



January 12, 2018

Senator Carrie Ruud
Environment and Natural Resources Policy and
Legacy Finance, Chair
3233 MN Senate Building
St. Paul, MN 55155

Senator Chris Eaton
Environment and Natural Resources Policy and
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Representative Bob Gunther
Legacy Funding Finance, Chair
563 State Office Building
St. Paul, MN 55155

Representative Leon Lillie
Legacy Funding Finance
277 State Office Building
St. Paul, MN 55155

Dear Members:

Please find enclosed the report on the legacy funds used to reimburse the general fund for indirect costs under M.S. 16A.127. This report, required by Laws of 2017, 1st Special Session, Chapter 91, Article 1, Section 10; Article 2, Section 14; Article 3, Section 10; Article 4, Section 5, describes:

- The amount from appropriations in each of the four legacy funds used to reimburse the general funds for indirect costs under M.S. 16A.127 and the legal authority for these appropriations
- How statewide indirect cost allocations from the legacy funds are a legal and appropriate use of the funds.

Thank you for the opportunity to provide this information. If you have any questions, please contact Alisha Cowell (651-259-3782 or Alisha.Cowell@state.mn.us).

Sincerely,

Myron Frans, Commissioner

cc: MMB Executive Budget Officers and Team Leaders
Eric Nauman, Senate Chief Fiscal Analyst
Bill Marx, House Chief Fiscal Analyst
Brad Hagemeyer, Fiscal Analyst
Dan Mueller, Fiscal Analyst



Legacy Funds and Indirect Costs under M.S.

16A.127

1/12/2018

What are Statewide Indirect Costs (SWIDC)?

Minnesota Statute 16A.127 requires Minnesota Management and Budget (MMB) to annually prepare a plan to allocate all statewide central service, or general support, costs to the agencies or programs that consume these services. The intent is to recover a proportional share of the general fund appropriations used to provide administrative support to non-general fund programs and activities, and maximize the amount reimbursed through federal awards. Without the recovery of general support costs, general tax revenues subsidize non-general fund programs and activities by paying a disproportionate share of their administrative costs.

Services provided by central service agencies are allocated each year to agencies and funds based on a plan developed by MMB and approved by the federal government. The table below describes examples of central services and a summary of how those costs are allocated to each agency and fund. If additional information is needed, the complete Statewide Cost Allocation Plan includes additional information and is available at the Legislative Reference Library.

MMB

Service	Basis for Allocation
Internal Controls and Accountability	Number of accounting transactions processed per year
Statewide Accounting	Number of accounting transactions processed per year
Debt Management	Total outstanding principal per agency responsible for the debt
Budget Analysis, Control, Operations and Planning	Number of accounting transactions processed per year
State Human Resource Management, Employee Benefits and Labor Relations	Number of employees

Department of Administration

Service	Basis for Allocation
Management Services	Number of employees, number of accounting transactions processed per year
Real Estate and Construction Services	Number of leases processed per year
Real Property	Square footage
Materials Management	Number of annual purchase orders
Central Mail	Annual postal charges
Enterprise Performance Improvement	Number of employees

Minnesota IT Services

Service	Basis for Allocation
IT Strategy, Policies, Standards and Security	Annual IT spend

Office of the Legislative Auditor

Service	Basis for Allocation
Financial, Program and Single Audits	Average number of hours of services provided over a four-year period, and annual federal cash receipts

Bureau of Mediation Services

Service	Basis for Allocation
Hearings for collective bargaining groups, and arbitration and mediation services	Number of employees

Legacy Funds and SWIDC

In fiscal years 2010 through 2017, \$1.6 million from the four legacy funds reimbursed the general fund for statewide indirect costs. During this same period of time, a total of \$2.180 billion in expenses were incurred in these funds; SWIDC payments made up .1% of this spending. No legacy funds were used to reimburse the general fund for agency indirect costs. A breakout of the SWIDC amount by fund is provided below.

Fund	SWIDC Amount	All Expenditures
2302 - Clean Water Fund	\$830,969	\$693,587,000
2301 - Arts and Cultural Heritage Fund	\$323,538	\$449,288,000
2303 - Parks and Trails Fund	\$283,342	\$312,596,000
2300 - Outdoor Heritage Fund	\$207,618	\$724,324,000
Total	\$1,645,467	\$2,179,985,000

M.S. 16A.127 requires all state funds to pay their fair share of administrative costs and does not exempt the four legacy funds. Statute grants limited authority for the commissioner of MMB to waive the reimbursement of indirect costs requirement:

- When state or federal law or regulations do not allow for the payment of indirect cost
- When funds are held in trust by the state (i.e., gift funds)
- For endowment funds
- For debt service or bond proceeds funds
- For pass-through funds
- For receipts collected to recover the cost of workshops, seminars or conferences

The commissioner of MMB does not have the authority to exempt the legacy funds from reimbursing the general fund for SWIDC because the funds do not meet one of the above conditions. Moreover, continuing to allocate a share of the administrative costs to the legacy funds is reasonable because its spending represents over one percent of the state's non-general fund budget.

Appendix

The appendix contains a listing of the amount from every legacy fund appropriation in the state accounting system that was used to reimburse the general fund for statewide indirect costs under M.S. 16A.127 in fiscal years 2011 through 2017. The report also includes the legal citation for establishing the appropriation. Below is a guide for understanding the data contained in each of the seven columns of the table.

Column	Title	Description
A	Agency	Name of state agency that received the appropriation
B	Fiscal Year	State fiscal year of the appropriation from which the funds were spent
C	Fund	Name of specific legacy fund in which the appropriation was made
D	Approp Name	Name of the appropriation in the state accounting system that accounts for the financial activity of the funds
E	Appropriation Description	A brief description of the purpose of the funds
F	Legal Citation	Session law or statutory authority for the appropriation. The convention used for the legal citation of session law is the following: Year of Session Law (followed by a 1 if there was a first special session) Chapter_Article_Section_Subdivision. The convention for statutory legal citations is: MS_Chapter_Section_Subd
G	SWIDC Amount	Amount paid from the appropriation to the general fund to reimburse it for statewide indirect costs.

Appendix

A Agency	B Fiscal Year	C Fund	D Approp Name	E Appropriation Description	F Legal Citation	G SWIDC Amount
Department of Natural Resources	2012	Clean Water	FWR Statewide Indirect Costs C	Ecological and Water Resources Program Statewide Indirect Costs	MS 16A.127 3B	\$31,753
	2012	Parks & Trails	PAT Statewide Indirect Costs P	Parks and Trails Program Indirect Costs	MS 16A.127 3B	\$32,164
	2013	Clean Water	FWR Statewide Indirect Costs C	Ecological and Water Resources Program Statewide Indirect Costs	MS 16A.127 3B	\$41,741
	2013	Parks & Trails	PAT Statewide Indirect Costs P	Parks and Trails Program Statewide Indirect Costs	MS 16A.127 3B	\$33,813
	2014	Clean Water	FWR Statewide Indirect Costs C	Ecological and Water Resources Program Statewide Indirect Costs	MS 16A.127 3B	\$68,574
	2014	Parks & Trails	PAT Statewide Indirect Costs P	Parks and Trails Program Statewide Indirect Costs	MS 16A.127 3B	\$55,417
	2015	Outdoor Heritage	FAW Statewide Indirect Costs O	Fish and Wildlife Program Statewide Indirect Costs	MS 16A.127 3A	\$57,271
	2015	Clean Water	FWR Statewide Indirect Costs C	Ecological and Water Resources Program Statewide Indirect Costs	MS 16A.127 3A	\$59,139
	2015	Parks & Trails	PAT Statewide Indirect Costs P	Parks and Trails Program Statewide Indirect Costs	MS 16A.127 3A	\$43,809
	2016	Outdoor Heritage	FAW Statewide Indirect Costs O	Fish and Wildlife Program Statewide Indirect Costs	MS 16A.127 3A	\$86,492
	2016	Clean Water	FWR Statewide Indirect Costs C	Ecological and Water Resources Program Statewide Indirect Costs	MS 16A.127 3A	\$102,533
	2016	Parks & Trails	PAT Statewide Indirect Costs P	Parks and Trails Program Statewide Indirect Costs	MS 16A.127 3A	\$70,811
	2017	Outdoor Heritage	FAW Statewide Indirect Costs O	Fish and Wildlife Program Statewide Indirect Costs	MS 16A.127 3A	\$63,855
	2017	Clean Water	FWR Statewide Indirect Costs C	Ecological and Water Resources Program Statewide Indirect Costs	MS 16A.127 3A	\$96,810
	2017	Parks & Trails	PAT Statewide Indirect Costs P	Parks and Trails Program Statewide Indirect Costs	MS 16A.127 3A	\$47,328

A Agency	B Fiscal Year	C Fund	D Approp Name	E Appropriation Description	F Legal Citation	G SWIDC Amount
Pollution Control Agency	2012	Clean Water	Statewide Indirect Cost		MS 16A.127 3A	\$39,104
	2013		Statewide Indirect Cost		MS 16A.127 3A	\$58,682
	2014		Statewide Indirect Cost		MS 16A.127 3A	\$67,729
	2015		Statewide Indirect Cost		MS 16A.127 3A	\$37,695
	2016		Statewide Indirect Cost		MS 16A.127 3A	\$57,448
	2017		Statewide Indirect Cost		MS 16A.127 3A	\$75,157
State Arts Board	2014	Arts & Cultural Heritage	Grants Prog Admin -FY14	Funds appropriated for administering grant programs and providing oversight.	13 137 04 002 03E	\$14,399
	2014		Grant Programs Administration		111 006 04 002 003	\$22,908
	2015		Grants Prog Admin-FY15		13 137 04 002 03E	\$24,950
	2017		Grants Program Admin FY17		151 002 04 03E 000	\$76,308
Historical Society	2014	Arts & Cultural Heritage	History Partnerships	Funding for partnerships to preserve and enhance access to the state's history and cultural heritage.	111 006 04 002 005	\$9,279
	2014		Historic And Cultural Programs	Funding for MNHS to provide statewide history and cultural heritage programs	111 006 04 002 005	\$25,636
	2014		Historic And Cultural Grants	Grants to preserve significant historic and cultural resources.	111 006 04 002 005	\$25,636
	2015		Historic And Cultural Grants	Grants to preserve significant historic and cultural resources.	13 137 04 002 05B	\$11,266
	2015		Historic And Cultural Programs	Funding for MNHS to provide statewide history and cultural heritage programs	13 137 04 002 05B	\$11,266

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Historical Society	2015	Arts & Cultural Heritage	History Partnerships	Funding for partnerships to preserve and enhance access to the state's history and cultural heritage.	13 137 04 002 05B	\$3,970
	2017		Historic And Cultural Programs	Funding for MNHS to provide statewide history and cultural heritage programs	151 002 04 002 04B	\$11,450
	2017		Historic And Cultural Grants	Grants to preserve significant historic and cultural resources	151 002 04 002 04B	\$11,450
	2017		History Partnerships	Funding for partnerships to preserve and enhance access to the state's history and cultural heritage.	151 002 04 002 04B	\$4,084
Board of Water and Soil Resources	2015	Clean Water	Cwf Administration	Funds used to administer the clean water fund activities directed by law.	13 137 02 007 000	\$29,122
	2016		Cwf Administration		111 006 02 007 000	\$20,855
	2017		Cwf Administration		151 002 02 002 002	\$19,246
Department of Administration	2011	Arts & Cultural Heritage	Grants Admin/Arts-Cultural	Portion of grants appropriation necessary for administration of grants.	09 172 04 002 005	\$51
	2012		Grants Admin/Arts-Cultural		111 006 04 002 006	\$4,055
	2013		Grants Admin/Arts-Cultural		111 006 04 002 006	\$10,895
	2014		Film Prod Inc/Grant Admin		12 264 05 006 000	\$3,495
	2014		Grants Adm/Arts-Cultural 14/15		13 137 04 002 06A	\$13,335
	2014		Grants Admin/Arts-Cultural		111 006 04 002 006	\$13,518
	2015		Grants Adm/Arts-Cultural 15		13 137 04 002 06A	\$999
	2016		ACHF Grants Admin FY16		151 002 04 002 06A	\$226

A Agency	B Fiscal Year	C Fund	D Approp Name	E Appropriation Description	F Legal Citation	G SWIDC Amount
Department of Health	2015	Clean Water	CWF-EH Well Sealing	Funds appropriated for well sealing activities	13 137 02 008 000	\$230
	2015		CWF-EH CEC	Funds appropriated for contaminants of emerging concern activities	13 137 02 008 000	\$1,252
	2015		Clean Water Fund - CEC	Funds appropriated for contaminants of emerging concern activities	13 137 02 008 000	\$212
	2015		CWF-EH Drinking Water Prot	Funds appropriated for drinking water activities	13 137 02 008 000	\$3,445
	2015		CWF-EH Cty Well Index	Funds appropriated for city well index activities	13 137 02 008 000	\$242
	2015		CWF-EH Private Wells	Funds appropriated for private wells activities	13 137 02 008 000	\$125
	2015		CWF-IDEPC Beach	Funds appropriated for beach monitoring activities	MS 144.074	\$44
	2015		CWF-EH Virus Monitoring	Funds appropriated for virus monitoring activities	13 137 02 008 000	\$219
	2015		CWF-IDEPC Virus Monitoring	Funds appropriated for virus monitoring activities	13 137 02 008 000	\$114
	2015		CWF Groundwater Management	Funds appropriated for groundwater management activities	14 312 14 006 000	\$100
	2016		CWF-EH CEC	Funds appropriated for contaminants of emerging concern activities	13 137 02 008 000	\$1,185
	2016		CWF-EH Drinking Water Prot	Funds appropriated for drinking water activities	13 137 02 008 000	\$8

A Agency	B Fiscal Year	C Fund	D Approp Name	E Appropriation Description	F Legal Citation	G SWIDC Amount
Department of Health	2016	Clean Water	CWF-EH Cty Well Index	Funds appropriated for city well index activities	13 137 02 008 000	\$750
	2016		CWF-EH Private Wells	Funds appropriated for private wells activities	13 137 02 008 000	\$588
	2016		CWF-IDEPC Beach	Funds appropriated for beach monitoring activities	13 137 02 008 000	\$400
	2016		CWF-EH Virus Monitoring	Funds appropriated for virus monitoring activities	13 137 02 008 000	\$270
	2016		CWF-IDEPC Virus Monitoring	Funds appropriated for virus monitoring activities	13 137 02 008 000	\$327
	2016	Clean Water	CWF Groundwater Management	Funds appropriated for groundwater management activities	14 312 14 006 000	\$428
	2016		CWF-EH_Well Sealing	Funds appropriated for well sealing activities	151 002 02 008 000	\$151
	2016		CWF-EH_CEC	Funds appropriated for contaminants of emerging concern activities	151 002 02 008 000	\$959
	2016		Clean Water Fund_CEC	Funds appropriated for contaminants of emerging concern activities	151 002 02 008 000	\$258
	2016		CWF-EH Drking Wtr Prot	Funds appropriated for drinking water activities	151 002 02 008 000	\$2,787
	2016		CWF-EH Prvt Wells	Funds appropriated for private wells activities	151 002 02 008 000	\$46
	2016		CWF-EH_Virus Monitoring	Funds appropriated for virus monitoring activities	151 002 02 008 000	\$170
	2016		CWF-IDEPC Virus Monitoring	Funds appropriated for virus monitoring activities	151 002 02 008 000	\$1

A Agency	B Fiscal Year	C Fund	D Approp Name	E Appropriation Description	F Legal Citation	G SWIDC Amount
Department of Health	2016	Clean Water	CWF Grndwter Mgnt	Funds appropriated for groundwater management activities	151 002 02 008 000	\$24
	2016		CWF Water Reuse Study	Funds appropriated for water reuse study activity	151 002 02 008 000	\$191
	2017		CWF-EH Virus Monitoring	Funds appropriated for virus monitoring activities	13 137 02 008 000	\$1,479
	2017		CWF-IDEPC Virus Monitoring	Funds appropriated for virus monitoring activities	13 137 02 008 000	\$511
	2017		CWF-EH_Well Sealing	Funds appropriated for well sealing activities	151 002 02 008 000	\$172
	2017		CWF-EH_CEC	Funds appropriated for contaminants of emerging concern activities	151 002 02 008 000	\$2,248
	2017		Clean Water Fund_CEC	Funds appropriated for contaminants of emerging concern activities	151 002 02 008 000	\$277
	2017		CWF-EH Drking Wtr Prot	Funds appropriated for drinking water activities	151 002 02 008 000	\$4,569
	2017		Clean Water	CWF-EH Prvt Wells	Funds appropriated for private wells activities	151 002 02 008 000
	2017	CWF-EH_Virus Monitoring		Funds appropriated for virus monitoring activities	151 002 02 008 000	\$105
	2017	CWF-IDEPC Virus Monitoring		Funds appropriated for virus monitoring activities	151 002 02 008 000	\$1
	2017	CWF Grndwter Mgnt		Funds appropriated for groundwater management activities	151 002 02 008 000	\$433
	2017	CWF Water Reuse Study		Funds appropriated for water reuse study activity	151 002 02 008 000	\$233

A Agency	B Fiscal Year	C Fund	D Approp Name	E Appropriation Description	F Legal Citation	G SWIDC Amount
Perpich Center for Arts Education	2015	Arts & Cultural Heritage	Arts Integration	Funds appropriated for arts integration activities in MN schools	13 137 04 002 008	\$4,329
	2016		MN Turnaround Arts Education	Appropriation for the Turnaround Arts program for assisting schools and programs throughout the state.	151 002 04 009 000	\$5,166
	2017		MN Turnaround Arts Education		151 002 04 009 000	\$11,280
Zoological Board	2013	Arts & Cultural Heritage	Legacy Grant	Funds appropriated for programmatic development	111 006 04 007 000	\$1,536
	2014		Legacy Grant	Funds appropriated to provide access to arts and cultural heritage at the Zoo.	13 137 04 002 009	\$2,048

Total:

\$1,645,467