UNIVERSITY FUND

Program Summary

<i>Dollars in Thousands</i>					
	Current		Governor Recomm.		Biennium
	FY2010	FY2011	FY2012	FY2013	2012-13
<u>Expenditures by Fund</u>					
Statutory Appropriations					
Miscellaneous Agency	8,059	2,105	9,672	10,717	20,389
Total	8,059	2,105	9,672	10,717	20,389
<u>Expenditures by Category</u>					
Local Assistance	8,059	2,105	9,672	10,717	20,389
Total	8,059	2,105	9,672	10,717	20,389
<u>Expenditures by Activity</u>					
Permanent University Fund	8,059	2,105	9,672	10,717	20,389
Total	8,059	2,105	9,672	10,717	20,389

UNIVERSITY OF MINNESOTA
Program: SPECIAL PROJECTS

Program Summary

<i>Dollars in Thousands</i>					
	Current		Governor Recomm.		Biennium
	FY2010	FY2011	FY2012	FY2013	2012-13
<u>Direct Appropriations by Fund</u>					
Miscellaneous Special Revenue					
Current Appropriation	0	93	93	93	186
Subtotal - Forecast Base	0	93	93	93	186
Total	0	93	93	93	186
Clean Water					
Current Appropriation	750	305	305	305	610
Technical Adjustments					
One-time Appropriations			(305)	(305)	(610)
Subtotal - Forecast Base	750	305	0	0	0
Total	750	305	0	0	0
Parks And Trails					
Current Appropriation	400	0	0	0	0
Subtotal - Forecast Base	400	0	0	0	0
Total	400	0	0	0	0
<u>Expenditures by Fund</u>					
Direct Appropriations					
Miscellaneous Special Revenue	0	93	93	93	186
Clean Water	750	305	0	0	0
Parks And Trails	400	0	0	0	0
Total	1,150	398	93	93	186
<u>Expenditures by Category</u>					
Local Assistance	1,150	398	93	93	186
Total	1,150	398	93	93	186
<u>Expenditures by Activity</u>					
Special Projects	1,150	398	93	93	186
Total	1,150	398	93	93	186

UNIVERSITY OF MINNESOTA

Program: SYSTEM SPECIALS

Program Summary

<i>Dollars in Thousands</i>					
	Current		Governor Recomm.		Biennium
	FY2010	FY2011	FY2012	FY2013	2012-13
<u>Direct Appropriations by Fund</u>					
General					
Current Appropriation	6,155	5,373	5,373	5,373	10,746
Subtotal - Forecast Base	6,155	5,373	5,373	5,373	10,746
Governor's Recommendations					
System Specials Reduction		0	(322)	(322)	(644)
Total	6,155	5,373	5,051	5,051	10,102
<u>Expenditures by Fund</u>					
Direct Appropriations					
General	6,155	5,373	5,051	5,051	10,102
Total	6,155	5,373	5,051	5,051	10,102
<u>Expenditures by Category</u>					
Local Assistance	6,155	5,373	5,051	5,051	10,102
Total	6,155	5,373	5,051	5,051	10,102
<u>Expenditures by Activity</u>					
System Specials	6,155	5,373	5,051	5,051	10,102
Total	6,155	5,373	5,051	5,051	10,102

UNIVERSITY OF MINNESOTA
Program: TECHNOLOGY SPECIAL

Program Summary

<i>Dollars in Thousands</i>					
	Current		Governor Recomm.		Biennium
	FY2010	FY2011	FY2012	FY2013	2012-13
<u>Direct Appropriations by Fund</u>					
General					
Current Appropriation	1,387	1,211	1,211	1,211	2,422
Subtotal - Forecast Base	1,387	1,211	1,211	1,211	2,422
Governor's Recommendations					
Institute of Technology Reduction		0	(73)	(73)	(146)
Total	1,387	1,211	1,138	1,138	2,276
<u>Expenditures by Fund</u>					
Direct Appropriations					
General	1,387	1,211	1,138	1,138	2,276
Total	1,387	1,211	1,138	1,138	2,276
<u>Expenditures by Category</u>					
Local Assistance	1,387	1,211	1,138	1,138	2,276
Total	1,387	1,211	1,138	1,138	2,276
<u>Expenditures by Activity</u>					
Technology Special	1,387	1,211	1,138	1,138	2,276
Total	1,387	1,211	1,138	1,138	2,276

UNIVERSITY OF MINNESOTA

Program: U/MAYO PARTNERSHIP

Program Summary

<i>Dollars in Thousands</i>					
	Current		Governor Recomm.		Biennium
	FY2010	FY2011	FY2012	FY2013	2012-13
<u>Direct Appropriations by Fund</u>					
General					
Current Appropriation	8,000	6,982	6,982	6,982	13,964
Subtotal - Forecast Base	8,000	6,982	6,982	6,982	13,964
Governor's Recommendations					
U-Mayo Partnership Reduction		0	(419)	(419)	(838)
Total	8,000	6,982	6,563	6,563	13,126
<u>Expenditures by Fund</u>					
Direct Appropriations					
General	8,000	6,982	6,563	6,563	13,126
Total	8,000	6,982	6,563	6,563	13,126
<u>Expenditures by Category</u>					
Local Assistance	8,000	6,982	6,563	6,563	13,126
Total	8,000	6,982	6,563	6,563	13,126
<u>Expenditures by Activity</u>					
U/Mayo Partnership	8,000	6,982	6,563	6,563	13,126
Total	8,000	6,982	6,563	6,563	13,126

	PAGE
Agency Profile	2
Agency Fiscal Page (Gov Rec)	5
Change Summary	6
Program Change Items	
Veterans Health Care	
⇒ 21-Bed Specialty Care/Alzheimer's Unit	7
⇒ Adult Day Care Operational Funding	8
⇒ Change Earmarks for Homes Operations	9
⇒ Veterans Homes Service Redesign	10
Veterans Programs and Services	
⇒ Higher Education Veterans Program	11
Programs	
Veterans Programs And Services	13
Program Summary	15
Veterans Homes	16
Veterans Health Care	
Program Summary	19
Federal Funds Summary	20
Agency Revenue Summary Fiscal Page	23
⇒ Designates that this item is a change item	

Agency Purpose

The Minnesota Department of Veterans Affairs (MDVA) is "Dedicated to serving Minnesota Veterans and their families." MDVA strives to enhance the lives of those it serves through the development and implementation of services that are tailored to meet the current and ongoing needs of veterans and their families.

At a Glance

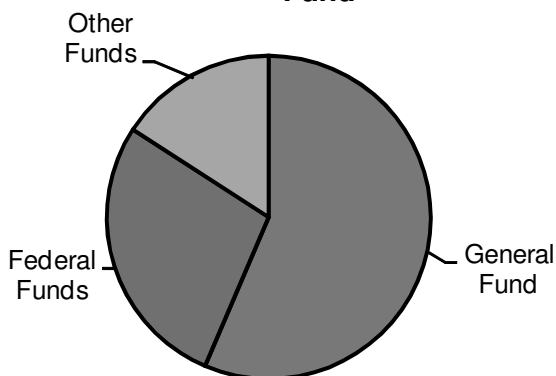
Veterans Health Care

- Total Operating Beds 794
 - Fergus Falls – 85 skilled nursing beds
 - Hastings – 200 domiciliary beds
 - Luverne – 85 skilled nursing beds
 - Minneapolis – 200 skilled nursing, 50 domiciliary, 91 special care unit beds
 - Silver Bay – 83 skilled nursing beds
- Statewide occupancy rate = 95 percent

Veterans Programs and Services

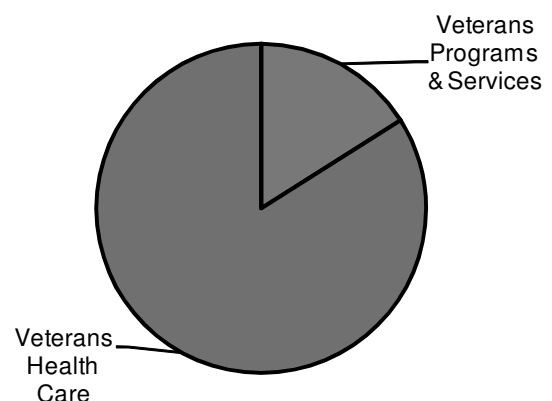
- In FY 2010, the State Soldiers Assistance Program (SSAP) received 3,579 new applications for assistance, and paid out over \$6 million in direct, emergency funds to veterans.
- 59 Veterans Assistance Offices on college campuses throughout the state, serving over 5,110 new visitors in 2009.
- In FY 2009, the Claims & Outreach Division staffed more than 900 events, performed 3,000+ hours of training, and received 19,786 rating decisions on claims it submitted to the U.S. Department of Veterans Affairs (VA).

Est. FY 2010-11 Expenditures by Fund



Source: Consolidated Fund Balance (FY11 modified)

Est. FY 2010-11 Expenditures by Program



Source: Veterans Affairs Dept

Strategies

MDVA accomplishes its mission by:

- Promoting self-sufficiency and personal responsibility through a temporary safety net of benefits and services;
- Supplying representation to clients pursuing federal veterans benefit claims;
- Ensuring a smooth transition for veterans from active military service to civilian life;
- Providing the highest quality programs for housing, health care, and supportive services to residents of the five state veterans homes; and
- Utilizing proven business practices to ensure the most timely, cost-effective delivery of benefits and services.

Operations

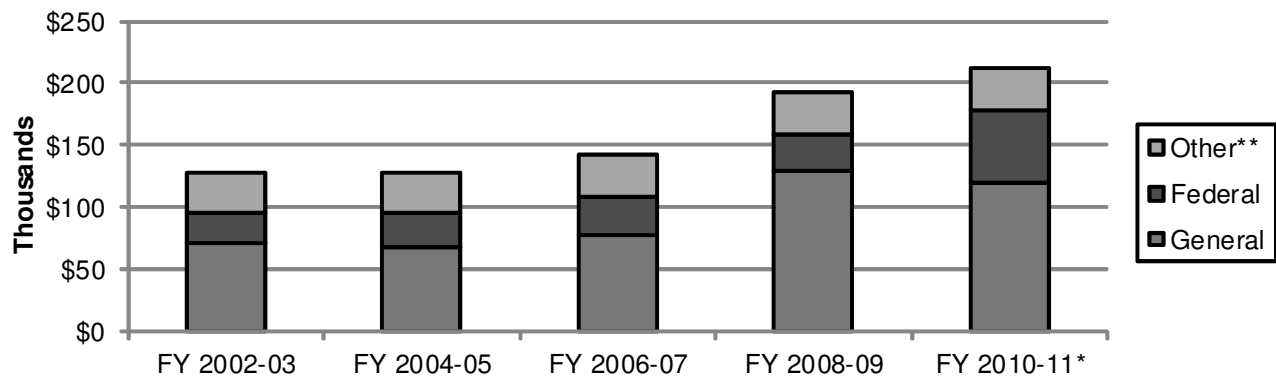
Programs and Services is responsible for overseeing and implementing direct-service programs to veterans and their families, providing federal claims assistance, conducting outreach to veterans, and operating the state veterans' cemetery.

Veterans Health Care oversees and operates of the five state veterans homes (Fergus Falls, Hastings, Luverne, Minneapolis, and Silver Bay).

Central Office provides department-wide services, including overall leadership, policy development, fiscal management, information technology, human resources, affirmative action, communications, veterans preference and state approving agency activities.

Budget Trends

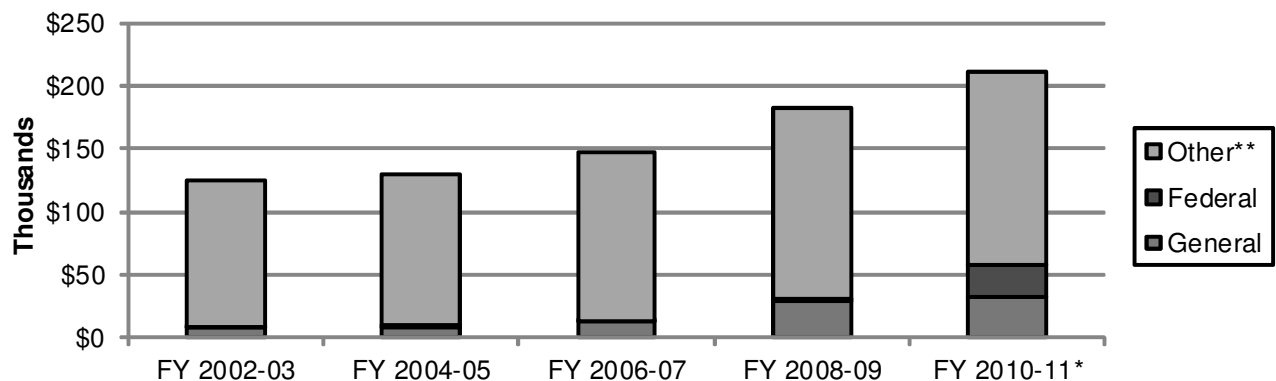
Total Revenues by Fund



* FY 2010-11 is estimated, not actual.

The agency has the authority to combine revenue sources and expend them from a separate fund in order to provide the necessary funding to individual veterans homes. Thus, the following chart illustrates these expenditures in the "Other" expenditures category, which includes revenue from the veterans health care fund, general fund and federal VA per diem.

Total Expenditures by Fund



* FY 2010-11 is estimated, not actual.

** Other expenditures category includes Veterans Health Care, General Fund and federal VA per diem.

Source data for the previous chart is the Minnesota Accounting and Procurement System (MAPS) as of September 2010.

There are many external factors affecting the department's operations, some include:

- An increased demand for services due to a weak economy and a large number of recently returning veterans from Iraq and Afghanistan who need assistance in securing benefits from the state and/or federal government;
- An overall aging veteran population. In the next 20 years, the number of veterans over the age 75 is expected to increase by approximately 9 percent.

Contact

Minnesota Department of Veterans Affairs
Office of the Commissioner
Veterans Service Building
20 West 12th Street
Saint Paul, MN 55155
Phone: (651) 296-2562
Fax (651) 296-3954

Web site: <http://www.mdva.state.mn.us>

Departments Results web page:
<http://www.accountability.state.mn.us/Departments/VetAffairs/index.htm>

<i>Dollars in Thousands</i>					
	Current		Governor Recomm.		Biennium
	FY2010	FY2011	FY2012	FY2013	2012-13
<u>Direct Appropriations by Fund</u>					
General					
Current Appropriation	58,325	58,768	58,768	58,768	117,536
Recommended	58,325	58,768	57,695	58,595	116,290
Change		0	(1,073)	(173)	(1,246)
% Biennial Change from 2010-11					-0.7%
Miscellaneous Special Revenue					
Current Appropriation	0	0	0	0	0
Recommended	0	0	551	801	1,352
Change		0	551	801	1,352
% Biennial Change from 2010-11					n.m.
<u>Expenditures by Fund</u>					
Direct Appropriations					
General	14,839	16,156	14,179	15,079	29,258
Statutory Appropriations					
Miscellaneous Special Revenue	75,220	80,795	81,229	80,252	161,481
Federal	7,217	12,958	14,820	9,928	24,748
Federal Stimulus	1,614	4,563	0	0	0
Miscellaneous Agency	1,722	1,810	1,816	1,816	3,632
Gift	496	660	637	634	1,271
Total	101,108	116,942	112,681	107,709	220,390
<u>Expenditures by Category</u>					
Total Compensation	67,363	71,216	73,093	73,156	146,249
Other Operating Expenses	16,830	20,039	22,049	26,616	48,665
Capital Outlay & Real Property	7,769	16,327	9,531	0	9,531
Payments To Individuals	7,167	7,451	6,963	6,892	13,855
Local Assistance	1,979	1,909	1,045	1,045	2,090
Total	101,108	116,942	112,681	107,709	220,390
<u>Expenditures by Program</u>					
Veterans Programs And Services	15,336	16,971	14,675	14,650	29,325
Veterans Health Care	85,772	99,971	98,006	93,059	191,065
Total	101,108	116,942	112,681	107,709	220,390
Full-Time Equivalents (FTE)	1,089.3	1,102.3	1,128.8	1,092.5	

VETERANS AFFAIRS DEPT

Change Summary

<i>Dollars in Thousands</i>				
	FY2011	Governor's Recomm.		Biennium
		FY2012	FY2013	2012-13
Fund: GENERAL				
FY 2011 Appropriations	58,768	58,768	58,768	117,536
Technical Adjustments				
One-time Appropriations		(950)	(950)	(1,900)
Operating Budget Reduction		(18)	(18)	(36)
Program/agency Sunset		(1,050)	(1,050)	(2,100)
Subtotal - Forecast Base	58,768	56,750	56,750	113,500
Change Items				
Higher Education Veterans Program	0	945	945	1,890
21-Bed Specialty Care/Alzheimer's Unit	0	0	738	738
Adult Day Care Operational Funding	0	0	162	162
Total Governor's Recommendations	58,768	57,695	58,595	116,290
Fund: MISCELLANEOUS SPECIAL REVENUE				
FY 2011 Appropriations	0	0	0	0
Subtotal - Forecast Base	0	0	0	0
Change Items				
Veterans Homes Service Redesign	0	551	801	1,352
Total Governor's Recommendations	0	551	801	1,352
Fund: MISCELLANEOUS SPECIAL REVENUE				
Planned Statutory Spending	80,795	81,229	80,252	161,481
Total Governor's Recommendations	80,795	81,229	80,252	161,481
Fund: FEDERAL				
Planned Statutory Spending	12,958	14,820	9,928	24,748
Total Governor's Recommendations	12,958	14,820	9,928	24,748
Fund: FEDERAL STIMULUS				
Planned Statutory Spending	4,563	0	0	0
Total Governor's Recommendations	4,563	0	0	0
Fund: MISCELLANEOUS AGENCY				
Planned Statutory Spending	1,810	1,816	1,816	3,632
Total Governor's Recommendations	1,810	1,816	1,816	3,632
Fund: GIFT				
Planned Statutory Spending	660	637	634	1,271
Total Governor's Recommendations	660	637	634	1,271
Revenue Change Items				
Fund: MISCELLANEOUS SPECIAL REVENUE				
Change Items				
Veterans Homes Service Redesign	0	551	801	1,352

VETERANS AFFAIRS DEPT

Program: **VETERANS HEALTH CARE**

Change Item: 21-Bed Specialty Care/Alzheimer's Unit

Fiscal Impact (\$000s)	FY 2012	FY 2013	FY 2014	FY 2015
General Fund				
Expenditures	\$0	\$0	\$0	\$0
Transfer Out	0	738	842	842
Other Misc. Special Revenue Fund				
Transfer In	0	738	842	842
Expenditures	0	738	842	842
Net Fiscal Impact	\$0	\$738	\$842	\$842

Recommendation

The Governor recommends a General Fund base increase of \$738,000 in FY2013 and \$842,000 ongoing beginning FY 2014, for operations of a new 21-bed specialty care/Alzheimer's unit at the Minnesota Veterans home – Fergus Falls (MVH – Fergus Falls).

Rationale

The MVH—Fergus Falls opened in 1998 and, within a year, it reached capacity (85 beds). Currently the average waiting list time is four to six months. As a result of the waiting list, and desire to better serve the special needs population of dementia and Alzheimer residents, legislative support was sought for a 21-bed special care addition. Legislative support was received in 2008, which provided the required 35 percent federal match. With the addition of ARRA stimulus, full funding for the project was approved by the federal Veterans Administration (VA) in the spring of 2009.

The \$9.7 million, 33,000 square-foot project has multiple elements, the core of which is the 21-bed “Special Care Unit.” Each resident room is designed to look like a distinct home with a porch and window. The units contain street lamps and as visitors or residents walk along the way they see park benches, other “buildings” such as the Family Inn, a nursing station designed like a depot, a small physical therapy gym and outdoor wandering spaces.

The addition contains enough space to allow for dining to occur in one seating for all residents, and to accommodate large gatherings for multiple veterans’ events. Also included is a 2,400 square-foot space for a VA Community Based Outpatient Clinic with its own entrance area, which will allow it to significantly expand services to Minnesota veterans.

The 21-bed addition is expected to be completed in February, 2011. After completion, a phase up with training of groups of new staff will occur, and then admission of residents in groups of approximately five occurs until full census is reached in the spring of 2011. The FTE component required for phase up in FY 2011 is 15.6 FTEs. When full veteran census and compliment of staff is reached, the FTE component will be 31.8 FTEs and the total census of the facility will be 106 residents.

The additional funding, as part of the Veterans Homes Program general fund appropriation, would be transferred to and expended from the miscellaneous special revenue fund. The agency has the authority to combine revenue sources and expend them from this separate fund in order to provide the necessary funding to individual veterans homes.

Key Goals and Measures

This increase in funding for the operation of the new addition will help the Fergus Falls veterans home achieve the agency’s goals of:

- Providing high quality care;
- Meeting the needs of the veterans community by providing innovative customer services; and
- Fostering employee morale and strong partnerships with stakeholders.

Statutory Change: Not Applicable

VETERANS AFFAIRS DEPT

Program: **VETERANS HEALTH CARE**

Change Item: **Adult Day Care Operational Funding**

Fiscal Impact (\$000s)	FY 2012	FY 2013	FY 2014	FY 2015
General Fund				
Expenditures	\$0	\$0	\$0	\$0
Transfer Out	0	162	232	232
Other Misc. Special Revenue Fund				
Transfer In	0	162	232	232
Expenditures	0	162	232	232
Net Fiscal Impact	\$0	\$162	\$232	\$232

Recommendation

The Governor recommends a General Fund base increase of \$162,000 in FY 2013 and \$232,000 ongoing beginning in FY 2014, for operations of a new Adult Day Care at the Minnesota Veterans Home – Minneapolis (MVH – Minneapolis).

Rationale

- The legislature appropriated funding for construction of an Adult Day Care at MVH – Minneapolis in 2002. The US Dept. of Veterans Affairs provided a 65% funding match in May, 2010, and construction is expected to be completed by February, 2011.
- The facility will provide adult day care services to eligible veterans and their families from Minneapolis and surrounding communities.
- Minnesota Statutes describes adult day service as that which “provides functionally impaired adults with an individualized and coordinated set of services including health services, social services, and nutritional services that are directed at maintaining or improving the participants’ capabilities for self-care...”
- In addition, the Adult Day Care will strive to enhance the health and well-being of each participant through life-enriching programs for the whole person, increase socialization, improve physical capabilities, enhance intellectual and emotional functioning and improve physical health. Programs and infrastructure will be designed to accommodate the wide range of needs of today’s, and future, veterans.
- The Adult Day Care will provide respite for home-based caregivers, as well as a wide range of services to its clients including rehabilitation services (such as physical therapy and occupational therapy), dietetic and nutritional services, fitness/restorative care, social services, transportation, spiritual care, medical services, mental health services and recreational activities.
- The Adult Day Care will accommodate approximately 35 clients per day, five days per week, 8-10 hours per day.
- Nutritional services support, including snacks and required meals, will be obtained from the Building 17 central food service. A new kitchen in Building 4 will provide supplemental snacks and the ability to provide training in cooking, baking and nutrition, in addition to related socialization.
- This program will also include transportation to and from home for those adult day care clients who need or want it.
- Caregiver staff assigned directly to this program will be supplemented by special expertise staff, who will provide services to adult day care clients who are transported to other campus locations to receive those services. This staffing model will significantly increase the number of services that can be provided to clients with minimal additional infrastructure or transportation costs.
- The Adult Day Care will support 13.5 FTEs.
- The additional funding, as part of the Veterans Homes Program general fund appropriation, would be transferred to and expended from the miscellaneous special revenue fund. The agency has the authority to combine revenue sources and expend them from this separate fund in order to provide the necessary funding to individual veterans homes.

Key Goals and Measures

This increase in funding for the operation of the new addition will help the Minneapolis veterans home achieve the agency’s goals of: Providing high quality care; meeting the needs of the veterans community by providing innovative customer services; and fostering employee morale and strong partnerships with stakeholders.

VETERANS AFFAIRS DEPT**Program: VETERANS HEALTH CARE****Change Item: Change Earmarks for Homes Operations**

Fiscal Impact (\$000s)	FY 2011	FY 2012	FY 2013	FY 2014
General Fund				
Expenditures	\$0	\$0	\$0	\$0
Revenues	0	0	0	0
Other Misc. Special Revenue Fund				
Expenditures	(200)	0	0	0
Expenditures	200	0	0	0
Net Fiscal Impact	\$0	\$0	\$0	\$0

Recommendation

The Governor recommends changing the “earmarks” established under the Laws of 2010, Chapter 215, Article 6, Section 4. The change would repeal \$200,000 of the earmarked dollars for the Fergus Falls home to be available for the start-up costs of the Minneapolis adult day care in FY2011.

Rationale

This initiative proposes changing the provisions attached to the MDVA's Veterans Homes program appropriations as outlined in the Laws of 2010, Chapter 215, Article 6, Section 4, related to funds carried forward from fiscal year 2009: (1) \$1,000,000 in fiscal year 2011 is for operational expenses related to the 21-bed addition at the Fergus Falls Veterans Home; and (2) \$113,000 in fiscal year 2011 is for start-up expenses related to the opening of an adult daycare facility at the Minneapolis Veterans Home.

The MDVA has carry-forward authority that allows the department to allocate its resources by providing flexibility within the veterans homes program to fund high priorities at appropriate funding levels. The MDVA will redirect \$200,000 of money allocated for the start-up costs associated with the Fergus Falls Veterans Home 21-bed special care/Alzheimer's unit to meet the increased need for funding at the Minneapolis Adult Day Care Center. This funding will allow the home to fulfill the U.S. Department of Veterans Affairs medical model standards in FY2011. The provision would be changed to: (1) \$800,000 in fiscal year 2011 is for operational expenses related to the 21-bed addition at the Fergus Falls Veterans Home; and (2) \$313,000 in fiscal year 2011 is for start-up expenses related to the opening of an adult daycare facility at the Minneapolis Veterans Home.

With these two construction projects delayed, changing the rider language will allow the agency to cover the start-up costs associated with each home.

Statutory Change: Not Applicable

VETERANS AFFAIRS DEPT

Program: **VETERANS HEALTH CARE**

Change Item: Veterans Homes Service Redesign

Fiscal Impact (\$000s)	FY 2012	FY 2013	FY 2014	FY 2015
General Fund				
Expenditures	\$0	\$0	\$0	\$0
Revenues	0	0	0	0
Other Misc. Special Revenue Fund				
Expenditures (as a result of redesign)	(321)	(321)	(321)	(321)
Expenditures (redirected to fund homes operations)	872	1,122	1,122	1,122
Revenues	551	801	801	801
Net Fiscal Impact	\$0	\$0	\$0	\$0

Recommendation

The Governor recommends the Minnesota Department of Veterans Affairs (MDVA) implement a service redesign initiative. The Veterans Homes program will create operating efficiencies and explore alternative revenue sources to provide sufficient funding to support the operational needs of the five state veterans homes.

Rationale

The MDVA Veterans Homes program total general fund base operating budget is \$43.916 million per year for FY 2012-2013 and includes amounts budgeted for the operation of Veterans Homes located in Minneapolis, Hastings, Silver Bay, Luverne, and Fergus Falls. In order to cover the costs of providing quality care 24 hours per day, 7 days per week, the MDVA is proposing the following operational changes to generate revenue and cut costs.

Adjust operating costs to non-general fund resources – \$551,000 in FY2012 and \$801,000 in FY2013.

- Billing Medicare and private insurance for eligible residents who have voluntarily provided consent to enroll in Medicare Part D prescription drug program. For more information on Medicare Part D, visit the website <http://www.medicare.gov/navigation/medicare-basics/medicare-benefits/part-d.aspx>.
- Renegotiating physician services professional/technical contracts at the Homes requiring that the successful contractor will bill Medicare and third party insurance for resident qualifying examination costs. The Home will continue to pay the non-reimbursed services.
- Developing a standard practice related to resident maintenance fee adjustments.
- Reviewing resident records to determine eligibility for the higher per diem rate. A veteran who is 70% or more service-connected or who requires nursing home care because of a compensable service-connected disability of less than 70% is eligible for the lesser of the daily cost of care or prevailing rate for the Home's geographical area. Currently, residents pay based on the ability to pay and many of our residents pay nothing.

Recognize salary and operating expenditures reductions – \$321,000 in each year.

- Utilizing multi-function devices (MFD) purchased under the State contract. The MDFs replace less efficient equipment such as individual desktop printers and fax machines. The machines also allow users to scan document to email reducing the need to print on paper.
- Renegotiating contracts to reduce laundry and medical supply costs.
- Using web or video conferencing capabilities in lieu of in person training and meetings to reduce associated travel costs.

The additional revenue from the non-general fund resources, and cost savings from the expenditure reductions, will be used to cover the operational costs of the Veterans Homes in the FY2012-13 biennium.

Statutory Change: Not Applicable.

VETERANS AFFAIRS DEPT**Program: VETERANS PROGRAMS AND SERVICES****Change Item: Higher Education Veterans Program**

Fiscal Impact (\$000s)	FY 2012	FY 2013	FY 2014	FY 2015
General Fund				
Expenditures	\$945	\$945	\$945	\$945
Revenues	0	0	0	0
Other Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact	\$945	\$945	\$945	\$945

Recommendation

The Governor recommends a general fund base increase of \$945,000 per year for the Higher Education Veterans Program.

Rationale

- The 2006 Legislature allocated funding through June 30, 2011 to the Minnesota Department of Veterans Affairs (MDVA) for the creation of the Higher Education Veterans Assistance Program, commonly referred to as the "Higher Education Veterans Program." The 2010 Legislature extended the program for one year, without funding, to June 30, 2012.
- The Post 9/11 GI Bill (Chapter 33) is a new federal benefit which allows for a much more generous education financing option for many recent veterans. The Post 9/11 GI Bill added a new layer of complexity to benefits that can be difficult to understand and access.
- The number of combat veterans returning to Minnesota is sizeable. In 2008, the number was 2,864 and, in 2009, it was 3,000. In 2010, 5,195 combat veterans returned to the state. And, in 2011, it is anticipated that 3,000 members of the National Guard will be deployed.
- The Higher Education Veterans Program is designed to serve the needs of Minnesota's students and prospective students that are impacted by military service, including current military members, veterans and military families. The program has helped thousands of returning Minnesota veterans transition to college, and has also worked to forge innovative partnerships and outreach efforts to develop comprehensive solutions to aid in the difficult transition from military to college.
- To reach the goal of a seamless transition to college, the MDVA actively collaborates with many agencies and organizations throughout the state. These organizations include: all branches of the military reserve and Minnesota National Guard, Minnesota State Colleges and Universities System, the University of Minnesota, private colleges and universities, the Office of Higher Education, the Department of Employment and Economic Development, County Veterans Service Officers, non-profit veterans service organizations, and the United States Department of Veterans Affairs.
- One statewide director and twelve regional coordinators serve colleges and veterans at 59 centers on "host campuses" throughout the state. Coordinators provide one-on-one assistance for veterans, military members and their families, as well as work with campus officials to address the needs of student veterans and create Veterans Resource Centers. Coordinators also work with service providers from other agencies and provide training at numerous military, campus and community events throughout the year.
- Coordinators served 5,110 new individuals in 2009, and thousands of more individuals who returned for continued assistance. Overall, the program had a total of 56,245 contacts in 2009, which represents a 44.7 percent increase over 2008.

VETERANS AFFAIRS DEPT

Program: VETERANS PROGRAMS AND SERVICES

Change Item: Higher Education Veterans Program

Key Goals and Measures

Funding for the Higher Education Veterans Program will help the MDVA achieve the agency's goal of increasing the utilization of benefits and services by veterans through increased education, advocacy and outreach. MDVA expects the program to continue to increase the number of individuals served on an annual basis. The Department currently collects data on the persons served by this program. Data collection would continue and results would be conveyed in the annual report to the legislature, as required by Minnesota Statute 197.585, subd. 4.

Statutory Change: Minnesota Statutes 197.585. Repeal sunset (Subd. 5).

Program at a Glance

- In FY 2010, the State Soldiers Assistance Program (SSAP) received 3,579 new applications for assistance, and provided \$6 million in direct, emergency funds to veterans.
- In FY 2009, the Claims & Outreach Division received 19,786 rating decisions on veteran's claims submitted to the VA.
- In 2009, Higher Education Veterans Program coordinators served 56,000 individuals at campus service centers throughout the state, a 44 percent increase over 2008.

Program Description

The Minnesota Department of Veterans Affairs (MDVA) provides numerous services to Minnesota veterans and their families, including: assistance in securing federal veterans' benefits, outreach to underserved veteran populations, veterans assistance officers at institutions of higher education, emergency financial assistance, and burial services at the state cemetery.

Population Served

Minnesota veterans, their dependents and survivors.

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.

Claims and Outreach staff and Tribal Veteran Service Officers represent veterans and their family members by acting as their advocate in matters pertaining to federal Veterans Affairs (VA) benefits and entitlements. As a veteran's representative, the Claims and Outreach office staff help identify what evidence is needed to support a rating decision 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 (CVSOs) to facilitate important services, such as: disability compensation, pension, vocational rehabilitation, and education and health care benefits.

The **Higher Education Veterans program** serves the unique higher education needs of students who are veterans, military members or family members of military men and women. Coordinators work with colleges to enhance or develop "veteran friendly" policies and procedures, such as:

- Payment deferments while awaiting properly applied for educational benefits;
- Military transfer credit; veteran resident status;
- Registration flexibility and withdrawals due to deployments;
- Information about services and resources, as well as referrals to appropriate service providers; and
- Facilitation of communication between departments and staff who regularly interact with veterans (i.e. admissions, financial aid, counseling, disability services, and career services).

MDVA also supports on-campus Veterans Resource Centers, which provide an environment where veterans, military members and their families feel welcome, can interact, support, and encourage others with similar backgrounds, experiences, and circumstances.

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 benefits are awarded after existing or expected federal military benefits, or other need-based grant programs offered by the state or federal government, have been awarded. The Minnesota GI Bill program benefits are available for undergraduate and graduate studies that lead to a certificate, diploma, or degree.

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 discharge. Spouses, minor children and, under certain conditions, unmarried adult children are also eligible for burial. Members of the reserve components of the Armed Forces, the Army and National Guard, and the Reserve Officer Training Corps are eligible as well.

Additional programs and activities within Veterans Programs and Services include:

- **LinkVet** – A toll-free, one-stop customer service line for all Minnesota veterans.
- **County Veterans Service Officer Grants** – Assists CVSOs in providing additional services to veterans.
- **Minnesota Service C.O.R.E.** – Works in partnership with Lutheran Social Services to bring essential, community-based services directly to veterans, military members and their families across Minnesota at no cost to them.
- **Grants to the Minnesota Assistance Council for Veterans (MACV)** – A non-profit organization, which provides assistance throughout Minnesota to positively motivated veterans and their families who are homeless or experiencing other life crises.
- **Minnesota State Approving Agency (SAA)** – Authorized by Title 38 of the United States Code, SAA is responsible for approving education and training programs that are utilized by veterans and paid for with GI Bill funds.
- **Veterans Preference Act enforcement**
- **Grants to veteran service organizations**
- **Military funeral honors**

Key Activity Goals & Measures

MDVA Programs and Services will:

- Meet the needs of eligible veterans, their dependents, and survivors by providing innovative customer service; and
- Increase the utilization of benefits and services by veterans through increased education, advocacy and outreach.
- Foster a culture of continuous improvement to increase efficiencies and streamline operations.

The overarching framework for measuring agency-wide goals and measures is contained in the department's five-year strategic plan. Goals are measured by compiling data on the numbers of individuals served and type of service received, and through the number of dollars distributed or generated by specific activities. Examples of 2009 results include:

- In FY 2010, the State Soldiers Assistance Program (SSAP) received 3,579 new applications for assistance, and paid out over \$6 million in direct, emergency funds to veterans.
- In FY 2009, the Claims & Outreach Division received 19,786 rating decisions on veteran's claims submitted to the VA, and served as Power of Attorney on 10,537 new claims.
- In 2009, Higher Education Veterans Program coordinators served 5,110 new individuals at campus service centers throughout the state. In total, the program had more than 56,000 contacts, a 44 percent increase over 2008.
- During the FY 2009 grant cycle, MDVA received 145 grant applications from 63 individual counties and applications for three joint county projects for a total dollar amount of \$2.7 million. MDVA awarded 121 grants, totaling \$1.45 million.

Program Funding

During the FY2010-11 biennium the Veterans Programs and Services activities are primarily funded through General Fund appropriations (96 percent). Some activities are funded through special revenue funds, federal funds, and gifts (six percent).

Contact

Minnesota Department of Veterans Affairs
Office of the Commissioner
Veterans Service Building
20 West 12th Street
Saint Paul, Minnesota 55155
Phone: (651) 296-2562
Fax: (651) 296-3954

Web site: <http://www.mdva.state.mn.us>

Departments Results web page: <http://www.accountability.state.mn.us/Departments/VetAffairs/index.htm>

VETERANS AFFAIRS DEPT

Program: VETERANS PROGRAMS AND SERVICES

Program Summary

<i>Dollars in Thousands</i>					
	Current		Governor Recomm.		Biennium
	FY2010	FY2011	FY2012	FY2013	2012-13
<u>Direct Appropriations by Fund</u>					
General					
Current Appropriation	14,652	14,852	14,852	14,852	29,704
Technical Adjustments					
One-time Appropriations			(950)	(950)	(1,900)
Operating Budget Reduction			(18)	(18)	(36)
Program/agency Sunset			(1,050)	(1,050)	(2,100)
Subtotal - Forecast Base	14,652	14,852	12,834	12,834	25,668
Governor's Recommendations					
Higher Education Veterans Program		0	945	945	1,890
Total	14,652	14,852	13,779	13,779	27,558
<u>Expenditures by Fund</u>					
Direct Appropriations					
General	14,157	15,338	13,679	13,679	27,358
Statutory Appropriations					
Miscellaneous Special Revenue	816	1,234	620	598	1,218
Federal	355	355	355	355	710
Gift	8	44	21	18	39
Total	15,336	16,971	14,675	14,650	29,325
<u>Expenditures by Category</u>					
Total Compensation	5,246	6,299	6,259	6,401	12,660
Other Operating Expenses	2,506	2,993	2,095	1,999	4,094
Payments To Individuals	5,605	5,770	5,276	5,205	10,481
Local Assistance	1,979	1,909	1,045	1,045	2,090
Total	15,336	16,971	14,675	14,650	29,325
<u>Expenditures by Activity</u>					
Veterans Services	2,006	2,622	2,597	2,594	5,191
Programs & Services	7,988	7,937	7,502	7,502	15,004
Claims & Outreach	5,342	6,412	4,576	4,554	9,130
Total	15,336	16,971	14,675	14,650	29,325
Full-Time Equivalents (FTE)	83.4	89.5	87.5	87.3	

Program at a Glance

- Total Operating Beds 859 (FY 2008)
 - Fergus Falls – 85 skilled nursing beds
 - Hastings – 200 domiciliary beds
 - Luverne – 85 skilled nursing beds
 - Minneapolis – 200 skilled nursing beds, 50 domiciliary beds, 91 special care unit beds.
 - Silver Bay – 83 skilled nursing beds
- Statewide occupancy rate = 98 percent

Program Description

The Minnesota Department of Veterans Affairs (MDVA) provides skilled nursing care, special care units for the treatment of dementia, and domiciliary (boarding) care. Facilities are 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 that is staffed by well-qualified personnel. Care is designed and delivered according to the individual needs of 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 the country.

Domiciliary care is a residential rehabilitation program that provides long-term psychosocial care for veterans. 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 400,000 veterans reside in Minnesota and it is predicted this population will decrease by approximately 35 percent over the next twenty years, largely due to the passing of WWII veterans. While the overall veteran population is expected to decrease, the number of veterans aged 75 and older is expected to grow by approximately 9 percent. Fifty percent of the patients cared for in Minnesota's veterans homes are between the ages of 75-84, and 21 percent are over the age of 85. This is compared to private sector long-term care where approximately 31 percent are between the ages of 75-84, and 52 percent are over 85. In addition, the veterans homes resident population is 86 percent male, as compared to 27 percent in the private sector. The 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 primary diagnoses are alcohol dependence/abuse, chronic obstructive pulmonary disease, hypertension, and diabetes.

Services Provided

The following services are provided at the veterans homes:

- | | | |
|--------------------------------------|--------------------------------------|---------------------------------|
| • skilled nursing | • physical therapy | • special care units – dementia |
| • domiciliary (board and care) | • outpatient services (Fergus Falls) | and Alzheimer's |
| • speech therapy | | • transitional care |
| • hospice | • work therapy | • social services |
| • occupational therapy | • recreational therapy | |
| • drug and alcohol treatment | • spiritual care | |
| • chiropractic (with doctor's order) | • podiatry | |
| • volunteer programs | • mental health | |
| • optometry exams | • dental | |

Key Program Goals & Measures

MDVA's veterans homes:

- Provide high quality of care;
- Meet the needs of the veteran community by providing innovative customer service; and
- Foster employee morale and strong partnerships with stakeholders.

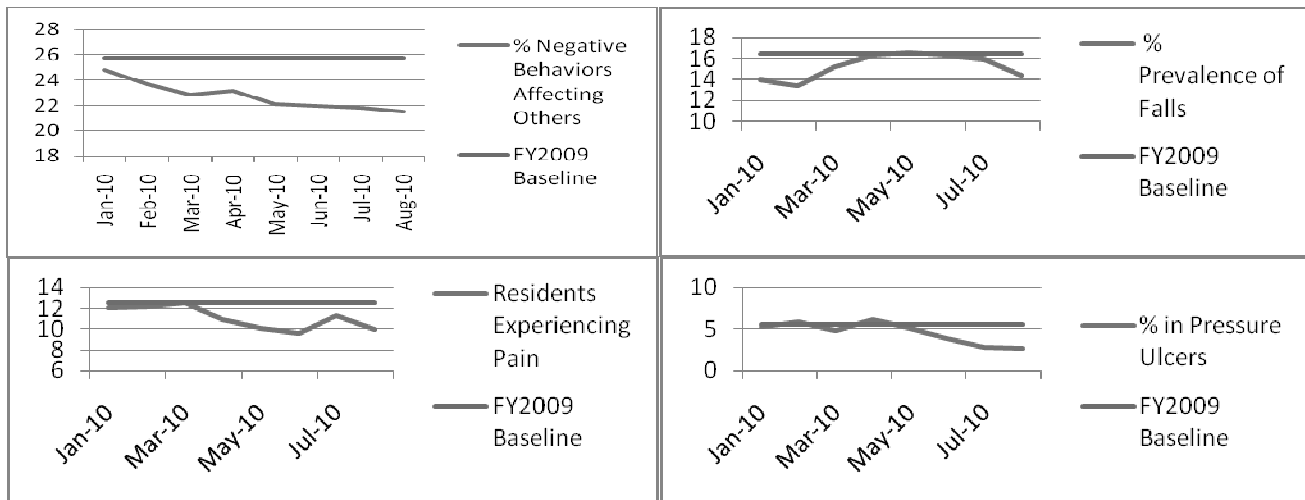
Quality of care measurement:

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 that have been adopted by the federal Center for Medicare and Medicaid Service as the primary quality monitoring tools 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 United States Department of Veterans Affairs (USDVA) requires state veterans homes to submit the MDS for its review on a monthly basis. The quality indicator reports are also used by the Minnesota Department of Health and USDVA surveyors during their annual surveys and in the quality monitoring process.

Quality Management indicators
Source: EQUIP for Quality Database



The quality management indicators above measure FY2010 performance against the average performance recorded in the Veterans Homes in FY2009.

Innovative customer service, fostering employee satisfaction and partnerships with stakeholders:

As a result of the November 2007 merge of MDVA and the Veterans Homes Board, the department developed a five year strategic plan. MDVA created a process to identify the critical needs of the residents and their families, and developed new strategies to address unmet needs. The department has a formalized procedure to define quality standards for each home, which assists in providing the highest level of care and services to its residents. The department is in the process of developing an educational needs assessment and training plan, to provide learning and development opportunities in order to recruit and retain the most highly-skilled employees.

All of the Minnesota Veterans Homes have embraced the Lean process to identify ways to improve the facility's operations, become more efficient and reduce waste. Lean is a process of eliminating waste and duplication with the goal of creating value for enterprise stakeholders.

The Veterans Homes have also developed an Interdisciplinary Quality Council which is represented by various members of all the Veterans Homes. The purpose of the Quality Council is to monitor the critical quality indicators identified by the MDS and Equip for Quality. The Quality Council is currently monitoring 10 quality indicators to develop best practices in the industry.

Program Funding

Funding for this program is from the general fund (57 percent), federal VA per diems (21 percent), resident maintenance charges (19 percent), and other sources (three percent). 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. During the FY2010-11 biennium, the department also anticipates receiving approximately \$24.2 million in federal VA construction grant dollars.

Contact

Minnesota Department of Veterans Affairs
Office of the Commissioner
Veterans Service Building
20 West 12th Street
Saint Paul, Minnesota 55155
Phone: (651) 296-2562
Fax (651) 296-3954

Web site: <http://www.mdva.state.mn.us>.

Departments Results web page: <http://www.accountability.state.mn.us/Departments/VetAffairs/index.htm>.

VETERANS AFFAIRS DEPT

Program: VETERANS HEALTH CARE

Program Summary

<i>Dollars in Thousands</i>					
	Current		Governor Recomm.		Biennium
	FY2010	FY2011	FY2012	FY2013	2012-13
<u>Direct Appropriations by Fund</u>					
General					
Current Appropriation	43,673	43,916	43,916	43,916	87,832
Subtotal - Forecast Base	43,673	43,916	43,916	43,916	87,832
Governor's Recommendations					
21-Bed Specialty Care/Alzheimer's Unit		0	0	738	738
Adult Day Care Operational Funding		0	0	162	162
Total	43,673	43,916	43,916	44,816	88,732
Miscellaneous Special Revenue					
Current Appropriation	0	0	0	0	0
Subtotal - Forecast Base	0	0	0	0	0
Governor's Recommendations					
Veterans Homes Service Redesign		0	551	801	1,352
Total	0	0	551	801	1,352
<u>Expenditures by Fund</u>					
Direct Appropriations					
General	682	818	500	1,400	1,900
Statutory Appropriations					
Miscellaneous Special Revenue	74,404	79,561	80,609	79,654	160,263
Federal	6,862	12,603	14,465	9,573	24,038
Federal Stimulus	1,614	4,563	0	0	0
Miscellaneous Agency	1,722	1,810	1,816	1,816	3,632
Gift	488	616	616	616	1,232
Total	85,772	99,971	98,006	93,059	191,065
<u>Expenditures by Category</u>					
Total Compensation	62,117	64,917	66,834	66,755	133,589
Other Operating Expenses	14,324	17,046	19,954	24,617	44,571
Capital Outlay & Real Property	7,769	16,327	9,531	0	9,531
Payments To Individuals	1,562	1,681	1,687	1,687	3,374
Total	85,772	99,971	98,006	93,059	191,065
<u>Expenditures by Activity</u>					
Veterans Health Care	1,862	2,382	2,280	2,280	4,560
Mpls Veterans Homes	44,280	53,003	56,711	51,809	108,520
Hastings Veterans Home	9,333	10,507	9,673	9,658	19,331
Silver Bay Veterans Homes	11,970	10,161	9,294	9,284	18,578
Luverne Veterans Home	8,507	9,657	8,979	8,969	17,948
Fergus Falls Veterans Home	9,820	14,261	11,069	11,059	22,128
Total	85,772	99,971	98,006	93,059	191,065
Full-Time Equivalents (FTE)	1,005.9	1,012.8	1,041.3	1,005.2	

Narrative

In the FY2010-2011 biennium, the MDVA anticipates receiving approximately \$26 million in federal funding. The Veterans Programs and Services receive \$792,000 biennially through federal contract to manage the ongoing operational needs of the State Approving Agency. The Veterans Homes program has received US Department of Veterans Affairs (VA) construction grant awards totaling \$25 million during FY2010-11 and \$24 million during FY2012-13. The construction grant program requires a 35% state match. If a facility ceases to be operated as a State home for the purpose for which the grant was made, the United States shall be entitled to recover from the State of Minnesota as follows:

- (a) If less than 20 years has lapsed since the grant was awarded, and VA provided 65 percent of the estimated cost to construct, acquire or renovate a State home facility principally for furnishing domiciliary care, nursing home care, or adult day health care, VA shall be entitled to recover 65 percent of the current value of such facility (but in no event an amount greater than the amount of assistance provided.), as determined by agreement of the parties or by action brought in the district court of the United States for the district in which the facility is situated.
- (b) Based on the time periods for grant amounts set forth below, VA shall be entitled to recover the amount of the grant as determined by agreement of the parties or by action brought in the district court of the United States for the district in which the facility is situated:

Grant amount (dollars in thousands)	Recovery period (in years)
0-250.....	7
251-500.....	8
501-750.....	9
751-1,000.....	10
1,001-1,250.....	11
1,251-1,500.....	12
1,501-1,750.....	13
1,751-2,000.....	14
2,001-2,250.....	15
2,251-2,500.....	16
2,501-2,750.....	17
2,751-3,000.....	18
Over 3,000.....	20

Federal Funds Summary Table

Federal Award Name + Brief Purpose	New grant	Required state match/MOE? Yes/No		SFY 2010 Revenues	SFY 2011 Revenues	Estimated SFY 2012 Revenues	Estimated SFY 2013 Revenues
		Match	MOE				
VETERANS PROGRAMS AND SERVICES:							
State Approving Agency: Promotes and safeguards quality education and training programs for veterans; ensures greater educational training opportunities to meet the changing needs of veterans; and assists the US Department of Veterans Affairs in preventing fraud, waste and abuse in the administration of the federal GI Bill.	N	N	N	396	396	396	396
VETERANS HOMES PROGRAM:							
Mpls Veterans Home Life Safety: This project provided a new fire sprinkler system for the warehouse, building 15 and 18. This project also created a fire egress path through the buildings, a resident ramp and fire egress ramp from the building 15 auditorium.	Y	Y	Y	1,235	123	0	0
Mpls Building 4 Remodel: Renovation of this Richardson-Romanesque three story building to accommodate Adult Day Care program. This building will provide services to 35 Veteran clients daily.	Y	Y	Y	1,158	2,057	0	0
Mpls Building 9 Replacement Project: This new replacement building will provide 100 single occupancy nursing care rooms on three upper floors with the interior design of (2) Neighborhoods of 16 residents each divided by a nursing care support services work center.	Y	Y	Y	20	9,478	9,658	0
Mpls Building Generator: New generator	Y	Y	Y	0	100	1,715	0
Mpls Building 16-17: Phase 2 of nursing unit replacement renovations.	Y	Y	Y	0	0	3,191	9,573
Silver Bay Veterans Home Renovation: Renovation of interior of Home with additions to include four new single occupancy resident rooms, dining room expansions, and addition to rear of building to accommodate pharmacy, training and storage space.	Y	Y	Y	3,155	748	0	0

		Required state match/MOE? Yes/No					
Fergus Falls Alzheimer's/Dementia Nursing Care Addition: This project will create 21 new single occupancy resident rooms. The addition also includes a self contained Federal Clinic Based Outpatient Clinic (CBOC) used for extended outpatient medical care for Veterans in the Fergus Falls vicinity.	Y	Y	Y	1,614	4,563	0	0
Hastings Veterans Home City Water Main Construction: Well replacement	Y	Y	Y	0	742	0	0
Luverne Veterans Home Alzheimer's/Dementia Day Room: 1,500 square foot day room complete with a kitchenette, activity room, and fireplace.	Y	Y	Y	0	548	0	0
Total				7,578	18,755	14,960	9,969

VETERANS AFFAIRS DEPT

Agency Revenue Summary

Dollars in Thousands

	Actual FY2010	Budgeted FY2011	Governor's Recomm. FY2012 FY2013		Biennium 2012-13
<u>Non Dedicated Revenue:</u>					
Taxes:					
General	18	21	21	21	42
Total Non-Dedicated Receipts	18	21	21	21	42
<u>Dedicated Receipts:</u>					
Departmental Earnings:					
Miscellaneous Special Revenue	32,617	34,323	35,282	35,282	70,564
Grants:					
Miscellaneous Special Revenue	121	121	131	131	262
Federal	7,217	12,958	14,820	9,928	24,748
Federal Stimulus	1,614	4,563	0	0	0
Other Revenues:					
Miscellaneous Special Revenue	656	4	4	4	8
Miscellaneous Agency	237	257	257	257	514
Gift	630	627	627	627	1,254
Other Sources:					
Miscellaneous Special Revenue	20	104	777	777	1,554
Miscellaneous Agency	1,512	1,553	1,559	1,559	3,118
Total Dedicated Receipts	44,624	54,510	53,457	48,565	102,022
Agency Total Revenue	44,642	54,531	53,478	48,586	102,064

	PAGE
Small Agency Profile	2
Agency Fiscal Page (Gov Rec)	5
Change Items	6
Agency Change Items	
⇒ Convert To Dedicated Funding.....	7
Agency Revenue Summary Fiscal Page	8
⇒ Designates that this item is a change item	

Agency Purpose

The Board of Veterinary Medicine 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.

At a Glance

Credentialing Services

- 3100 Licensed Veterinarians
- 325 Professional Firms
- 300 License Verifications
- 250 New Licensees

Education Services

- 140 CE program approvals

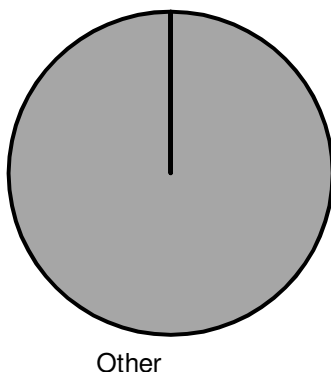
Discipline Services

- Resolve 40 disciplinary actions against veterinarians
- Monitor 15 veterinarians under disciplinary order
- Assure monitoring of veterinarians in Health Professional Services Program

Investigative Services

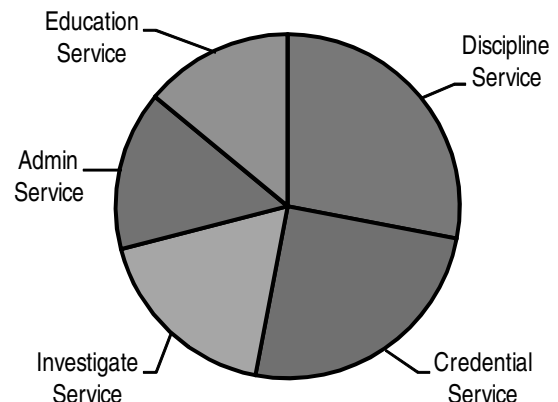
- Investigate 140 jurisdictional complaints against veterinarians who violate the veterinary practice act
- Investigate 35 complaints of unlicensed practice

Est. FY 2010-11 Expenditures
by Fund



Source: Consolidated Fund Statement.

Est. FY 2010-11 Expenditures
by Service



Source: Board expenses allocated to the services provided by the board.

Strategies

The board accomplishes its mission of **Public Protection** 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, licensees 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.

Credentialing Services

The Board of Veterinary Medicine licenses veterinarians who practice in Minnesota to assure the public that the individuals who practice has the requisite education, competence, and ethical character to practice veterinary Medicine safely and effectively.

Discipline/Complaint Resolution

The Board investigates complaints and takes action against veterinarians who violate the veterinary practice act and rules that govern the practice of veterinary medicine in Minnesota. The Board of Veterinary Medicine also removes veterinarians from practice who are a risk to patient safety and monitoring veterinarians whose practice requires remediation and oversight to assure public safety.

Education Services

The Board assures that the continuing education that veterinarians are required to complete for licensure is appropriate and of high quality to promote the high standard of care in veterinary medicine that the public expects.

Key Activity Goals & Measures**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.

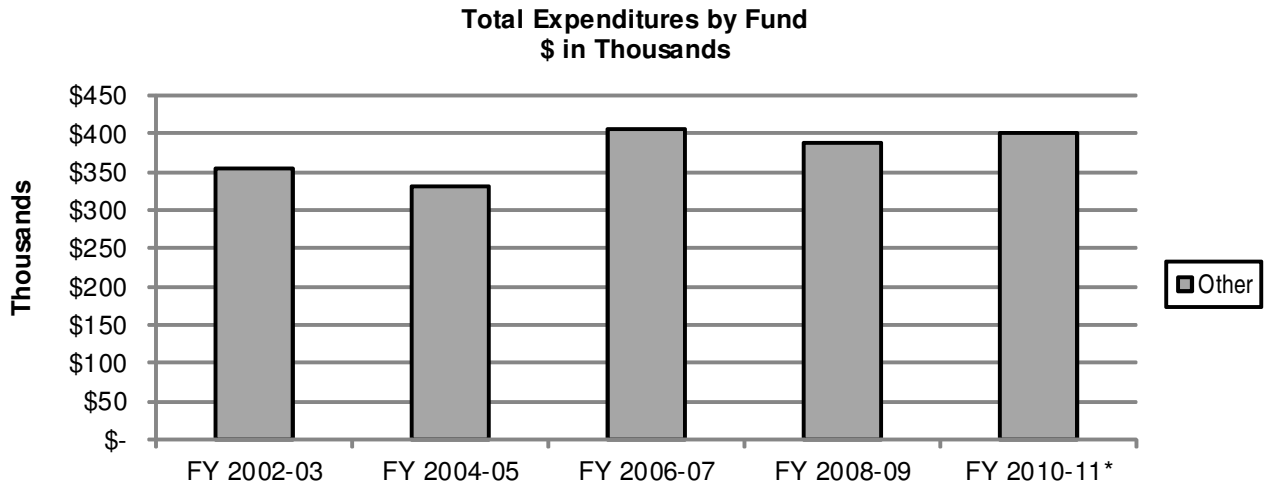
Key Measures

- Currently the Board has greater than 85% 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.
- 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 Trends

The board is responsible for collecting sufficient revenue to cover both direct and indirect expenditures. The board is estimated to collect \$651,000 in FY 2010-11, which is deposited as non-dedicated revenue into the state government special revenue fund.

From this fund, the board receives a direct appropriation to pay for agency activities such as salaries, rent, costs for disciplinary/contested cases and operating expenditures. It also pays statewide indirect costs through an open appropriation. In FY 2010-11, total expenditures for these purposes are estimated at \$401,000. The chart below shows funding trends over the last five biennia for the direct and open appropriation.



* FY 2010-11 is estimated, not actual

Source data for the previous chart is the Minnesota Accounting and Procurement System (MAPS) as of 07/31/10.

Board fees are also responsible for covering a prorated share of support functions provided outside of the Board itself. These include legal support (Attorney General), statewide e-licensing system development and operations (Office of Enterprise Technology), centralized administrative support (Health Boards Administrative Services Unit) and funding for services to health professionals (Health Professionals Services Program). In FY 2010-11, some of the health boards' reserves in the state government special revenue fund were also transferred to the general fund. The table below displays direct and open appropriation expenditures, external support costs (prorated share), and the general fund transfers (prorated share) estimated in FY 2010-11.

Board's Direct and Open Appropriations	FY 2010-11 (in thousands)
Board's External Support Costs and Transfers (prorated Share)	\$ 401
• Attorney General support	150
• E-licensing support	1
• Central administrative service unit	26
• Health professional service program	13
• General fund transfer	23
	<hr/>
Total	614
	<hr/>
Fees Collected by Board	\$651
	<hr/>
Prorated Surplus/(Deficit)	37

In most years, Board fee revenues exceed direct expenditures and external support costs, and as directed by law, the surplus is used to maintain a reserve in the state government special revenue fund.

The number of licensees regulated by the Board continues to rise, as do the number of complaints and the complexity of the cases. As the practice of veterinary medicine continues to progress and evolve, the type of care, and subsequently the type and complexity of the complaints also increase. This trend places additional demands on agency personnel and financial resources. There is an increasing need for additional investigation by the Attorney General's office and the need for additional legal services from the Assistant Attorney General. Also the increased use of alternative and complementary treatments and therapies in veterinary medicine by both licensed veterinarians and unlicensed lay people greatly impacts Board of Veterinary Medicine time and resources. Societal and demographic factors and trends include real and perceived veterinary medicine workforce shortages, particularly in greater and rural Minnesota and underserved ethnic and racial minority communities.

Contact

Minnesota Board of Veterinary Medicine
2829 University Avenue Southeast, Suite 540
Minneapolis, Minnesota 55414
<http://www.vetmed.state.mn.us>
Email: vet.med@state.mn.us
Phone: (651)201-2844
Fax: (651)201-2842
John King, Executive Director

<i>Dollars in Thousands</i>					
	Current		Governor Recomm.		Biennium
	FY2010	FY2011	FY2012	FY2013	2012-13
<u>Direct Appropriations by Fund</u>					
State Government Spec Revenue					
Current Appropriation	195	195	195	195	390
Recommended	195	195	0	0	0
Change		0	(195)	(195)	(390)
% Biennial Change from 2010-11					-100%
<u>Expenditures by Fund</u>					
Direct Appropriations					
State Government Spec Revenue	169	221	0	0	0
Open Appropriations					
State Government Spec Revenue	1	0	0	0	0
Statutory Appropriations					
State Government Spec Revenue	0	0	327	327	654
Total	170	221	327	327	654
<u>Expenditures by Category</u>					
Total Compensation	144	145	145	147	292
Other Operating Expenses	26	76	182	180	362
Total	170	221	327	327	654
<u>Expenditures by Program</u>					
Veterinary Medicine, Board Of	170	221	327	327	654
Total	170	221	327	327	654
Full-Time Equivalents (FTE)	1.8	1.8	1.8	1.8	

VETERINARY MEDICINE BOARD

Change Summary

<i>Dollars in Thousands</i>				
	FY2011	Governor's Recomm.		Biennium
		FY2012	FY2013	2012-13
Fund: STATE GOVERNMENT SPEC REVENUE				
FY 2011 Appropriations	195	195	195	390
Subtotal - Forecast Base	195	195	195	390
Change Items				
Convert to Dedicated Funding	0	(195)	(195)	(390)
Total Governor's Recommendations	195	0	0	0
Fund: STATE GOVERNMENT SPEC REVENUE				
Planned Open Spending	0	6	6	12
Change Items				
Convert To Dedicated Funding	0	(6)	(6)	(12)
Total Governor's Recommendations	0	0	0	0
Fund: STATE GOVERNMENT SPEC REVENUE				
Planned Statutory Spending	0	0	0	0
Change Items				
Convert to Dedicated Funding	0	327	327	654
Total Governor's Recommendations	0	327	327	654

VETERINARY MEDICINE BOARD

Change Item: Convert to Dedicated Funding

Fiscal Impact (\$000s)	FY 2012	FY 2013	FY 2014	FY 2015
Health Related Boards Fund (171)				
Direct Appropriated Account				
Expenditures	\$(195)	\$(195)	\$(195)	\$(195)
Non-Dedicated Revenue	(327)	(327)	(327)	(327)
Open Appropriated Account				
Expenditures	(6)	(6)	(6)	(6)
Dedicated Account				
Expenditures	327	327	327	327
Dedicated Revenue	327	327	327	327
Transfer In	0	0	0	0
Net Fiscal Impact	\$126	\$126	\$126	\$126

Recommendation

The Governor recommends changing the way appropriations are made to the health related licensing boards that operate in the state government special revenue fund. Under this proposal, the boards' funding would be converted from direct appropriations to dedicated appropriations, giving each board spending authority equal to its fee revenue and any accumulated balance. The net effect of this change is the difference between the board's current base appropriations and projected revenues.

Rationale

This proposal places ownership in the boards' 183 appointed members to be efficient and cost effective in setting their spending levels, while providing continued legislative oversight in the setting of the boards' fees. It encourages the boards to find efficiencies and ensures the fees paid by each occupation are dedicated to the boards' mission to protect the public and ensure that Minnesota citizens receive quality care by qualified licensed health professionals. The establishment of the dedicated appropriation will improve the boards' management of resources and transparency for licensees.

The health related licensing boards are fee-supported organizations that receive no General Fund dollars. The boards currently collect and deposit fees as non-dedicated special revenue into the health related boards account in the state government special revenue fund (171). The legislature then provides a direct appropriation from these revenues to each board for its operating expenses. Unlike agencies that receive direct appropriations from the General Fund, the boards must ensure that licensing fees are collected to recover each board's direct and indirect expenditures to maintain the solvency of the state government special revenue fund. For this reason, the health boards already operate much like agencies with dedicated appropriations—except that they must seek appropriation authority to gain access to their existing fee revenue.

This proposal changes the boards' non-dedicated revenue to dedicated revenue within the same fund and provides each board with a dedicated appropriation from the board's revenue. Additionally, the current accumulated fund balance within the health related boards account will be transferred to individual boards based on each board's contribution to the balance. M.S. 16A.1283 requires that all fee increases be approved by the legislature, so even with a dedicated funding arrangement, the boards must still seek legislative action to increase spending beyond current law fee revenues.

Key Goals and Measures

Minnesota Milestone: Government in Minnesota will be cost-efficient, and services will be designed to meet the needs of the people who use them. Minnesotans expect their state and local governments to spend money carefully and effectively.

Measures:

- Transparency of fees and expenditures
- The level of service provided to licensees and Minnesota citizens.

Statutory Change: Minnesota Statutes Chapter 148

VETERINARY MEDICINE BOARD

Agency Revenue Summary

Dollars in Thousands

	Actual FY2010	Budgeted FY2011	Governor's Recomm. FY2012 FY2013		Biennium 2012-13
<u>Non Dedicated Revenue:</u>					
Departmental Earnings:					
State Government Spec Revenue	324	326	0	0	0
Other Revenues:					
State Government Spec Revenue	(1)	0	0	0	0
Total Non-Dedicated Receipts	323	326	0	0	0
<u>Dedicated Receipts:</u>					
Departmental Earnings:					
State Government Spec Revenue	0	0	327	327	654
Total Dedicated Receipts	0	0	327	327	654
Agency Total Revenue	323	326	327	327	654

	PAGE
Agency Profile.....	2
Agency Fiscal Page (Gov Rec)	6
Change Summary	7
Agency Change Items	
⇒ Accountability, Oversight & Training	9
⇒ Operating Budget Reductions.....	11
⇒ Community Partners Clean Water Program	12
⇒ Conservation Drainage Management and Assistance	13
⇒ Cost-Share Reduction	14
⇒ Grants To Local Governments Reduction.....	15
⇒ Local Resource Protection Grants.....	16
⇒ Permanent Resource Protection.....	18
⇒ Restoration Evaluations Project.....	20
⇒ Surface & Drinking Water Protection	21
⇒ Wetland Cons Act Reduction	23
Programs	
Land & Water Cons. Projects.....	24
Program Summary	25
Budget Activities	
Projects And Project Mgmt	27
Budget Activity Summary	30
Permanent Resource Protection	31
Budget Activity Summary	35
Resource Planning & Delivery.....	36
Program Summary	40
Resource Protection Rules/Laws	41
Program Summary	45
Board Admin & Agency Ops.....	46
Program Summary	48
Federal Funds Summary	49
Agency Revenue Summary Fiscal Page	50

⇒ Designates that this item is a change item

Agency Purpose

The mission of the Minnesota Board of Water and Soil Resources (BWSR) is to improve and protect Minnesota's water and soil resources by working in partnership with local organizations and private landowners. The statutes which govern the agency allow for implementing conservation programs and policies via a unique statewide partnership that weds state, local and federal efforts to protect and restore the waters, wetlands, working lands, soils, woodlots, prairies and related natural habitats of Minnesota.

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 conservation measures being implemented on public drainage systems. These outcomes are achieved despite more intense agricultural practices, greater demands for forest products, and urbanization in many parts of the state.

Sound management of our water resources is critical to a healthy and thriving Minnesota – and that view is shared by a large and growing number of local communities and citizens. Because 78% of the state's land is held in private ownership, BWSR's focus on private lands is critical to the state attaining its goals for clean water and healthy landscapes. Managed wisely, our watersheds, our working lands, and our groundwater resources will continue to be foundational components of the state's current and future environmental and economic quality of life.

A critical element of the agency's success is the engagement and oversight provided by the 20 member board that consists of 15 members including three citizens, 11 local government entities (county commissioners, soil and water conservation district supervisors, and watershed district managers), four commissioners of state agencies, and one representative of the University of Minnesota Extension Service. The board's balanced mix of perspectives and experiences came about through a merger and contributes greatly to the public processes that lead to practical and credible conservation policy and program development. The board's membership provides a means for citizens and local governments to take direct ownership of conservation issues and assures that the balance between private and public interests needed to achieve and sustain significant conservation advances is in place.

At a Glance

Land and Water Conservation Projects

- Nearly 11,000 land and water conservation practices implemented via grants from 2005-2008
- Over 5,400 permanent conservation easements on approximately 210,000 acres of environmentally sensitive land
- Over \$20M in Clean Water Fund implementation funds provided for local implementation through a competitive grant program
- Every state dollar invested into the Reinvest in Minnesota/Wetlands Reserve Program (RIM/WRP) partnership leverages 1.5 federal dollars

Resource Planning and Delivery Effectiveness

- Organizational performance reviews conducted annually for approximately 240 local governments
- Evaluation and monitoring of the ecological integrity of more than 5,400 conservation and wetland bank easements
- Technical, administrative and organizational development training provided at a rate of over 2,000 participant days per year

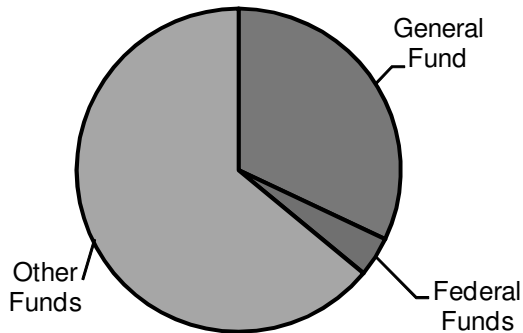
Resource Protection Rules and Laws

- Technical, administrative, and financial support provided to more than 400 local governments that administer Wetland Conservation Area (WCA) and other state mandated resource programs
- Manage and oversee the state wetland banking system in accordance with federal laws to ensure no-net-loss of wetlands
- Coordinate drainage stakeholders in developing consensus recommendations for drainage law updates

Board Administration and Agency Operations

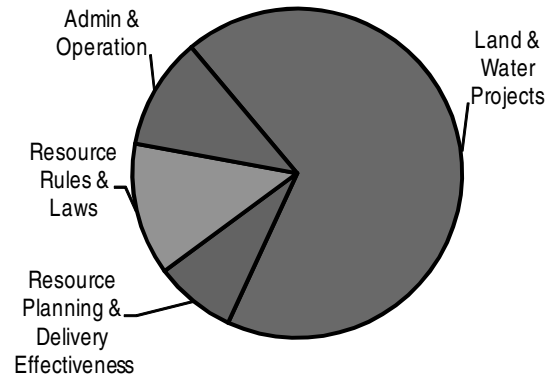
- 20 member board that represents local governments (county, city, township, Soil and Water Conservation Districts (SWCD), Watershed Districts (WD), four state agencies, and the University of Minnesota Extension Service
- Approximately 80 employees with slightly more than half located in St. Paul
- Implement an annual budget of about \$50 million in FY 2010 and FY 2011

**Est. FY 2010-11 Expenditures
by Fund**



Source: Consolidated Fund Statement.

**Est. FY 2010-11 Expenditures
by Program**



Source: MAPS data

Strategies

The agency has four major strategies to accomplish its mission.

- Develop and implement targeted grant programs that encourage voluntary adoption of land management practices and projects that protect and improve Minnesota's natural environment;
- Assist local units of government in the development of comprehensive water and resource planning and implementation programs that target investments in conservation to obtain the greatest ecological benefit;
- Administer the state's Wetland Conservation Act with the goal of no-net-loss through coordinating the regulatory functions of federal and state agencies; and
- Provide an essential interface between the executive branch agencies and local units of governments so that water, soil and habitat conservation and protection programs are fully integrated.

Operations

Land and Water Conservation Projects: Getting land and water conservation projects on-the-ground, in the best location for the best environmental outcome, is the major focus of the agency. Conservation measures are implemented throughout the state via local governments that work with landowners who voluntarily adopt conservation practices or enroll their land in a permanent protection conservation easement. This program addresses high priority state and local resource concerns such as:

- Keeping water on the land;
- Maintaining healthy soils;
- Reducing pollutants in ground and surface water;
- Insuring biological diversity;
- Reducing flooding potential; and
- Maintaining stream integrity.

Resource Planning and Delivery Effectiveness: Providing for the most targeted resource planning and evaluating the effectiveness of both the local governments implementing conservation efforts as well as the environmental outcomes are the goals of this program. The goal is accomplished by:

- Providing technical, administrative, and financial support to a core network of conservation delivery professionals in over 240 local governments;

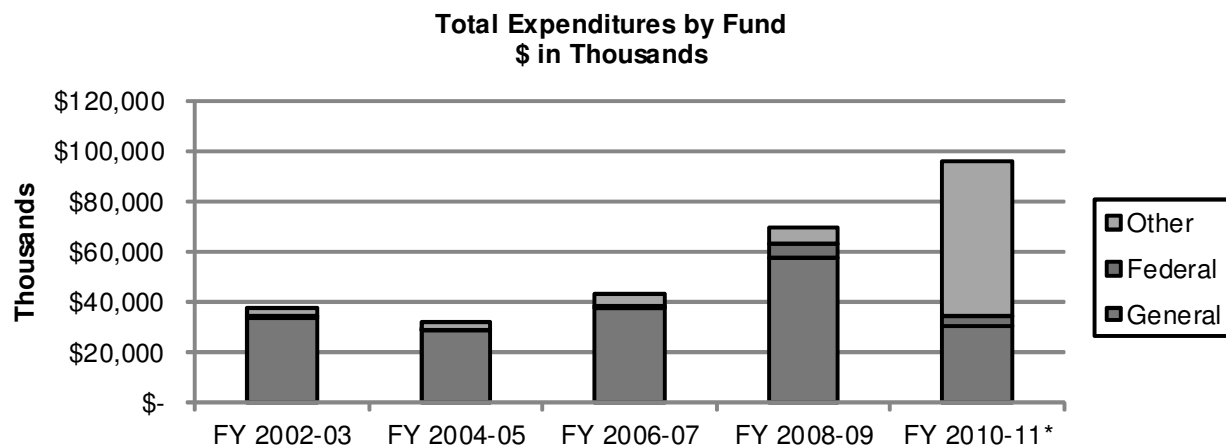
- Assisting and providing guidance to local governments in the development of comprehensive resource management plans that address critical state and local needs and priorities;
- Increasing the skill based of local governments through a comprehensive training program;
- Systematically reviewing the performance of local governments in meeting the goals of their own management plans; and
- Evaluating the ecological integrity of restoration evaluations while assuring that conservation easements are maintained in the state's best interest.

Resource Protection Rules and Laws: Ensuring compliance with environmental laws, rules, and regulations is the goal of this program. BWSR is responsible for administering the Wetland Conservation Act (WCA) and providing oversight to drainage authorities operating under the drainage law (M.S. 103E). The agency conducts this program by:

- Providing oversight of local implementation through annual reporting and adjudicating or mediating disputes elevated through an appeals process of local government decisions;
- Managing and administering the state wetland bank system;
- Coordinating inter-agency funding to local governments for implementation of the WCA, DNR Shoreland Management Program, PCA Subsurface Sewage Treatment System Program, PCA Feedlot Permit Program and BWSR Comprehensive Local Water Management Program; and
- Facilitating the Drainage Work Group in developing consensus recommendations of updates to drainage law to be adopted by the legislature without controversy.

Board Administration and Agency Operations: Board and administrative leadership, internal business systems, and operational support are provided to the agency by this program. This program includes the board and board management, financial and accounting services, legislative and public relations, as well as information technology services, communications, and human resources.

Budget Trends



* FY 2010-11 is estimated, not actual. Source data for the previous chart is the Minnesota Accounting and Procurement System (MAPS) as of 08/24/10. Please note that FY2006-07 and 2008-09 General Fund allocations included large one-time Clean Water Legacy appropriations of \$5.84 million and \$14.166 million respectively.

Recent passage of the Clean Water, Land, and Legacy Amendment speaks to the value Minnesota residents have regarding natural resources and provides significant funding for conservation efforts. The passage of the amendment also has raised expectations regarding the use of and the outcomes achieved by the funds. Obtaining the best environmental outcomes requires technical capacity and excellence at the local level. The trend of reduced local government budgets presents a significant challenge regarding the level of technical expertise needed to implement conservation programs. Resource protection activities are increasing statewide as evidenced by the request of four times the amount of project grant funds available. Landowner interests in

easements that provide permanent resource protection continues to exceed funding available. Increased citizen expectations regarding transparent, readily-available information on the progress being made towards resource protection and improvement goals will require improvements to existing reporting systems.

Contact

John Jaschke, Executive Director
Phone: 651-296-0878
Email: john.jaschke@state.mn.us
<http://www.bwsr.state.mn.us>

Minnesota Board of Water and Soil Resources
520 Lafayette Road South
Saint Paul, Minnesota 55155

For information on how this agency works to fulfill its mission and documents its performance towards achieving measures, please refer to our website.

Dollars in Thousands

	Current		Governor Recomm.		Biennium
	FY2010	FY2011	FY2012	FY2013	2012-13
<u>Direct Appropriations by Fund</u>					
Environment & Natural Resource					
Current Appropriation	3,425	2,235	2,235	2,235	4,470
Recommended	3,425	2,235	0	0	0
Change		0	(2,235)	(2,235)	(4,470)
% Biennial Change from 2010-11					-100%
General					
Current Appropriation	15,663	16,344	16,344	16,344	32,688
Recommended	15,663	16,344	12,742	12,742	25,484
Change		0	(3,602)	(3,602)	(7,204)
% Biennial Change from 2010-11					-20.4%
Outdoor Heritage					
Current Appropriation	9,058	6,895	6,895	6,895	13,790
Recommended	9,058	6,895	0	0	0
Change		0	(6,895)	(6,895)	(13,790)
% Biennial Change from 2010-11					-100%
Clean Water					
Current Appropriation	18,705	20,619	20,619	20,619	41,238
Recommended	18,705	20,619	24,484	24,484	48,968
Change		0	3,865	3,865	7,730
% Biennial Change from 2010-11					24.5%
<u>Expenditures by Fund</u>					
Direct Appropriations					
Environment & Natural Resource	3,546	2,988	0	0	0
General	16,411	16,934	12,742	12,742	25,484
Miscellaneous Special Revenue	2,668	4,965	3,602	3,602	7,204
Federal	155	314	200	200	400
Outdoor Heritage	1,994	13,959	0	0	0
Clean Water	16,172	23,152	24,484	24,484	48,968
Statutory Appropriations					
Miscellaneous Special Revenue	1,346	4,195	3,255	3,255	6,510
Federal	4,064	413	384	384	768
Total	46,356	66,920	44,667	44,667	89,334
<u>Expenditures by Category</u>					
Total Compensation	6,266	7,197	5,567	5,567	11,134
Other Operating Expenses	1,935	2,258	679	679	1,358
Capital Outlay & Real Property	10,352	20,084	(59)	(59)	(118)
Local Assistance	27,803	34,381	35,380	35,380	70,760
Transfers	0	3,000	3,100	3,100	6,200
Total	46,356	66,920	44,667	44,667	89,334
<u>Expenditures by Program</u>					
Land & Water Cons. Projects	31,071	46,280	30,902	30,902	61,804
Resource Planning & Delivery	6,768	6,085	3,210	3,210	6,420
Resource Protection Rules/Laws	3,616	8,971	5,440	5,440	10,880
Board Admin & Agency Ops	4,901	5,584	5,115	5,115	10,230
Total	46,356	66,920	44,667	44,667	89,334
Full-Time Equivalents (FTE)	71.1	65.9	57.2	57.2	

WATER & SOIL RESOURCES BOARD

Change Summary

<i>Dollars in Thousands</i>				
	FY2011	Governor's Recomm.		Biennium
		FY2012	FY2013	2012-13
Fund: ENVIRONMENT & NATURAL RESOURCE				
FY 2011 Appropriations	2,235	2,235	2,235	4,470
Technical Adjustments				
One-time Appropriations		(2,235)	(2,235)	(4,470)
Subtotal - Forecast Base	2,235	0	0	0
Total Governor's Recommendations	2,235	0	0	0
Fund: GENERAL				
FY 2011 Appropriations	16,344	16,344	16,344	32,688
Technical Adjustments				
Biennial Appropriations		504	504	1,008
Current Law Base Change		132	132	264
One-time Appropriations		(3,000)	(3,000)	(6,000)
Subtotal - Forecast Base	16,344	13,980	13,980	27,960
Change Items				
COST-SHARE REDUCTION	0	(560)	(560)	(1,120)
GRANTS TO LOCAL BOARDS REDUCTION	0	(288)	(288)	(576)
WETLAND CONSERVATION ACT REDUCTION	0	(200)	(200)	(400)
ADMIN AND OPERATIONS REDUCTION	0	(190)	(190)	(380)
Total Governor's Recommendations	16,344	12,742	12,742	25,484
Fund: OUTDOOR HERITAGE				
FY 2011 Appropriations	6,895	6,895	6,895	13,790
Technical Adjustments				
One-time Appropriations		(6,895)	(6,895)	(13,790)
Subtotal - Forecast Base	6,895	0	0	0
Total Governor's Recommendations	6,895	0	0	0
Fund: CLEAN WATER				
FY 2011 Appropriations	20,619	20,619	20,619	41,238
Technical Adjustments				
One-time Appropriations		(20,619)	(20,619)	(41,238)
Subtotal - Forecast Base	20,619	0	0	0
Change Items				
SURFACE & DRINKING WATER PROTECTION	0	12,500	12,500	25,000
LOCAL RESOURCE PROTECTION GRANTS	0	2,250	2,250	4,500
CONSERVATION DRAINAGE MGMT & ASSISTANCE	0	1,000	1,000	2,000
COMMUNITY PARTNERS CLEAN WATER PROGRAM	0	1,250	1,250	2,500
RESTORATION EVALUATIONS PROJECT	0	84	84	168
ACCOUNTABILITY, OVERSIGHT & TRAINING	0	900	900	1,800
PERMANENT RESOURCE PROTECTION	0	6,500	6,500	13,000
Total Governor's Recommendations	20,619	24,484	24,484	48,968

WATER & SOIL RESOURCES BOARD

Change Summary

<i>Dollars in Thousands</i>				
	FY2011	Governor's Recomm.		Biennium
		FY2012	FY2013	2012-13
<i>Fund: MISCELLANEOUS SPECIAL REVENUE</i>				
Planned Statutory Spending	4,195	3,255	3,255	6,510
Total Governor's Recommendations	4,195	3,255	3,255	6,510
<i>Fund: FEDERAL</i>				
Planned Statutory Spending	413	384	384	768
Total Governor's Recommendations	413	384	384	768

WATER & SOIL RESOURCES BOARD

Change Item: ACCOUNTABILITY, OVERSIGHT & TRAINING

Fiscal Impact (\$000s)	FY 2012	FY 2013	FY 2014	FY 2015
General Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Other Fund				
Expenditures	\$900	\$900	0	0
Revenues	0	0	0	0
Net Fiscal Impact	\$900	\$900	0	0

Recommendation

The Governor recommends \$1.8 million for the biennium from the clean water fund to implement a comprehensive and cohesive system for providing accountability, evaluating the results, and measuring the value of conservation programs. These efforts insure the taxpayer's investment in conservation projects, programs, and practices provide real benefits to Minnesota citizens.

Rationale

Local governments are foundational to delivering the results of the state's conservation programs. The Clean Water Legacy Act in 2006 highlighted the expectation for local governments to function efficiently as they are the delivery mechanism by which nearly all of the water quality improvements would be achieved. Additionally, the passage of the Constitutional Amendment in 2008 is providing increased funding to environmental quality programs and conservation practices.

The agency will provide accountability to the state while supporting and providing assistance to local governments implementing conservation projects by:

1. Building strong technical skills within the local government conservation delivery
2. Providing assistance to local governments for improved program implementation, streamlining reporting requirements, and providing transparency regarding local government performance in meeting clean water program goals
3. Evaluating the success and value of on-the-ground restoration and protection activities in order to better target implementation funds

Building and Insuring Technical Capacity

Currently there is no comprehensive technical training program that allows conservation professionals to acquire new skills to meet emerging needs. The agency provides training opportunities to the extent it can. The demand for more training is evident by the over 300 conservation professionals that attend the agency's annual training program. However, there is a need for more skills acquisition and this need is growing due to an increase in conservation funds and a wave of retiring practitioners.

This proposal allows for building and enhancing the technical skills of conservation technicians and engineers who design, install, and inspect conservation practices such as stream channel restorations, wetland restorations, water retention structures, and feedlot upgrades, among others. A mentoring program to build additional and future technical capacity will be established to meet the increased demand for Clean Water projects. All training, certification and mentoring efforts will be coordinated through the Inter-Agency Training Team which consists of representatives from NRCS, University of Minnesota, DNR, Dept of Ag, MPCA, Dept of Health, and others. Program curriculums, delivery, implementation, quality, and evaluation will be ensured by coordinating through this team.

Providing Assistance for Improved Performance

Not every local government in the conservation delivery system is equally capable of high performance. By evaluating progress towards achieving locally prioritized conservation goals as well as state required programs, roadblocks to achieving high performance can be systematically identified and addressed. This program provides for individualized assistance with boards and key staff from local governments in order to develop a pathway to

success either through facilitation, additional organizational development resources, or other leadership development tools.

Evaluating Success for Increased Value

What happens on the land determines the quality of our surface water. Evaluating the on-the-ground resource conditions, from determining adoption rates of conservation practices to measuring soil erosion rates in a standardized and uniform manner, is critical for determine what conservation practices and programs are most effective. Lake and stream monitoring is performed to determine the quality of surface waters. This proposal is for monitoring the condition of the land and will greatly enhance the capacity to interpret what's happening in a watershed. It is anticipated that grants will be available to local governments to conduct the on-the-ground/landscape conditions on a revolving basis and could coordinated with other water quality assessment programs.

Key Goals and Measures

Increasing local government effectiveness: the ability for BWSR to fulfill its role in protecting and improving water and soil resources relies on an effective delivery system of local governments. This goal is contained in the BWSR mission statement and strategic plan. This program activity supports this goal by:

- Increasing the quality and availability of training opportunities for critical skills enhancement that is coordinated with other organizations, valued by participants and results in more effective project results; and
- Developing and utilizing assessment and evaluation methods that are science-based, practical, effective, and transparent.

Insuring the integrity of the state's investment: evaluating the success of the conservation practices is critical to insuring the state's clean water goals will be met. This goal is contained in the Minnesota Milestone of "Minnesotans will restore and maintain healthy ecosystems that support diverse plants and wildlife". This program will determine:

- Change in landscape and water quality conditions due to the implementation of conservation practices.
- Improving the science of implementing conservation practices through thorough evaluation to determine potential improvements.

Statutory Change: Not Applicable

WATER AND SOIL RESOURCES BOARD

Program: ADMINISTRATION AND OPERATIONS

Change Item Change Item: Operating Budget Reductions:

Fiscal Impact (\$000s)	FY 2012	FY 2013	FY 2014	FY 2015
General Fund				
Expenditures	\$(190)	\$(190)	\$(190)	\$(190)
Revenues	0	0	0	0
Other Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact	\$(190)	\$(190)	\$(190)	\$(190)

Recommendation

The Governor recommends a reduction of \$190,000 in FY 2012 and \$190,000 in FY 2013 to the Board of Water and Soil Resources general fund operating 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.

This proposal represents a 5% percent reduction to the Board of Water and Soil Resource's administrative budget.

Rationale

The Board of Water and Soil Resources general fund base budget recommended by the Governor is \$12,742,000 for each year of the FY12-13 biennium and includes amounts budgeted for the Land Water Projects, Planning and Effectiveness, Rules and Laws, and Administration and Operations programs. The portion of this base budget for Administration and Operations is \$3,604,000 for each year of the FY12-13 biennium. The Board of Water and Soil Resources proposes to reduce operating expenditures and positions during the FY 2012-13 biennium by the following amounts:

- Program delivery staff: \$190,000 and 2 FTE

Statutory Change: Not Applicable.

WATER & SOIL RESOURCES BOARD

Change Item: COMMUNITY PARTNERS CLEAN WATER PROGRAM

Fiscal Impact (\$000s)	FY 2012	FY 2013	FY 2014	FY 2015
General Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Other Fund				
Expenditures	\$1,250	\$1,250	0	0
Revenues	0	0	0	0
Net Fiscal Impact	0	0	0	0

Recommendation

The Governor recommends \$2.5 million for the biennium from the clean water fund for the Citizen and Community Participation Program (CCPP). This small-grants program will broaden and leverage citizen participation in doing water quality projects.

Rationale

Achieving the long-term goals of clean lakes, rivers and drinking water is not attainable without active and engaged citizens and communities. This proposal will use existing program delivery mechanisms to address a current funding gap and allow citizens to take action in managing and protecting their local water resources.

Currently, the majority of the clean water funds used for on-the-ground conservation work are targeted to high priority projects identified in comprehensive local water plans or plans to restore water quality to degraded lakes and rivers. However, there is no state-wide funding program for small projects that are based at a community group level such as a lake association, scout troop, 4-H club, conservation club, non-governmental organization, civic group or school that wishes to implement community service and education projects.

This program will enable local governments to engage citizens into taking action in managing their local resources. BWSR will provide funding to existing local governments or regional joint powers organizations based on an approved plan for prioritizing conservation efforts that:

- address critical water resource needs
- engage citizens and community groups to take action in local resource management
- provide a clear pathway for citizen leadership in project development and implementation
- meet accountability requirements by using existing local government reporting processes

By using existing local governments as the delivery mechanism for the small grants, agency and local government grant administration will be streamlined and have accountability assurances due to local government requirements for open meetings, standardized government accounting practices, and transparent reporting. This will lower transaction costs and increases the quality of oversight compared to having BWSR administer grants directly to small and informal community groups. A major benefit of the approach is to bring local government and non-government organization into closer working relationships so common goals may lead to integrated strategies and efficiencies.

Key Goals and Measures

- **Strengthen the public's sense of ownership and responsibility:** BWSR works to accomplish the Minnesota Milestone goal of "Minnesotans will conserve natural resources to give future generations a healthy environment and a strong economy" through the creation of this program specifically targeted to engage citizens into active participation in creating a healthy environment.
- **Delivering conservation programs to maximize their impact on the land and water resource:** the agency's strategic plan includes this goal which is realized through the development of grant programs that target funding to projects with the best environmental outcome.

Statutory Change: Not Applicable

Agency: Board of Water and Soil Resources**Change Item: Conservation Drainage Management and Assistance**

Fiscal Impact (\$000s)	FY 2012	FY 2013	FY 2014	FY 2015
General Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Other Fund				
Expenditures	\$1,000	\$1,000	0	0
Revenues	0	0	0	0
Net Fiscal Impact	\$1,000	\$1,000	0	0

Recommendation

The Governor recommends \$2 million for the biennium from the clean water fund for Conservation Drainage Management and Assistance activities. The goal of this change item is to greatly accelerate the successful FY 2010-2011 clean water fund program which provided cost-share grants for pilot projects to retrofit existing drainage systems with water quality improvement and retention practices while maintaining agricultural uses.

Rationale

Drainage is a necessary and expanding economic component on much of the agricultural land in Minnesota, and is also important for protection and safety of roads and other infrastructure. Extensive public and private drainage infrastructure exists in Minnesota that can affect peak channel flows, soil erosion, and water quality, including both surface ditches and subsurface tile. In recent years, a number of best management practices (BMPs) have been identified and developed under the umbrella of "conservation drainage" to better enable multipurpose drainage management. These BMPs are based on research and demonstration projects in Minnesota and other states having extensive drainage infrastructure.

This program provides for financial and technical assistance to increase adoption of conservation drainage BMPs to retrofit existing drainage systems. These practices promote retention of rainfall and runoff on the land, soil erosion reduction, and water quality improvement in drainage systems and receiving waters while maintaining agricultural production. In FY2010-11 there was very limited funding available for this program (\$500K total) and the request for funds was nearly five times the amount available.

This program utilizes the conservation delivery system including watershed districts, counties, and soil and water conservation districts to retrofit multipurpose conservation drainage practices on existing public and private agricultural drainage systems. The local governments work in partnership with private landowners to effectively implement state financial and technical incentives for conservation drainage practices. All projects will include outreach and education in order to increase the adoption of these emerging conservation drainage best management practices that provide multiple benefits.

Key Goals and Measures

- A key goal of this program is accelerated demonstration and adoption of multipurpose drainage management using a suite of conservation drainage practices.
- Key measures and outcomes include peak flow reduction, tons of soil and suspended solids kept on the land and out of drainage systems, as well as pounds of phosphorus and nitrogen kept out of receiving waters.
- This program accelerates the implementation of conservation drainage on private working lands and therefore supports the mission of the Board of Water and Soil Resources to protect and improve Minnesota's soil and water resources.
- Outreach and demonstration of conservation drainage practices will be implemented within various drained agricultural landscapes in Minnesota.

Statutory Change: Not Applicable

WATER & SOIL RESOURCES BOARD

Change Item: COST-SHARE REDUCTION

Fiscal Impact (\$000s)	FY 2012	FY 2013	FY 2014	FY 2015
General Fund				
Expenditures	\$(560)	\$(560)	\$(560)	\$(560)
Revenues	0	0	0	0
Other Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact	\$(560)	\$(560)	\$(560)	\$(560)

Recommendation

The Governor recommends an ongoing reduction of \$560,000 per year in the cost-share grant program. The cost-share feedlot program will be reduced \$455,000 to \$0, a 100% reduction, and the cost-share native vegetation buffer program will be reduced \$105,000 per year to \$608,000, a 15% reduction.

Rationale

BWSR administers cost-share programs as provided in 103C.501 by providing grants to soil and water conservation districts (SWCD). The SWCDs provide technical and financial assistance to landowners for the installation of conservation practices. This proposal would eliminate the program that upgrades feedlots, and reduces another that supports the creation of native vegetation buffers adjacent to surface waters. The impact of these reductions is less funds available for direct on the ground conservation projects.

Key Goals and Measures

- Delivering conservation programs to maximize their impact on the land and water resource:

Statutory Change: Not Applicable

WATER & SOIL RESOURCES BOARD

Change Item: GRANTS TO LOCAL GOVERNMENTS REDUCTION

Fiscal Impact (\$000s)	FY 2012	FY 2013	FY 2014	FY 2015
General Fund				
Expenditures	\$(288)	\$(288)	\$(288)	\$(288)
Revenues	0	0	0	0
Other Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact	\$(288)	\$(288)	\$(288)	\$(288)

Recommendation

The Governor recommends an ongoing reduction of \$288,000 per year in three grants that go to local boards. The Red River Basin Commission grant of \$84,000 per year, the MN River Joint Powers Board grant of \$84,000 per year, and the Area II grant of \$120,000 per year would be eliminated.

Rationale

These grants go to boards that coordinate water and land conservation planning. The Red River Basin Commission is a non-governmental agency that assesses water issues in the Red River Basin. The MN Joint Powers Board coordinates clean water efforts in the Minnesota River Basin. The Area II group provides financial and technical assistance to the nine member counties for the planning, design, and installation of floodwater retention projects. Elimination of these grants will impact the ability of these groups to continue their work.

Key Goals and Measures

- Delivering conservation programs to maximize their impact on the land and water resources.

Statutory Change: Not Applicable

WATER & SOIL RESOURCES BOARD

Change Item: LOCAL RESOURCE PROTECTION GRANTS

Fiscal Impact (\$000s)	FY 2012	FY 2013	FY 2014	FY 2015
General Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Other Fund				
Expenditures	\$2,250	\$2,250	0	0
Revenues	0	0	0	0
Net Fiscal Impact	\$2,250	\$2,250	0	0

Recommendation

The Governor recommends \$4,500 thousand in clean water fund money for the biennium for grants to local governments. Funding will be used for local governments to develop and apply water resource protection and management measures that go beyond state minimum standards and undertake innovative programs that result in highly targeted resource protection and restoration strategies.

Rationale

Counties, cities, watershed districts, and soil and water conservation districts implement state shoreland regulations, sub-surface sewage treatment system (SSTS) rules, wetland protection programs, drainage laws, and stormwater management requirements. Efforts to meet minimum state standards are partially funded through existing General Fund base grants. This program will provide for accelerated efforts that exceed state minimum standards by: (1) protecting waters of the state and preventing them from becoming impaired, and (2) cleaning up state waters that are impaired. An impediment to enhanced local implementation of natural resource protection and restoration activities is inadequate resources necessary to develop plans, ordinances and incentives to direct these efforts.

These funds will be targeted to counties, cities, watershed districts and soil and water conservation districts in a lead or partnership role.

Local Water Resources Protection

Local governments, not state agencies, have direct authority and responsibility for land use planning, which has a major impact on the quality of natural resources. They are also responsible for implementing state regulations related to resource protection through ordinances and related planning initiatives. An important goal of this program is to accelerate the integration of state and federal impaired waters restoration plans, resource protection strategies, stormwater management plans, and other critical resource directed efforts into the every-day processes of local governance. One area of specific need that will be addressed through this program is to assist cities and counties in building capacity to address non-conforming and failing septic systems including supporting implementation of county SSTS ordinances.

Innovation Challenge Grant

New technologies, such as statewide LiDAR and the development of digital terrain analysis, will lead to the nearly surgical placement of best management practices on the landscape. By increasing the accuracy of conservation practices to the best location for the greatest benefit, state and local clean water goals will be more achievable in a shorter period of time. Additionally, research continues to be conducted on new implementation techniques and technologies that increase the results of conservation practices. The goal of the Innovation Challenge Grant program is to accelerate the adoption of new technologies for targeting resource protection efforts. Adopting new practices is especially difficult when funds are tight, this program will reduce the financial impediment to adopting new technologies and techniques.

Key Goals and Measures

Increasing local government effectiveness: the ability for BWSR to fulfill its role in protecting and improving water and soil resources relies on an effective delivery system of local governments. This goal is contained in the BWSR mission statement and strategic plan. This program activity supports this goal by:

WATER & SOIL RESOURCES BOARD

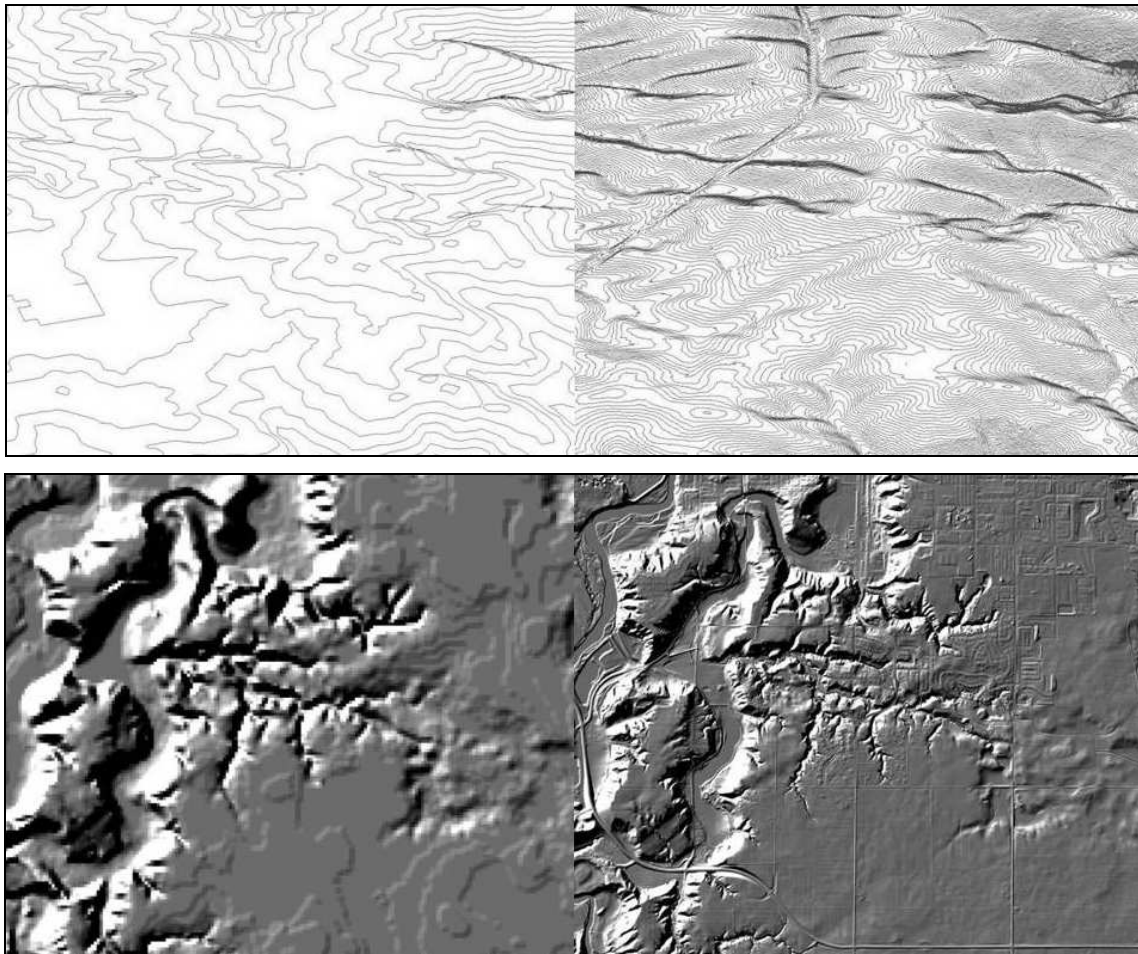
Change Item: LOCAL RESOURCE PROTECTION GRANTS

- Integrating approved impaired waters restoration plans into local government plans and programs.
- Ordinances that protect natural resources of local concern and exceed state minimum standards are adopted.

Delivering conservation programs to maximize their impact on the land and water resource: the agency's strategic plan includes this goal which is realized through the development of the challenge grant programs that result in more precise targeting of conservation projects in order to obtain the best environmental outcome.

- Targeting restoration and protection work to most critical sites
- Innovative technologies and techniques are implemented, and used in training, education, and communication efforts to further their acceptance.

Below: examples of current technology used for targeting and designing conservation practices on the left. On the right are examples of the precision in site selection and practice design achievable with availability of LiDAR data.



Statutory Change: Not necessary, although a policy amendment (M.S. 103B) to streamline the water plan amendment process has been developed.

WATER & SOIL RESOURCES BOARD

Change Item: PERMANENT RESOURCE PROTECTION

Fiscal Impact (\$000s)	FY 2012	FY 2013	FY 2014	FY 2015
General Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Other Fund				
Expenditures	\$6,500	\$6,500	0	0
Revenues	0	0	0	0
Net Fiscal Impact	\$6,500	\$6,500	0	0

Recommendation

The Governor recommends \$13 million in clean water funds for the biennium to permanently protect critical water resources through the acquisition of easements on private land along public waters and in highly vulnerable ground water protection areas.

Rationale

Buffer strips are one of the most effective and proven methods to protect surface water quality in environmentally sensitive or highly erodible soils along rivers and streams. Landscape restoration is also an effective way to protect highly vulnerable aquifers from contamination. This program will accomplish both of these protection strategies while achieving multiple benefits such as improving wildlife habitat and flood attenuation while keeping land in the hands of private land owners and on the tax rolls.

Buffer strips

This proposal builds on the highly successful initial FY2010-11 buffer program which targeted critical expiring Conservation Reserve Program (CRP) acres so that these acres would be permanently protected. By targeting acres currently enrolled in the federal Farm Bill program, delivery of the easement initiative was highly efficient and provided overall better value for the cost of the easement since landowners were already supportive of conservation and the state typically did not have to pay for the practices to establish the buffer. This program is a cooperative effort with Soil and Water Conservation Districts that promote the conservation easement program to eligible landowners and assist in processing the easement agreements.

Response and results for the \$6.5M of FY 2010-11 clean water funds for the buffer strip program was incredibly rapid. The announcement and sign-up of the first \$3.25M (2010 appropriation) was announced December 1, 2009 and was fully allocated within two months. The agency continued to take applications to streamline the process of allocating the \$3.25 in 2011 funds. The total amount of funding for the biennium was allocated within three months of the program announcement and there is a waiting list of unmet need. The result of this program is that highly erodible soils along streambanks and other public waters in 23 counties are permanently protected and will provide lasting value for multiple conservation benefits.

The proposal also includes a special initiative for high-quality, multi-purpose buffers to combine a recommended \$2.5M in Outdoor Heritage Funds with \$2.5M from the Clean Water Fund to target areas that can generate more wildlife nesting and cover benefits via wider buffers.

Protecting Drinking Water

The proposal expands the FY 2010-11 Clean Water Fund wellhead protection program. The focus of this program is to convert agricultural land to grass lands and wetlands in areas designated with high or very high vulnerability to contamination as defined in Minnesota Rules, part 4720.5100. The agency worked with Minnesota Department of Health and Minnesota Department of Agriculture to determine the list of targeted areas and then worked with SWCDs in those areas to promote the conservation easement program to eligible landowners. Seven communities were selected for targeted implementation. This proposal will expand the number of communities served in order to provide more citizens with safe drinking water.

Key Goals and Measures

- **Delivering conservation programs to maximize their impact on the land and water resource:** the agency's strategic plan includes this goal which is realized through the permanent acquisition of sensitive

WATER & SOIL RESOURCES BOARD

Change Item: PERMANENT RESOURCE PROTECTION

landscapes for the greatest resource outcome. Improved targeting of conservation practices result in an increase in currently reported outcomes reduced soil loss and sediment loading into surface waters.

- **Permanent protection of environmental sensitive and highly vulnerable resources:** this program will work to accomplish the Minnesota Milestone goal of “Minnesotans will improve the quality of the air, water, and earth” and will do so in a manner that secures the benefits for future generations.

Statutory Change: Not Applicable

WATER & SOIL RESOURCES BOARD

Change Item: RESTORATION EVALUATIONS PROJECT

Fiscal Impact (\$000s)	FY 2012	FY 2013	FY 2014	FY 2015
General Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Other Fund				
Expenditures	\$84	\$84	0	0
Revenues	0	0	0	0
Net Fiscal Impact	\$84	\$84	0	0

Recommendation

The Governor recommends \$168,000 for the biennium in clean water funds for the implementation of the Restoration Evaluations project as required by M. L. 2010, Ch 361, Art 1.

Rationale

State law requires restoration evaluations be conducted on habitat restoration projects completed with funds from the clean water fund (M.S. 114D.50), outdoor heritage fund (M.S. 97A.056), and parks and trails fund (M.S. 85.53). As provided by law, BWSR is the responsible agency for clean water fund restoration evaluations; DNR is the responsible agency for parks and trails fund restoration evaluations; and DNR and BWSR are jointly responsible for outdoor heritage fund restoration evaluations (M.L. 2010, Ch. 361, Art.1). Unlike the outdoor heritage fund, for which funding recommendations are made by the Lessard-Sams Outdoor Heritage Council (LSOHC), funding recommendations for the clean water fund and parks and trails Fund are provided by the Governor's Office as part of the biennial budget request.

The Department of Natural Resources (DNR) and the Board of Water and Soil Resources (BWSR) are jointly responsible for convening a technical evaluation panel (TEP) to annually evaluate a sample of up to 10 habitat restoration projects completed with outdoor heritage funding, as provided in M.L. 2010, Ch. 361, Art. 1. The agencies will assign a coordinator for the TEP. The coordinator is responsible for identifying the sample of projects to be evaluated by the panel. The TEP will evaluate the selected habitat restoration projects relative to the law, current science, stated goals and standards in the restoration plans, and applicable guidelines. The coordinator will summarize the findings of the panel and providing a report to the chairs of the LSOHC and respective Minnesota House and Senate policy and finance committees with jurisdiction over natural resources and Outdoor Heritage Fund spending. The report will determine whether restorations are meeting planned goals, identify problems with implementation of restorations and, if necessary, provide recommendations on improving restorations. It is anticipated the TEP will travel to conduct site visits for the restoration evaluations.

Key Goals and Measures

BWSR and DNR share the following goals and objectives for the program based on a joint pilot effort:

- *Effectiveness:* A process for evaluating habitat restoration projects will be recommended that provides for transparency and accountability in the use of Legacy funds and supports a collaborative, continuous learning environment that informs future habitat restorations throughout the state.
- *Consistency:* A process will be recommended that provides for consistency in program development and implementation within and across the three funds.
- *Efficiency:* A process will be recommended that allows the responsible agencies to comply with all program requirements established in law within the budgeted allowances for the Program (up to one-tenth of one percent of forecasted receipts for each fund).
- *Partnerships:* Partners will be engaged and involved in the development of the program.

Statutory Change: Not Applicable

WATER & SOIL RESOURCES BOARD

Change Item: SURFACE & DRINKING WATER PROTECTION

Fiscal Impact (\$000s)	FY 2012	FY 2013	FY 2014	FY 2015
General Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Other Fund				
Expenditures	\$12,500	\$12,500	0	0
Revenues	0	0	0	0
Net Fiscal Impact	\$12,500	\$12,500	0	00

Recommendation

The Governor recommends \$25 million for the biennium in clean water funds to develop and implement targeted grant programs that encourage voluntary adoption of land management practices and projects that protect and improve Minnesota surface water and ground water resources.

Rationale

The goal for this proposal is to accelerate the state's objectives for clean water through partnerships with local governments. Local governments in turn enter into agreements with private landowners to implement conservation practices and projects to make progress towards state goals and address high priority local resource concerns such as the following:

- ⇒ *Keeping water on the land*: the goal of restoring natural hydrology and reducing runoff is addressed by restoring wetlands, installing raingardens, developing stormwater treatment ponds, and implementing conservation drainage practices.
- ⇒ *Maintaining healthy soils*: healthy soils are necessary for a thriving agricultural economy and are supported through conservation tillage and erosion control projects.
- ⇒ *Reducing pollutants in ground and surface water*: targeted activities to reduce pollution in sensitive ecological settings are accomplished by upgrading feedlots, subsurface sewage treatment systems, and sealing abandoned wells that present a pollution problem.
- ⇒ *Maintaining stream integrity*: healthy stream hydrology and abundant fish and biota are accomplished through implementing streambank and shore stabilization
- ⇒ *Addressing imminent threat or failing sub-surface sewage treatment systems*: These funds will provide need-based grants to implement repairs of SSTS known to be contributing to the deterioration of surface waters.
- ⇒ *Engineering assistance*: Landowners need assistance in planning, design, and implementation of a wide variety of water quality improvement practices and the state needs qualified professionals to insure the proper planning and installation of practices.

This program builds on and expands the highly successful FY 2010-11 clean water funds appropriated through a competitive program by BWSR that were dedicated for this purpose. During the current biennium over \$60M in funding to address high priority needs was requested by local governments and only \$24M was available. All funds were provided based on the local government's ability to document the greatest value and benefit for the state's investment and are tracked to determine performance towards anticipated outcomes.

Eligibility for these funds is contingent on a state approved and locally adopted water management plan as required by M.S. 103B.3369. These plans that link scientific information and citizen priorities include county comprehensive local water management plans, watershed district management plans, and city surface water management plans. The planning requirement ensures that state funded projects are targeted to address water quality restoration or protection needs most effectively.

Key Goals and Measures

Delivering conservation programs to maximize their impact on the land and water resource: the agency's strategic plan includes this goal which is realized through the development of Clean Water Fund grant programs

that specifically target funding to implement conservation projects with the best value in achieving environmental outcomes.

- Project and practice eligibility criteria will continue to strengthen the allocation of grant funding.
- Landscape conditions, including the reduction in erosion and sedimentation, as well as water quality trends will be an indicator of progress towards clean water goals.

Addressing state and local natural resource priorities: this program will work to accomplish the Minnesota Milestone goal of “Minnesotans will improve the quality of the air, water, and earth” through voluntary adoption of land management practices and project that improve and protect surface water, groundwater, and drinking water.

- Restoration of natural hydrology and reduction of runoff by holding water on the landscape and implementing infiltration practices.
- Reducing the amount of pollutants that enter surface and groundwater through targeted activities such as upgrading feedlots and septic systems deemed to be a public health threat.

Statutory Change: Not Applicable

WATER & SOIL RESOURCES BOARD

Change Item: WETLAND CONS ACT REDUCTION

Fiscal Impact (\$000s)	FY 2012	FY 2013	FY 2014	FY 2015
General Fund				
Expenditures	\$(200)	\$(200)	\$(200)	\$(200)
Revenues	0	0	0	0
Other Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact	\$(200)	\$(200)	\$(200)	\$(200)

Recommendation

The Governor recommends an ongoing reduction of \$200,000 per year for two grant program that began in 2007 as part of the agency's Wetland Conservation Grant (WCA) program. The ongoing \$100,000 pass through grant to the Department of Natural Resources would be eliminated, as well as the ongoing \$100,000 appropriation for WCA grants for the 11-county Metro area. These reductions amount to 5% of the current WCA grant budget.

Rationale

WCA enforcement activities would slow as a result of this proposal.

Key Goals and Measures

- Delivering conservation programs to maximize their impact on the land and water resources.

Statutory Change: Not Applicable

Program Description

The purpose of the Land and Water Conservation Projects Program is to improve and protect Minnesota's land and water resources by providing funding for conservation practices and projects as well as providing for the accountability, reporting, and transparency on environmental outcomes and management of funds.

Budget Activities

This program includes the following budget activities:

- Project and Project Management
- Permanent Resource Protection

WATER & SOIL RESOURCES BOARD

Program: LAND & WATER CONS. PROJECTS

Program Summary

Dollars in Thousands					
	Current		Governor Recomm.		Biennium
	FY2010	FY2011	FY2012	FY2013	2012-13
<u>Direct Appropriations by Fund</u>					
Environment & Natural Resource					
Current Appropriation	1,918	2,235	2,235	2,235	4,470
Technical Adjustments					
One-time Appropriations			(2,235)	(2,235)	(4,470)
Subtotal - Forecast Base	1,918	2,235	0	0	0
Total	1,918	2,235	0	0	0
General					
Current Appropriation	3,167	5,142	5,142	5,142	10,284
Technical Adjustments					
Biennial Appropriations			299	299	598
Current Law Base Change			100	100	200
One-time Appropriations			(3,000)	(3,000)	(6,000)
Subtotal - Forecast Base	3,167	5,142	2,541	2,541	5,082
Governor's Recommendations					
COST-SHARE REDUCTION		0	(560)	(560)	(1,120)
Total	3,167	5,142	1,981	1,981	3,962
Outdoor Heritage					
Current Appropriation	9,058	6,895	6,895	6,895	13,790
Technical Adjustments					
One-time Appropriations			(6,895)	(6,895)	(13,790)
Subtotal - Forecast Base	9,058	6,895	0	0	0
Total	9,058	6,895	0	0	0
Clean Water					
Current Appropriation	15,127	16,435	16,435	16,435	32,870
Technical Adjustments					
One-time Appropriations			(16,435)	(16,435)	(32,870)
Subtotal - Forecast Base	15,127	16,435	0	0	0
Governor's Recommendations					
SURFACE & DRINKING WATER PROTECTION		0	12,500	12,500	25,000
LOCAL RESOURCE PROTECTION GRANTS		0	2,250	2,250	4,500
CONSERVATION DRAINAGE MGMT & ASSISTANCE		0	1,000	1,000	2,000
COMMUNITY PARTNERS CLEAN WATER PROGRAM		0	1,250	1,250	2,500
PERMANENT RESOURCE PROTECTION		0	6,500	6,500	13,000
Total	15,127	16,435	23,500	23,500	47,000

WATER & SOIL RESOURCES BOARD

Program: LAND & WATER CONS. PROJECTS

Program Summary

<i>Dollars in Thousands</i>					
	Current		Governor Recomm.		Biennium
	FY2010	FY2011	FY2012	FY2013	2012-13
<u>Expenditures by Fund</u>					
Direct Appropriations					
Environment & Natural Resource	2,242	2,255	0	0	0
General	6,254	7,755	4,320	4,320	8,640
Miscellaneous Special Revenue	2,584	2,889	2,324	2,324	4,648
Federal	155	314	200	200	400
Outdoor Heritage	1,994	13,959	0	0	0
Clean Water	12,993	17,975	23,500	23,500	47,000
Statutory Appropriations					
Miscellaneous Special Revenue	785	720	174	174	348
Federal	4,064	413	384	384	768
Total	31,071	46,280	30,902	30,902	61,804
<u>Expenditures by Category</u>					
Total Compensation	1,359	1,623	588	588	1,176
Other Operating Expenses	279	265	17	17	34
Capital Outlay & Real Property	10,307	20,081	(60)	(60)	(120)
Local Assistance	19,126	21,311	27,357	27,357	54,714
Transfers	0	3,000	3,000	3,000	6,000
Total	31,071	46,280	30,902	30,902	61,804
<u>Expenditures by Activity</u>					
Projects And Project Mgmt	17,505	26,035	30,363	30,363	60,726
Permanent Resource Protection	13,566	20,245	539	539	1,078
Total	31,071	46,280	30,902	30,902	61,804
Full-Time Equivalents (FTE)	11.5	10.4	8.4	8.4	

WATER & SOIL RESOURCES BOARD

Program: LAND & WATER CONS. PROJECTS

Activity: PROJECTS AND PROJECT MGMT

Narrative

Activity at a Glance

Land and Water Treatment

2005 – 2008 Implementation

- 11,942 land and water treatment practices
- 783 acres of native buffers established
- 564 abandoned wells sealed
- 301 feedlots upgraded
- \$18 million federal grants and loans leveraged
- 432,387 tons of soil saved/year

Grants Management and Services

- 210 project grants to local governments in FY 2010
- 17 grant trainings and outreach sessions in 2010
- Financial reconciliations of 125 grants in 2009
- Each grantee receives annual onsite BWSR staff consultation and assistance to assure financial and environment outcomes are met

Flood Recovery Disaster Assistance

- \$5 million to southeast Minnesota local governments
- \$1.5 million to Red River area local governments

Activity Description

The goal of this activity is to meet state objectives for clean water, productive soil, and abundant fish and wildlife habitat through partnerships with local governments. Local governments in turn enter into agreements with private landowners to implement conservation practices and other projects that make progress toward state objectives.

Minnesota will be most able to achieve its conservation goals when businesses, citizens and units of government adopt voluntary resource protection and improvement activities. BWSR develops and delivers programs and projects by providing grants for targeted activities. These types of practices reduce the damage to Minnesota resources from soil erosion and the transport of pollutants into surface and groundwater. Sedimentation fills rivers and lakes, destroys habitat, carries pollutants, increases flood damages and reduces recreational value of water bodies. Soil erosion also reduces farm productivity, increases the costs of farming, and creates sediment for downstream communities to address. To address these issues key activities funded by these programs keep water on the land, or where this is not possible, treats runoff prior to entering a body of water.

Population Served

All Minnesota citizens, businesses and communities benefit from clean water, healthy soils and abundant habitat.

Thousands of Minnesotans continue to improve our natural resources by implementing conservation practices on their own land. Practices and projects are implemented via grants to a core conservation delivery network of approximately 250 local government units, including Soil and Water Conservation Districts, Counties, Cities, Watershed Districts and Watershed Management Organizations. The broad range of activities that are carried out under this program require that BWSR coordinates with other state and federal agencies, nonprofit organizations and other policy and natural resource managers. In the past four years, the Conservation Corp of Minnesota and Iowa has also participated in implementing the grant projects.

Services Provided

Conservation Project and Practice Grants

State objectives for clean water, healthy soil, and abundant habitat are achieved by on-the-ground implementation of projects that address a wide range of conservation concerns. The grant programs are developed to target high priority concerns such as the following.

- *Keeping water on the land:* the goal of restoring natural hydrology and reducing runoff is addressed by restoring wetlands, installing rain gardens, developing stormwater treatment ponds, and implementing conservation drainage practices.
- *Maintaining healthy soils:* healthy soils are necessary for a thriving agricultural economy and are supported through conservation tillage and erosion control projects.
- *Reducing pollutants in ground and surface water:* targeted activities to reduce pollution in sensitive ecological settings are accomplished by upgrading feedlots, subsurface sewage treatment systems, and sealing abandoned wells that present a pollution problem.
- *Insuring biological diversity:* the native buffer program and cooperative weed management programs address invasive species management and increase the abundance of native plants to achieve water quality improvement, especially in the most sensitive Minnesota landscapes.

WATER & SOIL RESOURCES BOARD

Program: LAND & WATER CONS. PROJECTS

Activity: PROJECTS AND PROJECT MGMT

Narrative

- *Maintaining stream integrity:* healthy stream hydrology and abundant fish and biota are accomplished through implementing streambank and shore stabilization.

In addition to paying the direct costs of constructing conservation practices and projects, funds are also provided to local governments for the costs of project design, construction oversight, and to fulfill required fiscal and outcomes reporting.

Eligibility for these funds is contingent on a state approved and locally adopted water management plan as required by M.S. 103B.3369. These plans that link scientific information and citizen priorities include county comprehensive local water management plans, watershed district management plans, and city surface water management plans. The planning requirement ensures that state funded projects are targeted to address water quality restoration or protection needs most effectively.

Grant Management Services:

BWSR has developed and implemented a comprehensive grant management system that is focused on providing the highest levels of accountability in the use of state funds in the most efficient manner possible. BWSR establishes eligibility criteria, determines grant program policies, reviews work plans, issues contracts, and conducts close-out reviews upon completion of grants to ensure accountability. Central to BWSR's grant management system is compliance with the Grant Management policies adopted by the Department of Administration, Office of Grants Management (http://www.admin.state.mn.us/ogm_policies_and_statute.html).

A critical element of this grant management system is the BWSR developed and supported eLINK online grant management system. Grant recipients use this database to develop project workplans, report grant activity and to estimate project pollution reduction and related outcomes. BWSR staff use this system to monitor grant recipient progress in meeting project goals and to generate data on practice outcomes and locations. In addition, BWSR provides local government training and technical support.

Historical Perspective

As mentioned above, in State Fiscal Year 2011, BWSR is administering 17 land and water conservation grant programs. The passage of the Clean Water, Land and Legacy Constitutional Amendment has resulted in a significant increase in the volume and diversity of grant activity administered by BWSR.

Agency land and water conservation project responsibilities began with the State Conservation Cost-Share Program in 1977. This program 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. Funding for the State Conservation Cost Share Program is provided through General Fund appropriations.

BWSR administers the Feedlot Water Quality Management Program in cooperation with SWCDs. 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. Program priorities focus on water quality restoration and protection. Between 1997 and 2009, this program was funded through General Fund appropriations, with substantial increases in FY 2008-2009 through Clean Water Legacy Act appropriations. Current biennial appropriations are provided by both the General Fund and supplemented by the Clean Water Fund.

The Cooperative Weed Management Area Program and the Native Buffer Cost-Share Program were created in 2007. The purposes of these programs are to manage noxious weeds or invasive plants in order to establish diverse native vegetation buffers for water quality and habitat improvement. Current biennial funding for these programs is from the General Fund.

WATER & SOIL RESOURCES BOARD

Program: LAND & WATER CONS. PROJECTS

Activity: PROJECTS AND PROJECT MGMT

Narrative

Funding for an array of new water quality restoration and protection grant programs began in the FY2010-11 biennium following passage of the Clean Water, Land and Legacy Constitutional Amendment. Principal restoration and protection activities funded through these programs include feedlots, subsurface sewage treatment systems, stormwater and runoff reduction and streambank and riparian stabilization.

Key Activity Goals & Measures

Delivering conservation programs to maximize their impact on the land and water resource: The agency's strategic plan includes this goal which is realized through the development of grant programs that target funding to projects with the best environmental outcome.

- Project and practice eligibility criteria and requirements will continue to strengthen the direction allocation of grant funding.
- Project and practice environmental outcome estimates will be primary basis for evaluating funding priorities.

Efficient and effective program implementation: BWSR works to accomplish the Minnesota Milestone goal of "Government in Minnesota will be cost effective and services will be designed to meet the needs of the people who use them". Grant program administration efficiencies continue to increase while experiencing growth. Grant funds in this activity, excluding one-time flood response appropriations, have increased by 94% since 2007 while grant administration staff has increased by less than 1.5 FTE.

Activity Funding

Funding sources include the General Fund and the Clean Water Fund. For FY 2010-11 the General Fund accounted for 15% and the Clean Water Fund accounted for 85% of the funding for this activity.

Contact

David Weirens, Land and Water Program Manager
Minnesota Board of Water and Soil Resources
520 Lafayette Road
Saint Paul, Minnesota 55155
Phone: (651) 297-3432
Email: david.weirens@state.mn.us

WATER & SOIL RESOURCES BOARD

Program: LAND & WATER CONS. PROJECTS

Activity: PROJECTS AND PROJECT MGMT

Budget Activity Summary

<i>Dollars in Thousands</i>					
	Current		Governor's Recomm.		Biennium
	FY2010	FY2011	FY2012	FY2013	2012-13
<u>Expenditures by Fund</u>					
Direct Appropriations					
Environment & Natural Resource	45	853	0	0	0
General	6,254	7,755	4,320	4,320	8,640
Miscellaneous Special Revenue	259	2,324	2,324	2,324	4,648
Clean Water	10,120	14,576	23,500	23,500	47,000
Statutory Appropriations					
Miscellaneous Special Revenue	827	482	174	174	348
Federal	0	45	45	45	90
Total	17,505	26,035	30,363	30,363	60,726
<u>Expenditures by Category</u>					
Total Compensation	640	525	210	210	420
Other Operating Expenses	292	6	0	0	0
Capital Outlay & Real Property	440	2,444	174	174	348
Local Assistance	16,133	20,060	26,979	26,979	53,958
Transfers	0	3,000	3,000	3,000	6,000
Total	17,505	26,035	30,363	30,363	60,726
Full-Time Equivalents (FTE)	7.3	4.0	3.0	3.0	

WATER & SOIL RESOURCES BOARD

Program: LAND & WATER CONS. PROJECTS

Activity: PERMANENT RESOURCE PROTECTION

Narrative

Activity at a Glance

Reinvest In Minnesota-Wetlands Reserve Program (RIM-WRP) Partnership – the premier private lands wetland restoration program in the nation

2008 – First in the nation in number of easements acquired; second in acres; \$33 million leveraged

2009 – Second in the nation in easements acquired; first in acres; \$41 million leveraged

2010 – \$1.6 federal funds leveraged for every state dollar.

Since 2000, RIM Reserve has leveraged over **\$250 million** in **Federal Farm Bill** Conservation program dollars to Minnesota's conservation easement protection and restoration outcomes.

Clean Water Funds (CWF) – In 2010, over \$7.9 million CWF RIM Reserve riparian buffer and wellhead protection easements were secured on approximately 1,680 acres.

Outdoor Heritage Funds (OHF)

2009 – Received second largest OHF appropriation \$9.058 million.

2010 – Received largest appropriation from OHF \$6.895 million.

Army Compatible Use Buffer Program (ACUB)

\$10.9 million federal dollars awarded to the BWSR since 2006.

Activity Description

The goal of this activity is to meet state objectives for clean water, productive soil, and abundant fish and wildlife habitat through partnerships through securing permanent conservation easements in partnership with local organizations and private landowners. Currently, much of the focus of this activity is the Reinvest in Minnesota (RIM) Reserve – Wetlands Reserve Program (WRP) Partnership, the premier private lands wetland restoration program in the nation. This is a local-state-federal partnership developed only in Minnesota via an agreement between the Natural Resources Conservation Service (NRCS), the Soil and Water Conservation Districts (SWCDs) and the Board of Water and Soil Resources (BWSR). Additional program priorities include protecting surface and groundwater through acquiring buffers in sensitive landscapes and reducing flooding potential by expanding flood retention areas along rivers. This is accomplished by installing extensive berm systems to keep floodwaters within a flood plain and away from infrastructure and productive land.

The 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).

Population Served

Voluntary conservation projects with private landowners and units of government focus on restoring drained wetlands and enrolling highly erodible, riparian and sensitive groundwater lands.

Services Provided

Permanent Resource Protection:

The RIM Reserve program provides BWSR with the authority to acquire, on behalf of the state, conservation easements to permanently protect, restore and manage critical natural resources without owning the land outright. The land remains in private ownership and the landowner retains responsibility for maintenance and paying applicable real estate taxes and assessments. Because the state does not hold fee title to the property, conservation easements are often the most cost-effective tool for the protection and restoration of natural resources on private lands.

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 for SWCDs to conduct sign-ups with their local landowners who have land that meets the eligibility criteria established by the board and is consistent with the requirements of M.S. 103F.505.

WATER & SOIL RESOURCES BOARD

Program: LAND & WATER CONS. PROJECTS

Activity: PERMANENT RESOURCE PROTECTION

Narrative

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.

Conservation Easement Acquisition:

BWSR staff provides the necessary administrative, legal, and engineering duties to secure the conservation easements with landowners through the local SWCDs. BWSR duties include:

- Developing and administering eligibility and ranking criteria;
- Determining payment rates that ensure both program success as well as fiscal responsibility;
- Technical feasibility and project design;
- Verifying land ownership;
- Identifying and resolving title issues to ensure the state's interest in the land is sufficiently secured;
- Developing a legal description and map of the easement area;
- Developing legal documents signed by the landowners and the state;
- Reviewing and approving conservation plans developed by local partners;
- Encumbering and paying associated costs for acquisition and enhancement of lands under easement; and,
- Construction management of easement sites.

BWSR also provides easement acquisition services to:

- 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 62 conservation easements utilizing \$10.9 million federal dollars. This fee-for-service partnership has brought additional federal dollars for implementation to BWSR, approximately half of which is granted to the SWCDs in the counties where ACUB easements are being acquired.
- The RIM Reserve program is the primary land acquisition program for state-held conservation easements and restoration of wetlands and native grasslands on privately owned land in Minnesota. This program partners with public and private landowners, state, federal and local government entities, non-profit organization and the citizens of Minnesota. Many of our partners seek the RIM Reserve program out as a vehicle by which they can realize their own goals and priorities.

Conservation Easement Management:

- BWSR has formal agency rules and policies governing many aspects of the management of RIM easements, and a comprehensive management program to safeguard the public's investment in conservation easements on private natural resources lands.
- Effective easement management requires baseline reports at the time of acquisition and ongoing monitoring to ensure compliance. Baseline measurement and monitoring data is currently captured in BWSR's *RIM Reserve Conservation Easement Database*.
- Monitoring components include property monitoring as well as easement enforcement, alternation and termination. The BWSR partners with local SWCDs to carry-out oversight monitoring and inspection of its conservation easements.
- Easements are inspected for the first five consecutive years beginning in the year after the easement is recorded. Thereafter, on-site inspections are performed every three years and compliance checks are performed in the other two years. SWCDs report to BWSR on each site inspection conducted and NRCS and partners' staff document findings. A non-compliance procedure is implemented when potential violations or problems are identified.
- Geospatial data maintenance and delivery through an online mapping interface is available on the BWSR website. This web-based application displays easement boundary data, conservation practice data and associated tabular data which is also available for download in a GIS format.
- An additional application that incorporates current GIS capabilities for monitoring and field data collection is being developed. If funding is made available, this system will be used statewide for SWCDs to further enhance monitoring and management of easements.

WATER & SOIL RESOURCES BOARD

Program: LAND & WATER CONS. PROJECTS

Activity: PERMANENT RESOURCE PROTECTION

Narrative

Historical Perspective

In 1986, the Reinvest in Minnesota Resources Act (M.S. 103F.505) was enacted to restore certain marginal and environmental sensitive agricultural land to protect soil and water quality and support fish and wildlife habitat. To-date we have received funding of over \$158 million dollars from bonding and other sources which has allowed us to acquire approximately 6,400 easements over 231,494 acres. Approximately 15% of these easements were limited in duration and have expired.) The program currently focuses on permanent wetland restoration and adjacent native grassland wildlife habitat complexes and permanent riparian buffers.

Key Activity Goals & Measures

Delivering conservation programs to maximize their impact on the land and water resource: the agency's strategic plan includes this goal which is realized through the permanent acquisition of sensitive landscapes for the greatest resources outcome. Improved targeting of conservation practices result in an increase in currently reported outcomes reduced soil loss and sediment loading into surface waters.

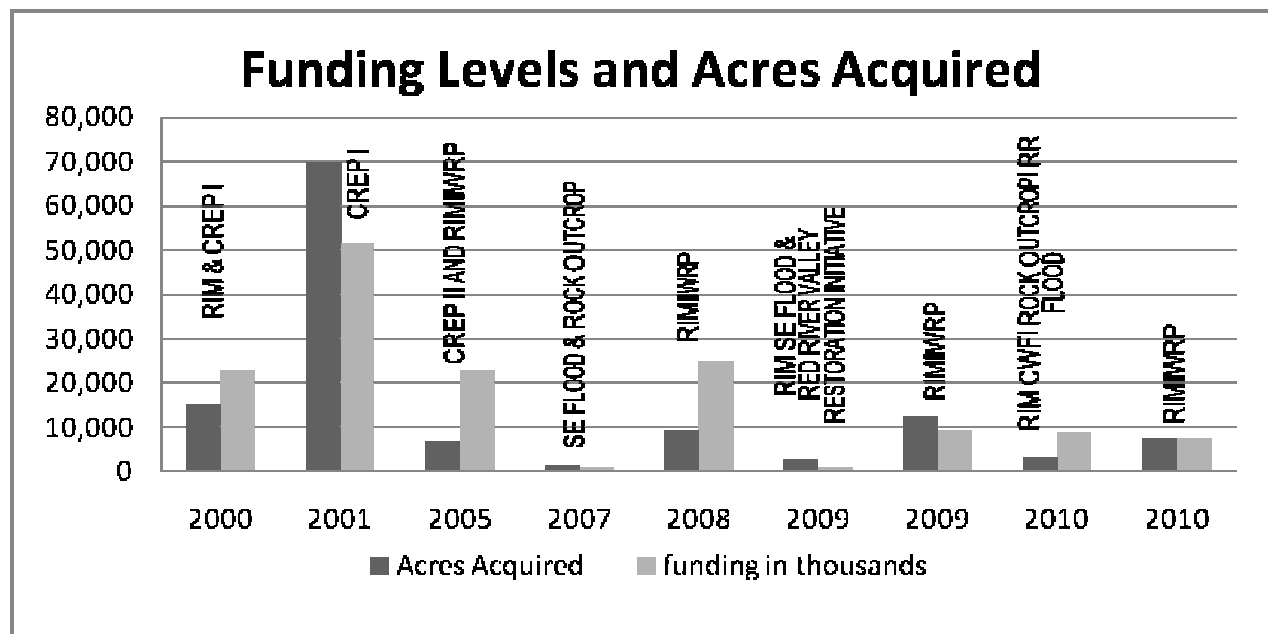
- RIM Reserve has approximately 5,400 active easements totaling approximately 210,000 acres of environmentally fragile land.
- Water quality improves by removing environmentally sensitive cropland from production reported by SWCDs calculate reductions of 9.6 tons/year sediment, 4.2 tons/year soil loss, and 5.3 pounds/year phosphorous from each acre enrolled in a conservation easement (based on data reported 1998-2002).

Addressing state and local natural resource priorities: Statewide Conservation and Preservation Plan calls for the protecting priority land habitats; restoring land, wetlands and wetland-associated watersheds; and keeping water on the landscape.

- RIM Reserve is a flexible program that can be used to mean multiple outcomes and objectives including flood reduction, protecting groundwater, restoring wetlands and creating habitat. The flexibility of this program enable state and local priorities to be protected.

Efficient and effective program implementation: BWSR works to accomplish the Minnesota Milestone goal of "Government in Minnesota will be cost effective and services will be designed to meet the needs of the people who use them".

- By partnering with USDA programs compatible with RIM Reserve, the state has successfully leveraged 1.5 federal dollars for each state dollar for a total of \$250 million in federal funding.



WATER & SOIL RESOURCES BOARD

Program: **LAND & WATER CONS. PROJECTS**

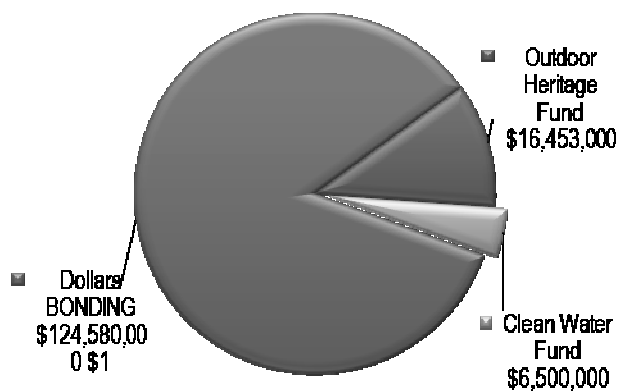
Activity: **PERMANENT RESOURCE PROTECTION**

Narrative

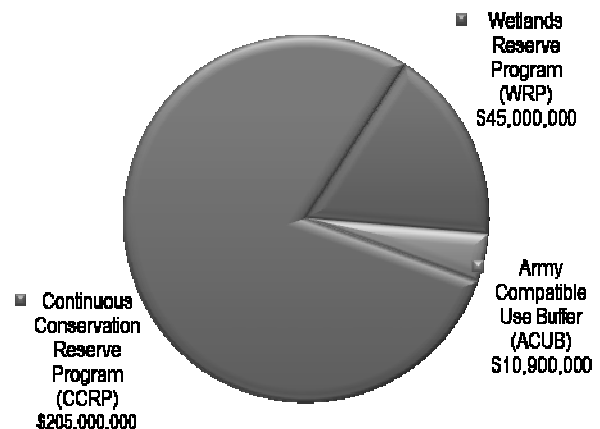
Activity Funding

Permanent protection conservation easement often leverages local and federal dollars. For State funding during the 2000-2010 period, bonding supplied 84% of the total and the new constitution funds have supplied 16%, which only began in 2010. In terms of federal funds leveraged: For the period 2000-2010, state funds represent 38% and federal funds 62% of the total used, with federal funds almost 2 to 1.

**State Funding Sources
2000-2010**



**Federal Funds Leveraged
2000-2010**



Contact

Kevin Lines, Easement Program Manager
Minnesota Board of Water and Soil Resources
520 Lafayette Road North
Saint Paul, Minnesota 55155
Phone: (651) 297-1894
Email: kevin.lines@state.mn.us

For more information on the RIM Reserve Program please visit: **BWSR – Easements**

(<http://www.bwsr.state.mn.us/easements>)

For online conservation easement maps, please visit: <http://maps.bwsr.state.mn.us/BWSRRIM/>

WATER & SOIL RESOURCES BOARD

Program: LAND & WATER CONS. PROJECTS

Activity: PERMANENT RESOURCE PROTECTION

Budget Activity Summary

<i>Dollars in Thousands</i>					
	Current		Governor's Recomm.		Biennium
	FY2010	FY2011	FY2012	FY2013	2012-13
<u>Expenditures by Fund</u>					
Direct Appropriations					
Environment & Natural Resource	2,197	1,402	0	0	0
Miscellaneous Special Revenue	2,325	565	0	0	0
Federal	155	314	200	200	400
Outdoor Heritage	1,994	13,959	0	0	0
Clean Water	2,873	3,399	0	0	0
Statutory Appropriations					
Miscellaneous Special Revenue	-42	238	0	0	0
Federal	4,064	368	339	339	678
Total	13,566	20,245	539	539	1,078
<u>Expenditures by Category</u>					
Total Compensation	719	1,098	378	378	756
Other Operating Expenses	(13)	259	17	17	34
Capital Outlay & Real Property	9,867	17,637	(234)	(234)	(468)
Local Assistance	2,993	1,251	378	378	756
Total	13,566	20,245	539	539	1,078
Full-Time Equivalents (FTE)	4.2	6.4	5.4	5.4	

Program at a Glance

- Training and assistance on resource planning, improved conservation targeting, and citizen involvement is provided to local governments updating Comprehensive Water Management Plans to address emerging concerns.
- Organizational performance reviews for approximately 240 local governments with results available via a searchable database on the BWSR website.
- Technical training of over 1,000 participant days provided annually through Wetland Delineator Certification Program coordinated with the University of Minnesota.
- Evaluation and monitoring of approximately 5,400 permanent conservation easements is conducted annually for the first five years and no less than every five years thereafter.
- Delivery of training programs via scheduled webinars and online videos available anytime reduce training program costs while increasing participation.

Program Description

The purposes of the Resource Planning and Delivery Effectiveness program are to:

- Develop clear findings, direction and priorities for addressing resource protection and restoration goals;
- Insure adequate technical resources and capacity are in place to implement protection and restoration projects at the local level;
- Provide for adequate training, oversight, and accountability for resource management; and
- Evaluate the effectiveness of the protection and restoration efforts.

The Board of Water and Soil Resources (BWSR) mission is to improve and protect Minnesota's water and soil resources by working in partnership with local organizations and private landowners. This program provides the dual role of supporting the local capacity necessary to deliver conservation programs while providing oversight and accountability for the state's investments in resource conservation.

BWSR accomplishes its mission through a network of local governments. In order to insure that state goals are balanced with local priorities, BWSR staff work with local

government and their stakeholders to develop science-based, state approved, and locally adopted comprehensive water plans. The plans guide the direction and investment of state, local and federal conservation programs in order to achieve the greatest benefit regarding:

- improving water quality in impaired waters;
- protecting high quality surface and ground water from degradation;
- preventing flood damages;
- assuring sufficient water supplies; and
- directing land use decisions to prevent future problems.

Additionally, Soil and Water Conservation Districts (SWCDs) and SWCD joint powers boards engineering services are provided a portion of their overall funding in order to maintain this existing delivery system. The funding leverages federal and local funds and provides for design and implementation of conservation projects prioritized and supported within their communities.

In recognition of the value of continuous learning to increased performance, the BWSR Training Program was formalized in 2009 as a comprehensive strategy for supporting and building the effectiveness of organizations implementing conservation programs. The training program strategy is based on a thorough assessment of skills, knowledge, and needs prioritized by those responsible for results. The training program encompasses the business, technical and technology skills necessary to develop organization and program success.

BWSR also has the responsibility and obligation to provide oversight to the organizations that deliver conservation programs, the funding provided to those organizations, as well as for the outcomes of conservation initiatives. BWSR reviews the core delivery of all organizations to determine performance in meeting state mandates and goals once a year. In-depth performance evaluations are conducted at least once every five years per M.S. 103B.102. Additionally, BWSR conducts oversight for each grant agreement via procedures that monitor, verify, and reconcile all grant funds with BWSR policies and grant agreement requirements. All grant recipients are required to report in a timely manner the environmental outcomes as well as the expenditures and use of the funds in accordance with BWSR policies. Penalties are imposed for inadequate and insufficient expenditure and outcome reporting.

Finally, BWSR has the responsibility to insure that overall environmental goals are met by conducting evaluations of conservation projects. Monitoring of state-held wetland bank sites (see Resource Rule and Law Implementation) and of permanent protection easements (see Permanent Resource Protection) ensures the ecological integrity of the site is maintained and is in accordance with the site specific management plan.

Population Served

This program supports a core delivery network of approximately 250 Local Governmental Units (LGUs), including Soil and Water Conservation Districts, Counties, Cities, Watershed Districts and Watershed Management Organizations. Training programs serve a wider population including staff from federal agencies, private companies, universities, cities, townships, nonprofits. LGU performance information serves all of Minnesota and guides BWSR policy development.

Services Provided

Local Resource Protection Support:

- Soil and Water Conservation District General Services Grants provide each district with core conservation funds for a portion of their overall operations. The grants are intended to provide districts a certain degree of funding stability. This grant represents the state contribution of a decades-long partnership between state, local and federal governments to provide base-level resources for staff and operating expenses associated with delivery of all state conservation programs.
- Engineering and technical assistance for SWCDs is provided throughout the state through eight regional Technical Service Area (TSA) joint powers boards. Grant funds are provided to insure adequate resources are in place to deliver specialized expertise on conservation projects and practices in a cost effective manner.
- Inspections of more than 5,200 RIM easements are conducted by SWCD staff to insure that the easement is intact and the restoration goals are met. This inspection program is funded by a portion of SWCD General Service grants.

Water Management Planning and Implementation:

- BWSR agency staff guide local government staff and board members as they develop local comprehensive water management plans that address local priorities while meeting state requirements and objectives. The water plan development and update process requires BWSR Board involvement and approval. BWSR also works to:
- Integrate Total Maximum Daily Load (TMDL) implementation plans into local water management plan;
- Enhance micro-targeting of conservation priorities to obtain the best environmental outcome;
- Facilitate and participate in multi-agency programs and projects such as the Environmental Quality Board (EQB) water planning, Red River Basin Long-Term Flood Solutions, Minnesota River Board, Area II Board and others; and
- Hear appeals of local water management plans and watershed district projects and actions conducted under M.S. 103B and M.S. 103D.

Quality Assurance and Quality Control:

- BWSR's comprehensive training program allows for conservation practitioners to acquire critical skills necessary to implement conservation programs. The training program utilizes multiple methods including traditional face-to-face and web-based delivery in order to address various learning styles as well as financial and time constraints.
- The Performance Review and Assistance Program (PRAP) is a systematic and pre-emptive process to provide performance reviews and assistance to local governments. Progress is gauged by how well the organization is implementing its locally adopted and state approved plan. The results are reported made available to local constituents and officials.
- Reporting of financial and conservation outcomes is accomplished via eLINK, a database that is used to report grant activity and to estimate project pollution reduction benefits and related outcomes.

Restoration Evaluations

Insuring the long-term integrity of the state's investment in permanent conservation easement programs is a critical component of the BWSR mission. Three inspection and restoration evaluation programs assure that easements remain intact and the restoration is high quality.

- RIM easements are inspected annually for the first five years of establishment and then once every three years thereafter. Inspections are conducted by SWCD staff. In 2010, BWSR initiated a spot check sampling program to qualitatively support the compliance inspections.
- Wetland Bank monitoring requirements now include hydrological monitoring using sampling wells to validate acreage of wetlands restored in addition to vegetation assessment. BWSR monitors each site until all the restored wetland credits are approved by the local, state, and federal authorities and then conducts routine monitoring every five years thereafter.
- Habitat restoration evaluations are a requirement of legislation passed in 2010 and require BWSR and the DNR to establish technical evaluation panels to conduct evaluations of Legacy Amendment habitat restoration projects. This program is under development as is set to be launched in the summer of 2011.

Historical Perspective**Water Planning:**

- Soil and Water Conservation Districts (M.S. 103C) were established in 1937 as a result of the dust bowl in order to provide outreach, technical and financial assistance to landowners that volunteered to implement conservation projects. There are currently 90 SWCDs in Minnesota.
- Watershed Act (M.S. 103D), enacted in 1955, allowed for the creation of watershed districts (WDs). The statutory purpose is to conserve the natural resources of the state by land use planning, flood control, and other conservation projects, using sound scientific principles for the protection of public health and welfare and the provident use of natural resources. There are currently 46 WDs in Minnesota.
- Metropolitan Surface Water Management Act (M.S. 103B) was enacted in 1982 and required watershed management principles to be applied to the seven county metropolitan area through the establishment of 46 watershed management organizations. Through consolidation efforts there are now 35 organizations.
- Comprehensive Local Water Planning and Management Act (M.S. 103B), enacted in 1985, encouraged counties outside the metropolitan area to plan for the protection and management of water and water-related resources. Eighty non-metro counties implement water planning through this program.
- Ground Water Protection Act, enacted in 1989, contained language providing ongoing state support for local water planning through the local Water Resources Protection and Management Program.

Quality Assurance and Quality Control

- BWSR developed a comprehensive training program in 2010 in order to insure that the state and local conservation and resource protection goals are met.
- In 2007, BWSR was given the responsibility to conduct local government unit water management performance reviews via M.S. 103B.102 – Local Water Management Accountability and Oversight. The addresses approximately 250 units of government and requires BWSR to review the performance of each, in a frequency of not less than once every five years, although funding has not allowed this frequency to be achieved. Performance Review and Assistance Program (PRAP) results are maintained on the agency website and transmitted to the legislature in an annual report due February 1 of each year. The program was developed through a stakeholder process and is now in its third full year of implementation.

Restoration evaluations

- RIM Reserve easement inspections and wetland bank easement monitoring and inspections are requirements of each program and are conducted in accordance with program requirements in order to ensure the integrity of the state's investment is maintained.
- Legislation passed in 2010 (M.S. 97A.056, M.S. 114D.50, M.S. 85.53) requires BWSR, in conjunction with DNR, to conduct evaluations of habitat restoration projects funded by the Legacy Amendment for the purposes of accountability, transparency and improvement of future projects.

Key Program Goals & Measures

Increasing local government effectiveness: The ability for BWSR to fulfill its goals in protecting and improving water and soil resources relies on an effective delivery system of local governments. This goal is contained in the BWSR mission statement and strategic plan. This program activity supports this goal by:

- Striving to have 100% of the state approved and locally adopted water plans to be current and include targeting measures to address water quality concerns;
- Annually providing in-depth evaluation of eight local government units performance in meeting the goals outlined in their water plan;
- Increasing training opportunities for critical skills enhancement by 10% over the next two years. ; and
- Developing and utilizing assessment and evaluation methods that are science-based, practical, effective, and transparent.

Insuring the integrity of the state's investment: Monitoring, inspecting, and evaluating permanent conservation easements is critical to insuring the long term integrity of the habitat and ecological goals of the restoration as well as the state's investment. This goal is contained in the Minnesota Milestone of "Minnesotans will restore and maintain healthy ecosystems that support diverse plants and wildlife". BWSR will continue to inspect and monitor new easements annual for at least five years and at a frequency of not less than every five years thereafter.

Program Funding

Funding sources include the General Fund, Environment and Natural Resources Trust Fund, Outdoor Heritage Funds, and Clean Water Funds. For FY2010-11 the General Fund accounts for 58%, the Environment and Natural Resources Trust Fund accounts for 11%, and the Clean Water Fund and Outdoor Heritage Fund together account for 31% of the funding for this program.

Contact

Steve Woods, Assistant Director
Minnesota Board of Water and Soil Resources
520 Lafayette Road
Saint Paul, Minnesota 55155
Phone: (651) 297-7748
Email: steve.woods@state.mn.us

For information on the Performance Review and Assistance Program, please visit:
<http://www.bwsr.state.mn.us/PRAP/index.html>

For information regarding the Training Program, please visit: <http://www.bwsr.state.mn.us/PRAP/index.html>

WATER & SOIL RESOURCES BOARD

Program: RESOURCE PLANNING & DELIVERY

Program Summary

Dollars in Thousands					
	Current		Governor Recomm.		Biennium
	FY2010	FY2011	FY2012	FY2013	2012-13
<u>Direct Appropriations by Fund</u>					
Environment & Natural Resource					
Current Appropriation	1,507	0	0	0	0
Subtotal - Forecast Base	1,507	0	0	0	0
Total	1,507	0	0	0	0
General					
Current Appropriation	3,664	3,234	3,234	3,234	6,468
Technical Adjustments					
Biennial Appropriations			119	119	238
Subtotal - Forecast Base	3,664	3,234	3,353	3,353	6,706
Governor's Recommendations					
GRANTS TO LOCAL BOARDS REDUCTION		0	(288)	(288)	(576)
Total	3,664	3,234	3,065	3,065	6,130
Clean Water					
Current Appropriation	1,600	1,900	1,900	1,900	3,800
Technical Adjustments					
One-time Appropriations			(1,900)	(1,900)	(3,800)
Subtotal - Forecast Base	1,600	1,900	0	0	0
Total	1,600	1,900	0	0	0
<u>Expenditures by Fund</u>					
Direct Appropriations					
Environment & Natural Resource	1,304	733	0	0	0
General	3,801	3,355	3,185	3,185	6,370
Miscellaneous Special Revenue	1	0	0	0	0
Clean Water	1,598	1,807	0	0	0
Statutory Appropriations					
Miscellaneous Special Revenue	64	190	25	25	50
Total	6,768	6,085	3,210	3,210	6,420
<u>Expenditures by Category</u>					
Total Compensation	176	94	0	0	0
Other Operating Expenses	566	62	1	1	2
Local Assistance	6,026	5,929	3,209	3,209	6,418
Total	6,768	6,085	3,210	3,210	6,420
<u>Expenditures by Activity</u>					
Resource Planning & Delivery	6,768	6,085	3,210	3,210	6,420
Total	6,768	6,085	3,210	3,210	6,420
Full-Time Equivalents (FTE)					
	2.5	2.0	0.0	0.0	

Program at a Glance

- \$5.0 million granted annually to local governments for program implementation through a coordinated grant program.
- Provide technical, administrative, and financial support to more than 400 local governments that administer wetland and other state mandated resource management programs.
- Administration of WCA – the most effective wetland protection program in the country.
- Manage and oversee the state wetland banking system to ensure no-net-loss of wetlands.
- Technical and administrative quality assurance through BWSR-provided training and partnerships with the U of M Wetland Delineator Certification Program and other agencies.
- Engineering review of 15 - 25 watershed district engineers' proposals for water management projects involving drainage, flood damage reduction, water quality, and other natural resource enhancement.
- Administer annual ditch buffer strip reporting requirements for about 100 drainage authorities.
- Coordination of drainage stakeholders to update M.S. 103E and related provisions of law, and to promote local adoption of conservation drainage practices.

Program Description

The purpose of this program is to support and ensure compliance with environmental protection laws, rules and regulations. BWSR is responsible for the implementation of the Wetland Conservation Act (WCA, Minnesota Rules 8420), provides oversight to watershed district and county drainage authorities implementing M.S. 103E (drainage law), and leads the oversight, assistance, and facilitation elements of the state's public drainage systems. Additionally, BWSR coordinates the funding and reporting of outcomes for local units of government that are responsible for the implementation of shoreland, feedlot, WCA, and subsurface sewage treatment system rules through the Natural Resource Block Grant (NRBG) program.

Local implementation of state resource management programs and drainage law provides important benefits to all landowners and citizens. These benefits include ensuring that local conditions, needs and authorities, are integrated with statewide natural resources management programs. BWSR provides important coordination, assistance, and oversight to ensure local governments have current knowledge as well as financial and staff resources to properly implement state programs. BWSR also conducts significant oversight of local implementation through the WCA process, management of the state wetland banking system, review of watershed district engineers' project proposals, administration of ditch buffer strip reporting, reporting by local governments through the eLINK on-line grant management system, and by providing training coordinated with other state and federal agencies and the University of Minnesota.

WCA requires protection of the state's wetland resources through avoidance and minimization of drain and fill projects. It also provides a process to replace wetlands when an impact is unavoidable. An important goal of this program is to balance the needs of local economies throughout the state with the environmental benefits provided by wetlands. An important function provided by BWSR is to coordinate WCA implementation with the requirements of the federal Clean Water Act administered by the U.S. Army Corps of Engineers.

Population Served

Program activities directly provide benefits and services to local government officials and indirectly to landowners. However, the coordinated nature of these responsibilities requires BWSR to work with other state and federal agencies, nonprofit organizations, businesses, and other policy leaders and natural resource managers.

Services Provided

Wetland Regulation: BWSR is responsible for implementation and oversight of the Wetland Conservation Act in accordance with Minnesota Rules 8420.

- Implementation of WCA is conducted through a network of local government.
- Technical and administrative assistance is provided to local governments through participation in local Technical Evaluation Panels (TEPs), rule guidance, enforcement, and regular training.
- Oversight of local implementation is provided through individual project review, annual reporting, and periodic program audits.

WATER & SOIL RESOURCES BOARD

Program: RESOURCE PROTECTION RULES/LAWS

Narrative

- Management is provided for the most effective and efficient wetland mitigation system in the country, with 1,977 acres of wetland credits currently available in 208 banks. BWSR facilitated 237 wetland bank transactions in 2009.
- Regulatory authority and resolution of differences is coordinated through interagency coordination with the US Army Corps of Engineers, the USDA Natural Resource Conservation Service, the MN Pollution Control Agency, and the Departments of Transportation, Agriculture, and Natural Resources.
- Adjudication or mediation by BWSR may be required to resolve permit or project disputes elevated by appeals of local WCA decisions.

Local Government Roads Wetland Replacement Program

- BWSR provided 160 acres of required wetland replacement for local transportation projects in 2009 as a way to improve the efficiency of local transportation project implementation when wetlands are impacted as roads are upgraded to meet state or federal design standards.
- State wetland mitigation needs are met through a cooperative agreement between BWSR and the Minnesota Department of Transportation.
- Regulatory simplification and more efficient mitigation is supported by the U.S. Army Corps of Engineers.
- Consolidating fragmented wetland impacts in targeted areas, providing better habitat, improved water quality, and other benefits at a lower public cost.
- Administer the state wetland bank, including review and approval of private wetland bank plans with local Technical Evaluation Panels, tracking of bank balances, and monitoring to ensure compliance.

Local Provided Enforcement and Implementation

- Coordinated state financial support to local units of government mandated to manage Minnesota's shorelands, wetlands and water resources through the Natural Resources Block Grant (NRBG). Programs are: BWSR Wetland Conservation Act, BWSR Comprehensive Local Water Management Program, DNR Shoreland Management Program, PCA Feedlot Permit Program, and PCA Subsurface Sewage Treatment System Program.
- Local governments perform essential technical and administrative duties in implementing WCA, these include:
- **Project review** - make wetland delineations, review project applications for applicability of exemptions and adequacy of proposed wetland replacement, review wetland banking plans.
- **Project oversight** – verify impacts requiring replacement, monitor wetland restorations, certify adequate replacement.
- **Program administration** – coordinate technical evaluation panel meetings, send application and decision notices, document decisions, assist landowners, annually report activities to BWSR.
- Local Governments perform essential functions in the enforcement of WCA, such as evaluating potential violations, coordinate with conservation officers, develop restoration orders, work with landowners to achieve compliance, and work with the county attorney on court action when other avenues of achieving compliance are unsuccessful.
- Grant accountability is provided by BWSR through regular oversight and grant recipient reporting through the eLINK on-line grant management system.

Drainage Management

- In accordance with M.S. 103D.605 and M.S. 103D.711, BWSR provides advisory review of watershed district engineers' reports and plans for drainage, flood damage reduction, water quality, and other natural resource enhancement projects.
- BWSR administers M.S. 103E.067 Ditch Buffer Strip Annual Reporting, which requires county and watershed district public drainage authorities to report miles of buffer strips established in accordance with M.S. 103E.021, as well as numbers of system inspections and enforcement actions each year. This information is collected, summarized, and made available on the BWSR website.
- In accordance with M.S. 103B.101, Subd. 13, BWSR facilitates drainage stakeholder coordination through the Drainage Work Group. This group includes representatives of more than 20 stakeholder entities, including drainage authorities, farm groups, environmental organizations, other involved associations, and 4 state agencies. The group develops consensus recommendations for updates of M.S. 103E drainage law that have been adopted by the Legislature without controversy.

- BWSR also facilitates the interagency Drainage Management Team, which includes knowledgeable representatives from BWSR, MDA, DNR, MPCA, USDA-NRCS, UMN and MSU-Mankato. This team coordinates information and technical assistance to facilitate adoption at the local level of multipurpose conservation projects on drainage infrastructure.

Historical Perspective

WCA was enacted in 1991, and the first permanent rule adopted in 1994. This program has been the subject of recurring Legislative and rulemaking activity, with the most recent rulemaking concluding in 2009. As the program and the underlying science has evolved, the following issues have become increasingly important:

- Science-based technical expectations have increased, resulting in increased demands on program staff;
- Training and associated quality assurance efforts;
- Increased need for coordination with other state and federal agencies, including the U.S. Army Corps of Engineers;
- Enhanced site selection, construction techniques, and monitoring of wetland banks and other wetland replacement sites to ensure replacement of public value lost to wetland impacts; and
- Continued development of wetland replacement sites for the Local Government Roads Wetland Replacement Program.

The Natural Resource Block Grant (NRBG) Program has been administered by BWSR, in cooperation with DNR and MPCA since 1993. With the enactment of WCA in 1991 and increased Subsurface Sewage Treatment System (SSTS) requirements shortly thereafter, BWSR led an initiative to efficiently provide implementation funds to local governments. BWSR has continually upgraded grant management systems and practices to stay abreast of increasing expectations for accountability and requirements for oversight in the use of state funds. However, compliance with these requirements has increased the administrative overhead for BWSR and local governments, even as funding has been reduced.

BWSR review responsibilities in M.S. 103D for watershed district projects have increased in significance as water quality concerns and related drainage management issues have increased. M.S. 103E ditch buffer strip annual reporting requirements were added to Minnesota drainage law in 2007. Drainage stakeholder and interagency coordination facilitated by BWSR began in 2005 in conjunction with the legislature-directed Public Drainage Ditch Buffer Study and has continued in response to support from stakeholders and legislative appropriations. BWSR statutory authority for this coordination was added to M.S. 103B in 2010. The stakeholder Drainage Work Group has provided consensus recommendations to the Legislature in 2007, 2009 and 2010.

Key Program Goals & Measures

The program focuses on supporting natural resource management activities of local governments with resulting regulatory oversight for land use activities as they relate to wetlands, shoreland areas, feedlots, and SSTS. Key goals are to comply with the Grant Management policies adopted by the Department of Administration, Office of Grants Management (http://www.admin.state.mn.us/ogm_policies_and_statute.html) and to continue to coordinate with DNR and MPCA to ensure funds are issued in accordance with program's policies and goals.

Specific to WCA, BWSR will continue to provide support via ongoing interaction with local government officials, training programs, and program implementation guidance. A key goal is continued and improved coordination with federal wetland regulations under the Clean Water Act and federal Farm Bill. The benefits of improving this programmatic relationship are far reaching – particularly for conservation officials - and warrant significant effort by BWSR.

NRBG Grant funds are efficiently issued and monitored. To ensure continuity in local government implementation, it is important for grant funds to be issued soon after the start of the state fiscal year. This requires close coordination with the DNR and MPCA for transfer of funds, as appropriate, and the development of grant awards. On an annual basis, grant agreements should be sent to local governments by mid-August, with funds transferred to the grantee by the end of the calendar year. To ensure accountability and comply with Grants Management Policies, BWSR will monitor and conduct financial reconciliations these grants.

WATER & SOIL RESOURCES BOARD

Program: RESOURCE PROTECTION RULES/LAWS

Narrative

Local Governments continue to effectively implement WCA. WCA is administered by more than 300 local governments. An essential responsibility of BWSR is to work with these entities to ensure the program is implemented according to program rules (MN Rules Chapter 8420). This support and oversight responsibility entails regular meetings and frequent phone and email consultations. In addition, BWSR staff conduct regular program implementation reviews and conduct administrative and technical training sessions geared to maintaining and improving the capability of local governments. Three main goals for effective program implementation are:

- Ensuring knowledgeable and trained staff through training, technical support, and program guidance;
- Supporting local decision-making through participation on TEPs and other means; and
- Continuation of ongoing monitoring and assessment of program effectiveness.

Program Funding

For FY2010-11 General Fund, fees and interagency agreements account for 36%, bonding funds account for 15%, and the Clean Water Fund and Outdoor Heritage Fund together account for 49% of the funding for this program.

Contact

WCA, Enforcement and Local Road Replacement:

David Weirens, Land and Water Program Manager

Phone: (651) 297-3432

Email: david.weirens@state.mn.us

For more information on WCA please visit: <http://www.bwsr.state.mn.us/wetlands>

Drainage Management:

Al Kean, Chief Engineer and Technical Service Manager

Phone: (651) 297-2907

Email: al.kean@state.mn.us

For more information Drainage Management please visit: <http://www.bwsr.state.mn.us/drainage>

Minnesota Board of Water and Soil Resources

520 Lafayette Road

Saint Paul, Minnesota 55155

WATER & SOIL RESOURCES BOARD

Program: RESOURCE PROTECTION RULES/LAWS

Program Summary

Dollars in Thousands					
	Current		Governor Recomm.		Biennium
	FY2010	FY2011	FY2012	FY2013	2012-13
<u>Direct Appropriations by Fund</u>					
General					
Current Appropriation	4,871	4,245	4,245	4,245	8,490
Technical Adjustments					
Biennial Appropriations			15	15	30
Current Law Base Change			32	32	64
Subtotal - Forecast Base	4,871	4,245	4,292	4,292	8,584
Governor's Recommendations					
WETLAND CONSERVATION ACT REDUCTION		0	(200)	(200)	(400)
Total	4,871	4,245	4,092	4,092	8,184
Clean Water					
Current Appropriation	1,162	1,395	1,395	1,395	2,790
Technical Adjustments					
One-time Appropriations			(1,395)	(1,395)	(2,790)
Subtotal - Forecast Base	1,162	1,395	0	0	0
Total	1,162	1,395	0	0	0
<u>Expenditures by Fund</u>					
Direct Appropriations					
General	2,402	2,018	1,633	1,633	3,266
Miscellaneous Special Revenue	83	2,076	1,278	1,278	2,556
Clean Water	922	1,635	0	0	0
Statutory Appropriations					
Miscellaneous Special Revenue	209	3,242	2,529	2,529	5,058
Total	3,616	8,971	5,440	5,440	10,880
<u>Expenditures by Category</u>					
Total Compensation	859	1,717	1,405	1,405	2,810
Other Operating Expenses	137	113	48	48	96
Capital Outlay & Real Property	45	0	0	0	0
Local Assistance	2,575	7,141	3,887	3,887	7,774
Transfers	0	0	100	100	200
Total	3,616	8,971	5,440	5,440	10,880
<u>Expenditures by Activity</u>					
Resource Protection Rules/Laws	3,616	8,971	5,440	5,440	10,880
Total	3,616	8,971	5,440	5,440	10,880
Full-Time Equivalents (FTE)	10.0	9.6	9.6	9.6	

Program at a Glance

- A twenty member Board makes decisions on important funding, program and policy matters that direct the state's conservation and water quality protection and implementation programs.
- Executive Director's office oversees and directs all activity of the agency and executes the Board's policy and program initiatives.
- 46 employees are located in the St. Paul office. The remaining 36 employees are located in regional offices throughout the state. 99% of all employees are co-located in facilities owned or managed by other agencies.
- Finance and budget builds and manages an annual budget of about \$50 million.
- Online mapping is available for all BWSR implemented RIM conservation easements.

Program Description

This program provides board and administrative leadership, internal business systems, and operational support to the agency. These services include finance and accounting, legislative relations, information technology, communications, and human resources.

Population Served

Administration and operations directly serves all Board of Water and Soil Resources (BWSR) staff in order to provide efficient and effective implementation of agency programs. In addition to providing support to agency staff, this program provides direct support to the 20 member Board which makes decisions about targeting state resources for implementing the state's resource conservation protection programs. Finally, through our communications and information management systems all citizens, legislators, community groups and businesses have access to data regarding local unit of government performance, maps indicating resource protection activities in their neighborhood, as well as publications and reports regarding important environmental events and concerns.

Services Provided

- **Board and Board Committees:** provide policy development and direction regarding the goals of water planning conducted by local units of government and the targeting of grant funds to implement the state's conservation programs. The Board also provides oversight of regulatory decisions on projects and plans and hears appeals of local government decisions regarding wetland activities and water plan implementation disputes. The 20 member board is comprised of citizens and representatives from city, county, township, watershed district and soil and water conservation districts as well as commissioners or their appointees from Department of Agriculture (MDA), Department of Natural Resources (DNR), Pollution Control Agency (PCA), Department of Health (MDH) and the University of Minnesota Extension Service.
- **Executive Team:** provides leadership and direction for the agency, develops and implements Board policies, manages all regulatory and legislative affairs, and represents the agency in interactions with stakeholders and local, state and federal levels.
- **Administrative Services:** provides human resource, labor relations, budgeting, payroll, purchasing, motor pool service, and financial reporting services.
- **Information Technology:** provides technical expertise and technical support, develops and implements essential programming systems, coordinates geographic information systems, manages telecommunication and network infrastructure.
- **Communications:** provides for strategic agency communication, coordinates media relations, web design, and publication.

Historical Perspective

During the past decade of reduced General Fund revenue, the Board's priority has been to look to the Administrative and Operations support area to carry a greater share of needed reductions in order to minimize impacts to agency programs and grants to local governments. BWSR's biennial budget of approximately \$96 million is 45% higher than in the 2008-2009 biennium, mostly due to appropriations from Constitutional Amendment funds. However, during this same time, agency operations funded by the general fund has decreased by 15%. In order to address the increased program activities with reduced operation funds, the agency has reduced administrative support positions and offset some of the loss in staff with shared services agreements. Currently, BWSR has such agreements with MNDOT, PCA, DNR, the Minnesota National Guard and the University of Minnesota as well as with federal agencies such as the United States Department of Agriculture (USDA) and the Natural Resource Conservation Service (NRCS) and the U.S. Army Corp of

Engineers. BWSR also has staff fulfilling critical project roles funded through the federal 319 program, bonding, and LCCMR funds. Additionally, BWSR has reduced fixed costs for occupancy by co-locating office facilities with other state agencies for all but four of 82 employees as well as eliminating programs not closely aligned with the mission of the agency such as the State Envirothon and the Volunteer Rain Gauge Monitoring Program.

The agency has been able to focus more fully on its mission to “improve and protect Minnesota’s water and soil resources by working in partnership with local organizations and private landowners” through the Clean Water Legacy Act funding and more recently the Clean Water and Outdoor Heritage Constitutional Amendment funds. This agency is uniquely positioned to carry out the work needed to implement the on-the-ground water quality and conservation goals identified by local governments, legislative direction and commissions, and the executive branch because of its role in local water management planning and relationships to local units of government working on land management and water quality projects.

The agency was provided additional responsibilities in 2009 with the passing of the Rural Preserves Program (M.S. 273.114) and in 2010 with the inclusion of its role in managing the Drainage Work Group as outlined (M.S. 103B.101).

Key Program Goals and Measures

- **Efficient and effective operations:** BWSR strives to accomplish the Minnesota Milestone of “Government in Minnesota will be cost-efficient, and services will be designed to meet the needs of the people who use them”. The Board increased from 17 to 20 members in 2010 in order to become more representative of those involved in implementing clean water initiatives, yet the expenses of the board and the cost for the board to operate have decreased due to better planning and scheduling of committee and board activities. The agency is responsive to the needs to its clientele because the overwhelming majority of agency staff came to BWSR after working professionally at a local unit of government or from the private sector which served local units of government.
- **Building partnerships:** the agency’s strategic plan includes the goal of creating more effective partnerships. During the past two years, the agency has made a significant investment to enhance and expand relationships among stakeholders, state agencies, and federal partners, fundamental to the success of attaining its mission. These efforts have continued to build and will become increasingly important as financial resources remain constrained and expectations increase for accountability and delivery of conservation services.
- **Communicating needs and results:** the agency’s strategic plan includes the goal of water and soil conservation accomplishments and needs to be well understood among those having significant influence and responsibility for accomplishing the BWSR mission. To address this goal BWSR has a redesigned website that features information such as a project of the month, a searchable database of local government performance, new reports on funding activities and outcomes, and an online calendar of training and organizational activities.

Program Funding

In the current biennium, 84% of this budget activity is from the general fund and the remaining amount is from other funds, including Clean Water and Outdoor Heritage funds.

Contact

Julie Blackburn, Assistant Director
Minnesota Board of Water and Soil Resources
520 Lafayette Road North
Saint Paul, Minnesota 55155
Phone: (651) 297-5617
Email: Julie.blackburn@state.mn.us

WATER & SOIL RESOURCES BOARD

Program: BOARD ADMIN & AGENCY OPS

Program Summary

Dollars in Thousands					
	Current		Governor Recomm.		Biennium
	FY2010	FY2011	FY2012	FY2013	2012-13
<u>Direct Appropriations by Fund</u>					
General					
Current Appropriation	3,961	3,723	3,723	3,723	7,446
Technical Adjustments					
Biennial Appropriations			71	71	142
Subtotal - Forecast Base	3,961	3,723	3,794	3,794	7,588
Governor's Recommendations					
ADMIN AND OPERATIONS REDUCTION		0	(190)	(190)	(380)
Total	3,961	3,723	3,604	3,604	7,208
Clean Water					
Current Appropriation	816	889	889	889	1,778
Technical Adjustments					
One-time Appropriations			(889)	(889)	(1,778)
Subtotal - Forecast Base	816	889	0	0	0
Governor's Recommendations					
RESTORATION EVALUATIONS PROJECT		0	84	84	168
ACCOUNTABILITY, OVERSIGHT & TRAINING		0	900	900	1,800
Total	816	889	984	984	1,968
<u>Expenditures by Fund</u>					
Direct Appropriations					
General	3,954	3,806	3,604	3,604	7,208
Clean Water	659	1,735	984	984	1,968
Statutory Appropriations					
Miscellaneous Special Revenue	288	43	527	527	1,054
Total	4,901	5,584	5,115	5,115	10,230
<u>Expenditures by Category</u>					
Total Compensation	3,872	3,763	3,574	3,574	7,148
Other Operating Expenses	953	1,818	613	613	1,226
Capital Outlay & Real Property	0	3	1	1	2
Local Assistance	76	0	927	927	1,854
Total	4,901	5,584	5,115	5,115	10,230
<u>Expenditures by Activity</u>					
Board Admin & Agency Ops	4,901	5,584	5,115	5,115	10,230
Total	4,901	5,584	5,115	5,115	10,230
Full-Time Equivalents (FTE)					
	47.1	43.9	39.2	39.2	

Narrative

BWSR enters into contribution agreements with the U.S. Department of Agriculture, Natural Resources Conservation Service (NRCS) related to our joint responsibility of providing conservation technical assistance to landowners within Minnesota. Programs that result in easement purchases have a dual state and federal funding contribution and thus require dual state and federal effort. NRCS compensates BWSR for providing engineering assistance and monitoring assistance. In these agreements, it is standard for BWSR to provide 100% of the staff time and NRCS contributes to 50% of the cost. Each agreement is free standing and there is no long term requirement for the state once an individual agreement (usually 12 months in length) is completed. It is estimated that the current level of \$100,000 - \$200,000 in agreements per year will continue in the future.

The other major source of federal funds for the agency has been via the U.S. Army Compatible Use Buffer Program (ACUB) that has provided funds to purchase easements around Camp Ripley since 2007. The amounts vary year to year and there is no estimate of how much in future funds will be received. 93% of the funds received are used to purchase the easements. Of the remainder 3.75% goes to BWSR for administrative costs.

Table

Federal Award Name + Brief Purpose	New grant	Required state match/MOE? Yes/No		SFY 2010 Revenues	SFY 2011 Revenues	Estimated SFY 2012 Revenues	Estimated SFY 2013 Revenues
		Match	MOE				
NRCS Contribution Agreements: Used to cover staff time to provide engineering and monitoring services to landowners. Revenue is ongoing at this time.	No	50%	No	160	200	200	200
ACUB Program. Used to purchase easements (93%) with administrative costs 7%. Revenue is ongoing at this time.	No	No	No	2,326	2,000	1,000	1,000
Total				2,486	2,200	1,200	1,200

WATER & SOIL RESOURCES BOARD

Agency Revenue Summary

Dollars in Thousands

	Actual FY2010	Budgeted FY2011	Governor's Recomm. FY2012 FY2013		Biennium 2012-13
<u>Non Dedicated Revenue:</u>					
Total Non-Dedicated Receipts	0	0	0	0	0
<u>Dedicated Receipts:</u>					
Departmental Earnings:					
Miscellaneous Special Revenue	284	255	200	200	400
Grants:					
Miscellaneous Special Revenue	4	28	28	28	56
Federal	2,486	584	584	584	1,168
Other Revenues:					
Miscellaneous Special Revenue	5,017	7,162	6,939	6,939	13,878
Total Dedicated Receipts	7,791	8,029	7,751	7,751	15,502
Agency Total Revenue	7,791	8,029	7,751	7,751	15,502

	PAGE
Small Agency Profile	2
Agency Fiscal Page (Gov Rec)	4
Agency Revenue Summary Fiscal Page	5

Agency Purpose

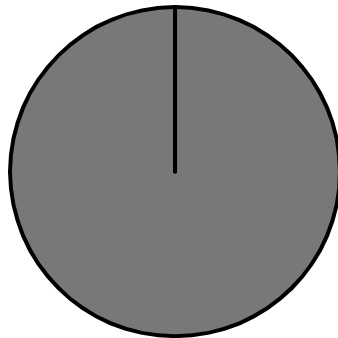
The Workers' Compensation Court of Appeals (WCCA) was established by the legislature as the exclusive statewide authority to decide all questions of law and fact in workers' compensation disputes within the court's appellate jurisdiction as provided by M.S. Chapters 175A and 176.

At a Glance

- Budget of approximately \$1.7 million annually
- Five Judges
- Approximately 13.65 full-time equivalents (including judges)
- 353 decisions issued in FY 2009-10.

Est. FY 2010-11 Expenditures by Fund

General
Fund



Source: Consolidated Fund Statement.

Strategies

WCCA strategies are to:

- deliver services as expeditiously as possible while maintaining the integrity of the decision-making function;
- 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 employer;
- provide economic stability for injured workers and their families in financial crises due to work-related illnesses and injuries;
- provide for timely cure and treatment of work-related illnesses and injuries;
- support a competitive business climate for Minnesota employers by providing high quality and consistent decisions and reducing the amount of litigation; and
- provide direction and motivation for employers to create safe and healthy work environments for employees.

Operations

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, and the Office of Administrative Hearings. 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.

Key Activity Goals & Measures

Goal: The key goal of the WCCA is to produce high quality and consistent decisions in a timely manner to ensure the quick and efficient delivery of workers' compensation benefits to qualified injured workers at a reasonable cost to employers.

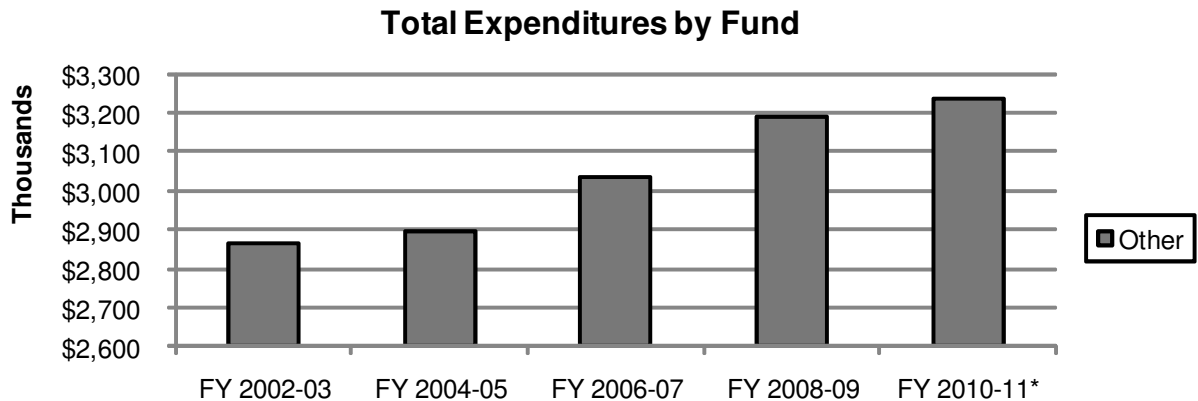
Measure: WCCA issues its decisions an average of 55 days after oral argument before the court or assignment of the cases to the judges. The average time over the past five years has been 56 days.

Related Activity: WCCA maintains a website that provides information, rules and a searchable text of decisions of the court.

Goal: WCCA has a goal to produce decisions which are consistent and which bring predictability to the resolution of workers' compensation disputes.

Measure: WCCA work towards this goal has been a factor in reducing the amount of litigation in the workers' compensation system.

Budget Trends



* FY 2010-11 is estimated, not actual. Source data for the previous chart is the Minnesota Accounting and Procurement System (MAPS) as of 08/20/10.

The primary factors influencing operations of the WCCA 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 Rev. Dr. Martin Luther King Jr. Blvd.
 St. Paul, Minnesota 55155-1500

WCCA Web Home Page: <http://www.workerscomp.state.mn.us>.

Information available includes: WCCA Decisions 1999 to the Present as well as Rules of Practice.

General Information:

Phone: (651)296-6526

Fax: (651)297-2520

WORKERS COMP COURT OF APPEALS

Agency Overview

<i>Dollars in Thousands</i>					
	Current		Governor Recomm.		Biennium
	FY2010	FY2011	FY2012	FY2013	2012-13
<u>Direct Appropriations by Fund</u>					
Workers Compensation					
Current Appropriation	1,703	1,703	1,703	1,703	3,406
Recommended	1,703	1,703	1,703	1,703	3,406
Change		0	0	0	0
% Biennial Change from 2010-11					0%
<u>Expenditures by Fund</u>					
Direct Appropriations					
Workers Compensation	1,535	1,871	1,703	1,703	3,406
Total	1,535	1,871	1,703	1,703	3,406
<u>Expenditures by Category</u>					
Total Compensation	1,305	1,418	1,450	1,468	2,918
Other Operating Expenses	230	453	253	235	488
Total	1,535	1,871	1,703	1,703	3,406
<u>Expenditures by Program</u>					
Workers Comp Ct Of Appeals	1,535	1,871	1,703	1,703	3,406
Total	1,535	1,871	1,703	1,703	3,406
Full-Time Equivalents (FTE)	12.7	12.7	13.4	13.4	

WORKERS COMP COURT OF APPEALS

Agency Revenue Summary

Dollars in Thousands

	Actual FY2010	Budgeted FY2011	Governor's Recomm. FY2012 FY2013		Biennium 2012-13
<u>Non Dedicated Revenue:</u>					
Other Revenues:					
General	2	0	0	0	0
Total Non-Dedicated Receipts	2	0	0	0	0
<u>Dedicated Receipts:</u>					
Total Dedicated Receipts	0	0	0	0	0
Agency Total Revenue	2	0	0	0	0

	PAGE
Agency Profile.....	2
Agency Fiscal Page (Gov Rec)	6
Change Summary	7
Agency Change Items	
⇒ Operating Budget Reduction	8
Agency Revenue Summary Fiscal Page	9
⇒ 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.

At a Glance

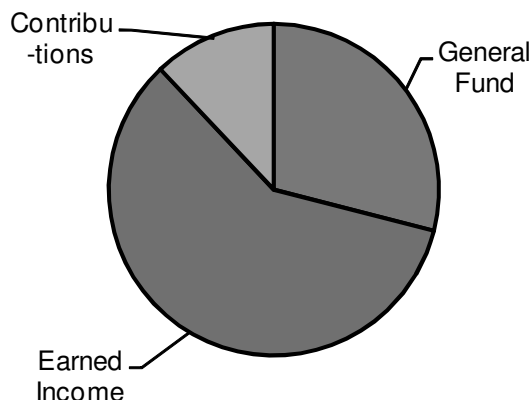
Zoo Information:

- More than 1.3 million annual visitors
- More than 90,000 school children visits annually
- Over 51,500 Minnesotans in 38 counties visited by the Zoomobile annually
- Over 2,800 animals in a diverse collection
- Over 75 endangered or threatened species
- More than 1,050 volunteers donating over 90,000 hours valued at \$1.9 million annually

Master Plan and Strategic Goals:

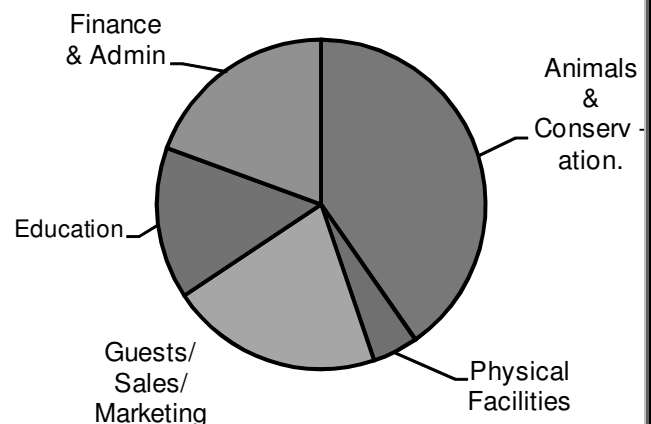
- Build a sustainable world-class organization
- Be a financially robust and sustainable public/private partnership
- Be a leader in animal care and conservation
- Provide the best guest experience in Minnesota
- Inspire people to learn, care and act on behalf of wildlife and wild places
- Increase the capacity to effect 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 and increasing repeat and new visits

Est. FY 2010-11 Expenditures by Fund



Source: Consolidated Fund Statement.

Est. FY 2010-11 Expenditures by Program



Source: MAPS as of 08/18/10

Strategies

The Zoo accomplishes its mission by providing opportunities for education, recreation and conservation. This is done by:

- Expanding our educational programs to provide lifelong learning to all Minnesotans.
- Leveraging resources to generate tourism, stimulate economic benefits to the state and improve our quality of life in Minnesota by providing an enriching, fun and educational guest experience.
- Protecting our environment and providing conservation leadership within Minnesota and the world.

Operations

The MZB is comprised of 30 citizens who are appointed to 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 and the Penguins of the African Coast exhibit to open in July 2011. 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).

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, lectures 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.
- Curricula are developed to help teachers meet required standards. The Zoo has developed a web-based activity to help teach genetics and will develop a pilot distance learning program in fiscal year 2011.
- The Zoo created WolfQuest, an interactive 3D wildlife simulation video game that 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.

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 1.3 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 to sustain and increase new and repeat visits to the Zoo. In 2007, the Minnesota Zoo renovated and re-opened the Medtronic Minnesota Trail, in 2008, the Zoo opened Russia's Grizzly Coast, the colorful and active Central Plaza and the Woodland Adventure nature themed playground, and most recently, Faces of the African Forest. Guest comment cards and guest surveys indicate that guests have a very positive view of the Zoo and the emphasis on animal viewing experiences in a naturalistic setting.
- Zoo guests have the opportunity to view live animal demonstrations featuring our dolphins and bird collections, and sometimes encounter animals in the Minnesota Trail Lodge. The Farm invites guests to feed and brush goats, as well as view milking demonstrations.
- The Zoo provides the setting for a summer concert series that is consistently rated the top outdoor venue in the metropolitan area and hosts special events such as Family Farm Weekend, Military Family Week and Farm Babies.

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 26 AZA Species Survival Plans. The Zoo supports AZA studbook keepers for ten 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. Partners also include The Nature Conservancy for work with the Black Rhino population in Namibia.
- 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.
- Staff places an emphasis on Minnesota species and have partnered with the University of Minnesota Duluth in work to sustain the moose population and have supported research on bobcats.

Key Activity Goals & Measures

As stated in the Minnesota Zoo Strategic Plan, dated October 2005, and reaffirmed in the October 2010 Strategic Plan, the aspiration of the Minnesota Zoo is "Be a Top Ten American Zoo."

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**

Continue to 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>

- **Provide diverse environmental education to more people**

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. These figures do 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	FY 2010	FY 2011(est.)	FY 2012(est.)	FY 2013(est.)
321,000	326,279	331,680	322,487	328,937	338,805	345,581

¹ Additional classroom space was added.

- **Attract more visitors and increase membership**

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. Attendance and Membership goals are incorporated into our strategic plan. In our strategic plan, completed in 2005, we estimated attendance for FY 2009 at 1.1 million. 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. Numbers exceeded our expectations. Generally, a year or two after opening a major new exhibit a zoo will see some decline in attendance. With major construction of a new entry in FY 2011 we anticipate some decline with an increase when the penguin exhibit opens.

Attendance

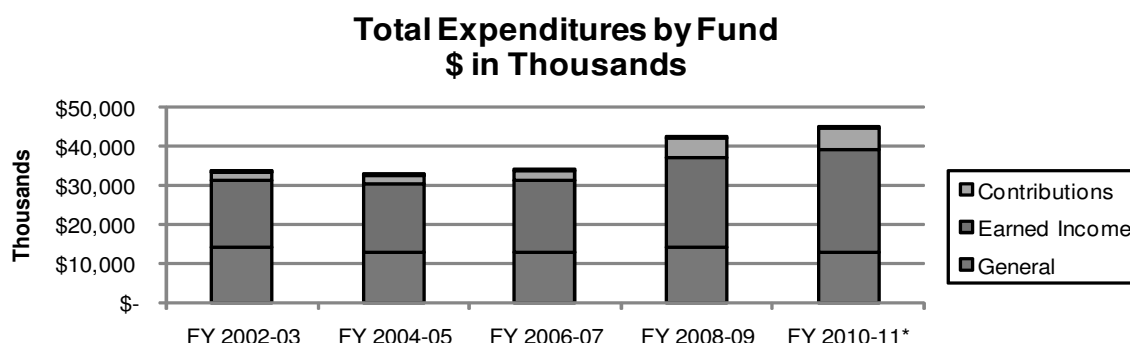
FY 2007	FY 2008	FY 2009	FY 2010	FY 2011(est.)	FY 2012(est.)	FY 2013(est.)
1,030,418	1,162,696	1,355,258	1,338,581	1,250,000	1,350,000	1,350,000

Membership

FY 2007	FY 2008	FY 2009	FY 2010	FY 2011(est.)	FY 2012(est.)	FY 2013(est.)
33,725	36,538	44,233	41,954	41,500	45,000	45,000

- **Raise more contributed income.**

Budget Trends Section



* FY 2010-11 is estimated, not actual. Source data for the previous chart is the Minnesota Accounting and Procurement System (MAPS) as of 08/18/2010.

With the opening of Russia's Grizzly Coast and the trend for families to stay close to home, the Zoo has seen its two highest attendance years ever and record breaking numbers of members. The mix in attendance is shifting back toward members at almost 50%. Attendance and memberships are the two largest factors in our earned income. Major construction is occurring during fiscal year 2011 which may impact attendance. In addition, weather will impact attendance. The Minnesota Zoo Foundation, a 501(c)(3) support organization, has seen challenges in the fundraising arena. To date, they have been able to meet their obligations to the Zoo, but we have not seen the fundraising trend of flat or decreasing contributions turn around yet.

Contact

Chief Financial Officer
(952) 431-9309
<http://www.mnzoo.org>

<i>Dollars in Thousands</i>					
	Current		Governor Recomm.		Biennium
	FY2010	FY2011	FY2012	FY2013	2012-13
<u>Direct Appropriations by Fund</u>					
General					
Current Appropriation	6,443	6,231	6,231	6,231	12,462
Recommended	6,443	6,231	5,919	5,919	11,838
Change		0	(312)	(312)	(624)
% Biennial Change from 2010-11					-6.6%
Natural Resources					
Current Appropriation	160	160	160	160	320
Recommended	160	160	160	160	320
Change		0	0	0	0
% Biennial Change from 2010-11					0%
<u>Expenditures by Fund</u>					
Direct Appropriations					
General	6,443	6,231	5,919	5,919	11,838
Natural Resources	160	160	160	160	320
Statutory Appropriations					
Miscellaneous Special Revenue	12,981	13,617	14,287	14,527	28,814
Arts And Cultural Heritage	11	253	0	0	0
Gift	1,809	2,960	2,536	1,976	4,512
Total	21,404	23,221	22,902	22,582	45,484
<u>Expenditures by Category</u>					
Total Compensation	14,537	15,061	14,908	15,168	30,076
Other Operating Expenses	6,617	7,402	7,049	7,049	14,098
Capital Outlay & Real Property	98	393	580	0	580
Other Financial Transactions	152	365	365	365	730
Total	21,404	23,221	22,902	22,582	45,484
<u>Expenditures by Program</u>					
Minnesota Zoo	21,404	23,221	22,902	22,582	45,484
Total	21,404	23,221	22,902	22,582	45,484
Full-Time Equivalents (FTE)	229.7	231.0	233.2	233.2	

<i>Dollars in Thousands</i>				
	FY2011	Governor's Recomm.		Biennium
		FY2012	FY2013	2012-13
<i>Fund: GENERAL</i>				
FY 2011 Appropriations	6,231	6,231	6,231	12,462
Subtotal - Forecast Base	6,231	6,231	6,231	12,462
Change Items				
Operating Budget Reduction	0	(312)	(312)	(624)
Total Governor's Recommendations	6,231	5,919	5,919	11,838
<i>Fund: NATURAL RESOURCES</i>				
FY 2011 Appropriations	160	160	160	320
Subtotal - Forecast Base	160	160	160	320
Total Governor's Recommendations	160	160	160	320
<i>Fund: MISCELLANEOUS SPECIAL REVENUE</i>				
Planned Statutory Spending	13,617	14,004	14,244	28,248
Change Items				
Operating Budget Reduction	0	283	283	566
Total Governor's Recommendations	13,617	14,287	14,527	28,814
<i>Fund: ARTS AND CULTURAL HERITAGE</i>				
Planned Statutory Spending	253	0	0	0
Total Governor's Recommendations	253	0	0	0
<i>Fund: GIFT</i>				
Planned Statutory Spending	2,960	2,536	1,976	4,512
Total Governor's Recommendations	2,960	2,536	1,976	4,512
<u>Revenue Change Items</u>				
<i>Fund: MISCELLANEOUS SPECIAL REVENUE</i>				
Change Items				
Operating Budget Reduction	0	283	283	566

Agency: **Zoological Board**
Change Item: Operating Budget Reduction

Preliminary Budget Option

Fiscal Impact (\$000s)	FY 2012	FY 2013	FY 2014	FY 2015
General Fund				
Expenditures	\$(312)	\$(312)	\$(312)	\$(312)
Revenues	0	0	0	0
Other Fund				
Expenditures	283	283	283	283
Revenues	283	283	283	283
Net Fiscal Impact	\$(312)	\$(312)	\$(312)	\$(312)

Recommendation

The Governor recommends a reduction of \$312,000 in FY 2012 and \$312,000 in FY 2013 to the Zoological Board's General Fund operating budget. The Governor intends that the Zoological Board 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.

This proposal represents a 5% reduction to Zoological Board's base General Fund forecast budget.

Rationale

The Zoological Board's total base forecast General Fund operating budget is \$5.919 million for FY 2012 and \$5.919 million for 2013. The Zoological Board is proposing to reduce operating expenditure and raise additional revenue through internal fees.

Statutory Change: Not Applicable

ZOOLOGICAL BOARD

Agency Revenue Summary

Dollars in Thousands

	Actual FY2010	Budgeted FY2011	Governor's Recomm. FY2012 FY2013		Biennium 2012-13
<u>Non Dedicated Revenue:</u>					
Departmental Earnings:					
Miscellaneous Special Revenue	0	0	283	283	566
Other Sources:					
General	1	0	0	0	0
Taxes:					
General	36	0	0	0	0
Total Non-Dedicated Receipts	37	0	283	283	566
<u>Dedicated Receipts:</u>					
Departmental Earnings:					
Miscellaneous Special Revenue	12,293	12,709	14,597	14,750	29,347
Other Revenues:					
Miscellaneous Special Revenue	39	65	65	65	130
Gift	3,269	1,950	1,938	1,996	3,934
Total Dedicated Receipts	15,601	14,724	16,600	16,811	33,411
Agency Total Revenue	15,638	14,724	16,883	17,094	33,977