

Table of Contents

Commerce Department

| | |
|--|-----------|
| Agency Profile | 1 |
| Agency Expenditure Overview | 5 |
| Agency Financing by Fund | 7 |
| Agency Change Summary | 11 |
| <u>Change Item(s)</u> | 14 |
| <i>Litigation Expenses</i> | 14 |
| <i>Agency Operating Budget Adjustment</i> | 15 |
| <i>IT System Modernization</i> | 17 |
| <i>Senior Financial Fraud Prevention</i> | 20 |
| <i>Unclaimed Property Operating System Modernization & Cybersecurity Upgrade</i> | 23 |
| <i>Unclaimed Property Policy Modernization and Operations</i> | 26 |
| <i>State Energy Office</i> | 29 |
| <i>Solar On Schools</i> | 32 |
| <i>Minnesota Premium Security Plan Transfer</i> | 35 |
| <u>Program</u> | 36 |
| Financial Institutions | 36 |
| <i>Program Narrative</i> | 36 |
| Program Expenditure Overview | 38 |
| Program Financing by Fund | 39 |
| <u>Program</u> | 40 |
| Petroleum Tank Cleanup Fund | 40 |
| <i>Program Narrative</i> | 40 |
| Program Expenditure Overview | 42 |
| Program Financing by Fund | 43 |
| <u>Program</u> | 44 |
| Regulatory and Administrative Services | 44 |
| <i>Program Narrative</i> | 44 |
| Program Expenditure Overview | 47 |
| Program Financing by Fund | 48 |
| <u>Program</u> | 49 |
| Enforcement | 49 |
| <i>Program Narrative</i> | 49 |
| Program Expenditure Overview | 51 |
| Program Financing by Fund | 52 |
| <u>Program</u> | 54 |
| Telecommunications | 54 |
| <i>Program Narrative</i> | 54 |
| Program Expenditure Overview | 56 |
| Program Financing by Fund | 57 |
| <u>Program</u> | 58 |
| Energy Resources | 58 |
| <i>Program Narrative</i> | 58 |
| Program Expenditure Overview | 61 |

| | |
|--|----|
| Program Financing by Fund | 62 |
| <u>Program</u> | 64 |
| Weights & Measures | 64 |
| <i>Program Narrative</i> | 64 |
| Program Expenditure Overview | 66 |
| Program Financing by Fund | 67 |
| <u>Program</u> | 68 |
| Insurance | 68 |
| <i>Program Narrative</i> | 68 |
| Program Expenditure Overview | 71 |
| Program Financing by Fund | 72 |
| <u>Program</u> | 74 |
| Minnesota Premium Security Plan | 74 |
| <i>Program Narrative</i> | 74 |
| Program Expenditure Overview | 76 |
| Program Financing by Fund | 77 |
| <u>Additional Documents</u> | 78 |
| <i>Federal Funds Summary</i> | 78 |

AT A GLANCE

- The Commerce Department advocates for the public interest, ensures a competitive and fair marketplace, and serves as a resource for consumers and businesses, in a number of industries.
- **320,000**: Minnesotans served by the Low-Income Home Energy Assistance Program during FFY18.
- **\$57.8 billion**: Bank and credit union assets held by 308 state chartered banks and credit unions regulated by the Department.
- **\$349 billion**: Amount of assets held by 152 Minnesota domestic insurers regulated by the Insurance Division in 2017, an 11% increase from 2015.
- **227,360**: Total active licenses issued by the Commerce Department.
- **\$249.1 million**: Total dollar value of property returned to Minnesotans through the Unclaimed Property program since FY11.
- **14,782**: Consumer inquires and complaints addressed by the Department in 2017.
- **18,475**: Gas pumps checked for credit card skimmers by the Weights and Measures Division in FY 2018.
- **1.9**: Megawatt-hours (MWh) of electricity saved in 2015 and 2016 – the equivalent 383,641 cars removed from the road for one year – through Conservation Improvement Plans.

PURPOSE

The agency's mission is to protect the public interest; advocate for Minnesota consumers; ensure a strong, competitive and fair marketplace; strengthen the state's economic future; and serve as a trusted public resource for consumers and businesses. Commerce supports a **thriving economy that encourages business growth and employment opportunities; strong and stable families and communities; a clean, healthy environment with sustainable uses of natural resources; and provides efficient and accountable government services.**

The Commerce Department is:

- Minnesota's Insurance Department.
- Minnesota's Financial Institutions Department, overseeing all state-chartered banks and credit unions.
- Minnesota's Energy Department.

The Commerce Department is also the home to the following consumer protection and regulatory programs:

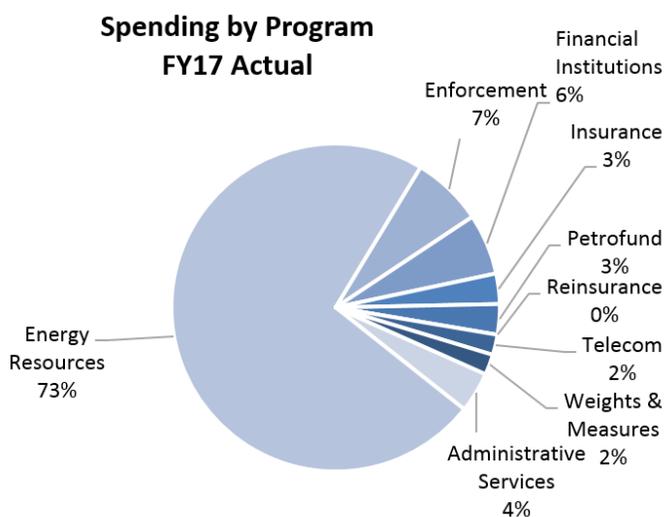
- The Consumer Services Center, where Minnesotans can call for help to understand the products and services regulated by the Department;
- Licensing and Continuing Education;
- The Low Income Heating Assistance and Weatherization Programs;
- The Petrofund, which helps Minnesotans clean up pollution on their property due to leaky underground fuel tanks;
- Enforcement;
- The Commerce Fraud Bureau;
- The State's Securities Regulator overseeing investment advisors and broker-dealers not regulated by the federal government;
- Telecommunications Regulation;
- The State's Unclaimed Property Program; and
- Weights and Measures.

In all, the Department of Commerce regulates 22 industries and licenses approximately 227,000 individuals and entities that do business in Minnesota.

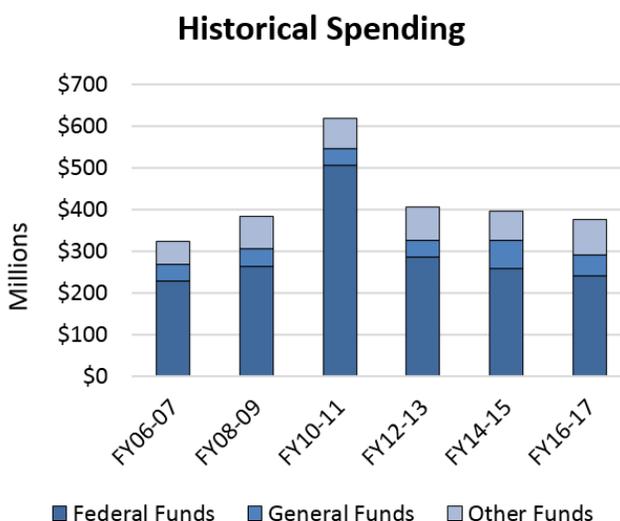
The Commerce Department provides the following statewide services:

- Ensures health, property and casualty, life, long-term care and workers compensation insurance in the state is fair and reasonable;
- Pursues civil and criminal enforcement activities to protect Minnesotans from fraudulent activities and ensure strong and stable families and communities;
- Advocates on behalf of the public interest in energy-related matters to ensure a clean, healthy environment with sustainable uses of natural resources;
- Licenses and regulates individuals and entities to ensure a thriving economy that encourages business growth and employment opportunities; and
- Responds to the needs of consumers, licensees and applicants to ensure delivery of efficient and accountable government services.

BUDGET



Source: BPAS



Source: Consolidated Fund Statement

The Commerce Department’s budget is composed of General Fund appropriations, federal funds and Special Revenue funds. The largest component of the Commerce Department’s budget is federal funding received as a pass-through for administering the Low-Income Home Energy Assistance and Weatherization Programs. Insurance, Telecommunications and Energy Resources assess and recover costs from regulated entities. Financial Institutions, Petrofund and Weights & Measures are funded exclusively from Special Revenue Funds. General Fund operating appropriations for the Commerce Department have remained relatively consistent over the last decade though the department has received funds for one-time purposes. The agency’s FY 10-11 spending level largely reflects the impact of federal stimulus funding that passed through the Commerce Department during the economic downturn.

STRATEGIES

The Commerce Department uses targeted regulatory and consumer protection strategies to maintain a strong and competitive marketplace for Minnesota consumers and businesses. These strategies include:

Energy Resources

- Advocating on behalf of consumers and ratepayers in electric and gas utility rate proceedings.
- Promoting energy-efficient building, conservation, alternative transportation fuels and modern energy technologies.
- Overseeing conservation improvement programs operated by public, municipal and cooperative utilities.
- Administering low-income heating and weatherization assistance programs.

Enforcement

- Enforcing compliance and responsible business conduct across the agency's entire regulatory portfolio.
- Investigating civil and criminal insurance fraud.
- Serving as the agency's primary point of contact for Minnesota consumers.

Financial Institutions

- Licensing, examining and regulating state-chartered banks and credit unions, as well as non-depository institutions, to ensure that they remain safe and financially solvent.
- Registering securities sold in Minnesota as well as individuals and entities who provide investment services to Minnesotans.

Insurance

- Regulating insurance companies operating in Minnesota to ensure they remain safe and financially solvent.
- Reviewing insurance product filings to ensure that insurance products sold to Minnesotans meet state and federal requirements.

Petrofund

- Reimburses petroleum storage tank owners and operators for the cost of investigating and cleaning up petroleum tank releases.
- Contracting to remove abandoned underground petroleum storage tanks across Minnesota.

Regulatory and Administrative Services

- Licensing individuals and entities to do business in Minnesota.
- Providing unclaimed property services to Minnesotans.
- Integrating information management services and technical support for the agency.
- Agency administration including financial services, communications and human resources.

Telecommunications

- Advocating on behalf of consumers and ratepayers in proceedings relating to telecommunications and utilities.
- Promoting competition among telecommunications companies in Minnesota.

Weights & Measures

- Ensuring accuracy in all commercial transactions based on weight or measure and the consistent quality of petroleum products in Minnesota.
- Providing precision mass, temperature, density and volume measurement services to Minnesota businesses.

The primary legal authority for the Commerce Department is located in Minn. Stat. §45; the agency's authority, extends to numerous additional chapters including: 45A, 46, 47, 48, 48A, 49, 50, 51A, 52, 53, 53A, 53B, 53C, 54, 55, 56, 58, 58A, 59A, 59B, 59C, 60A, 60B, 60C, 60D, 60E, 60F, 60G, 60H, 60J, 60K, 60L, 61A, 61B, 62A, 62B, 62C, 62D, 62E, 62F, 62H, 62I, 62J, 62L, 62M, 62Q, 62R, 62S, 62U, 64B, 65A, 65B, 66A, 67A, 69, 70A, 71A, 72A, 72B, 72C, 79, 79A, 80A, 80B, 80C, 81A, 82, 82B, 82C, 83, 115C, 116J, 123B, 169, 174, 176, 214, 216A, 216B, 216C, 216E, 216F, 222, 237, 239, 272, 299F, 301, 318, 325D, 325E, 325F, 325N, 332, 332A, 332B, 334, 345, 359, 386, 462A, 465, 471, 475, 507, 510, 514, 550 and 609B.

(Dollars in Thousands)

| | Actual FY16 | Actual FY17 | Actual FY18 | Estimate FY19 | Forecast Base FY20 FY21 | | Governor's Recommendation FY20 FY21 | |
|---------------------------------------|----------------|----------------|----------------|------------------|----------------------------|----------------|---|----------------|
| <u>Expenditures by Fund</u> | | | | | | | | |
| 1000 - General | 23,354 | 26,828 | 21,261 | 25,303 | 23,157 | 23,157 | 27,983 | 26,979 |
| 2000 - Restrict Misc Special Revenue | 34,292 | 39,486 | 37,542 | 40,476 | 178,786 | 224,850 | 178,786 | 224,850 |
| 2001 - Other Misc Special Revenue | 117 | 111 | 137 | 300 | 300 | 300 | 300 | 300 |
| 2340 - Renewable Development | | | 3,009 | 4,605 | 5,040 | 5,040 | 15,040 | 15,040 |
| 2350 - Petroleum Tank Release Cleanup | 5,996 | 5,173 | 5,777 | 10,637 | 10,541 | 10,541 | 10,541 | 10,541 |
| 2830 - Workers Compensation | 716 | 725 | 741 | 765 | 758 | 759 | 758 | 759 |
| 3000 - Federal | 120,524 | 119,031 | 131,757 | 138,289 | 273,529 | 227,759 | 273,529 | 227,759 |
| 6000 - Miscellaneous Agency | 128 | 121 | 44 | 182 | 155 | 155 | 155 | 155 |
| Total | 185,127 | 191,473 | 200,268 | 220,557 | 492,266 | 492,561 | 507,092 | 506,383 |
| Biennial Change | | | | 44,225 | | 564,002 | | 592,650 |
| Biennial % Change | | | | 12 | | 134 | | 141 |
| Governor's Change from Base | | | | | | | | 28,648 |
| Governor's % Change from Base | | | | | | | | 3 |

Expenditures by Program

| | | | | | | | | |
|--|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
| Financial Institutions | 9,746 | 10,946 | 11,733 | 13,723 | 13,646 | 13,696 | 13,657 | 13,712 |
| Petroleum Tank Cleanup Fund | 5,996 | 5,173 | 5,777 | 10,637 | 10,541 | 10,541 | 10,541 | 10,541 |
| Regulatory and Administrative Services | 8,218 | 8,914 | 8,482 | 10,382 | 9,543 | 9,543 | 12,287 | 11,072 |
| Enforcement | 12,019 | 13,178 | 11,835 | 13,951 | 13,380 | 13,380 | 14,288 | 14,378 |
| Telecommunications | 4,703 | 4,624 | 4,128 | 4,641 | 4,043 | 4,479 | 4,071 | 4,517 |
| Energy Resources | 136,163 | 139,557 | 148,494 | 156,679 | 161,813 | 162,140 | 172,367 | 172,744 |
| Weights & Measures | 3,558 | 3,763 | 3,788 | 3,560 | 3,565 | 3,565 | 3,565 | 3,565 |
| Insurance | 4,724 | 5,069 | 5,531 | 6,221 | 5,407 | 5,273 | 5,988 | 5,910 |
| Minnesota Premium Security Plan | | 250 | 500 | 763 | 270,328 | 269,944 | 270,328 | 269,944 |
| Total | 185,127 | 191,473 | 200,268 | 220,557 | 492,266 | 492,561 | 507,092 | 506,383 |

Expenditures by Category

| | | | | | | | | |
|------------------------------|---------|---------|---------|---------|---------|---------|---------|---------|
| Compensation | 30,948 | 32,486 | 34,130 | 38,643 | 37,310 | 37,272 | 39,302 | 39,847 |
| Operating Expenses | 29,190 | 35,196 | 32,128 | 42,498 | 40,287 | 39,818 | 43,621 | 41,565 |
| Grants, Aids and Subsidies | 123,952 | 122,723 | 132,870 | 139,272 | 414,527 | 415,329 | 424,027 | 424,829 |
| Capital Outlay-Real Property | 184 | 281 | 214 | 56 | 56 | 56 | 56 | 56 |
| Other Financial Transaction | 853 | 788 | 925 | 88 | 86 | 86 | 86 | 86 |

Commerce

Agency Expenditure Overview

(Dollars in Thousands)

| | Actual | Actual | Actual | Estimate | Forecast Base | | Governor's Recommendation | |
|--------------|----------------|----------------|----------------|----------------|----------------|----------------|---------------------------|----------------|
| | FY16 | FY17 | FY18 | FY19 | FY20 | FY21 | FY20 | FY21 |
| Total | 185,127 | 191,473 | 200,268 | 220,557 | 492,266 | 492,561 | 507,092 | 506,383 |

| | | | | | | | | |
|---|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
| Total Agency Expenditures | 185,127 | 191,473 | 200,268 | 220,557 | 492,266 | 492,561 | 507,092 | 506,383 |
| Internal Billing Expenditures | 1,473 | 1,443 | 2,003 | 2,190 | 2,136 | 2,118 | 2,136 | 2,118 |
| Expenditures Less Internal Billing | 183,654 | 190,030 | 198,265 | 218,367 | 490,130 | 490,443 | 504,956 | 504,265 |

| | | | | | | | | |
|-------------------------------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| <u>Full-Time Equivalents</u> | 338.17 | 341.90 | 342.89 | 355.61 | 352.05 | 351.05 | 358.05 | 360.05 |
|-------------------------------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|

Commerce

Agency Financing by Fund

(Dollars in Thousands)

| | Actual FY16 | Actual FY17 | Actual FY18 | Estimate FY19 | Forecast Base | | Governor's Recommendation | |
|-----------------------------------|----------------|----------------|----------------|------------------|---------------|---------------|------------------------------|---------------|
| | | | | | FY20 | FY21 | FY20 | FY21 |
| 1000 - General | | | | | | | | |
| Balance Forward In | 0 | 2,484 | 0 | 2,213 | | | | |
| Direct Appropriation | 25,960 | 27,362 | 23,603 | 23,217 | 23,284 | 23,284 | 28,110 | 27,106 |
| Transfers In | 1,670 | 1,804 | 2,068 | 1,889 | 1,889 | 1,889 | 1,889 | 1,889 |
| Transfers Out | 164 | 77 | 129 | 127 | 127 | 127 | 127 | 127 |
| Cancellations | 1,695 | 4,745 | 2,068 | 1,889 | 1,889 | 1,889 | 1,889 | 1,889 |
| Balance Forward Out | 2,417 | | 2,214 | | | | | |
| Expenditures | 23,354 | 26,828 | 21,261 | 25,303 | 23,157 | 23,157 | 27,983 | 26,979 |
| Biennial Change in Expenditures | | | | (3,618) | | (250) | | 8,398 |
| Biennial % Change in Expenditures | | | | (7) | | (1) | | 18 |
| Governor's Change from Base | | | | | | | | 8,648 |
| Governor's % Change from Base | | | | | | | | 19 |
| Full-Time Equivalents | 201.68 | 212.37 | 167.26 | 172.40 | 172.40 | 172.40 | 176.40 | 179.40 |

2000 - Restrict Misc Special Revenue

| | | | | | | | | |
|-----------------------------------|---------------|---------------|---------------|---------------|----------------|----------------|----------------|----------------|
| Balance Forward In | 57,157 | 69,601 | 119,696 | 341,042 | 616,395 | 483,480 | 616,395 | 483,480 |
| Receipts | 45,606 | 87,548 | 43,119 | 44,368 | 45,410 | 43,519 | 45,410 | 43,519 |
| Internal Billing Receipts | 1,473 | 1,459 | 2,003 | 2,000 | 2,000 | 2,000 | 2,000 | 2,000 |
| Transfers In | 4,977 | 4,697 | 277,566 | 276,657 | 5,655 | 5,655 | 5,655 | 5,655 |
| Transfers Out | 5,311 | 5,010 | 61,800 | 5,196 | 5,194 | 5,194 | 5,194 | 286,677 |
| Balance Forward Out | 68,137 | 117,350 | 341,039 | 616,395 | 483,480 | 21,127 | 483,480 | 21,127 |
| Expenditures | 34,292 | 39,486 | 37,542 | 40,476 | 178,786 | 224,850 | 178,786 | 224,850 |
| Biennial Change in Expenditures | | | | 4,240 | | 325,618 | | 325,618 |
| Biennial % Change in Expenditures | | | | 6 | | 417 | | 417 |
| Governor's Change from Base | | | | | | | | 0 |
| Governor's % Change from Base | | | | | | | | 0 |
| Full-Time Equivalents | 94.46 | 92.68 | 135.75 | 136.29 | 136.29 | 136.29 | 136.29 | 136.29 |

2001 - Other Misc Special Revenue

| | | | | | | | | |
|---------------------------------|------------|------------|------------|------------|------------|------------|------------|------------|
| Balance Forward In | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 |
| Receipts | 73 | 54 | 137 | 300 | 300 | 300 | 300 | 300 |
| Balance Forward Out | 56 | 43 | 100 | 100 | 100 | 100 | 100 | 100 |
| Expenditures | 117 | 111 | 137 | 300 | 300 | 300 | 300 | 300 |
| Biennial Change in Expenditures | | | | 209 | | 163 | | 163 |

Commerce

Agency Financing by Fund

(Dollars in Thousands)

| | Actual | Actual | Actual | Estimate | Forecast Base | | Governor's Recommendation | |
|-----------------------------------|--------|--------|--------|----------|---------------|------|---------------------------|------|
| | FY16 | FY17 | FY18 | FY19 | FY20 | FY21 | FY20 | FY21 |
| Biennial % Change in Expenditures | | | | 91 | | 37 | | 37 |
| Governor's Change from Base | | | | | | | | 0 |
| Governor's % Change from Base | | | | | | | | 0 |
| Full-Time Equivalents | 0.43 | 0.49 | 0.52 | 0.52 | 0.52 | 0.52 | 0.52 | 0.52 |

2340 - Renewable Development

| | | | | | | | | |
|-----------------------------------|--|--|--------------|--------------|--------------|--------------|---------------|---------------|
| Direct Appropriation | | | 600 | 600 | 600 | 600 | 10,600 | 10,600 |
| Open Appropriation | | | 2,909 | 4,005 | 4,440 | 4,440 | 4,440 | 4,440 |
| Cancellations | | | 500 | | | | | |
| Balance Forward Out | | | 0 | | | | | |
| Expenditures | | | 3,009 | 4,605 | 5,040 | 5,040 | 15,040 | 15,040 |
| Biennial Change in Expenditures | | | | 7,614 | | 2,466 | | 22,466 |
| Biennial % Change in Expenditures | | | | | | 32 | | 295 |
| Governor's Change from Base | | | | | | | | 20,000 |
| Governor's % Change from Base | | | | | | | | 198 |
| Full-Time Equivalents | | | 0.82 | 0.82 | 0.82 | 0.82 | 2.82 | 2.82 |

2350 - Petroleum Tank Release Cleanup

| | | | | | | | | |
|-----------------------------------|--------------|--------------|--------------|---------------|---------------|---------------|---------------|---------------|
| Balance Forward In | | 194 | | 172 | | | | |
| Direct Appropriation | 1,052 | 1,052 | 1,052 | 1,054 | 1,056 | 1,056 | 1,056 | 1,056 |
| Open Appropriation | 11,271 | 8,576 | 7,694 | 15,885 | 15,885 | 15,885 | 15,885 | 15,885 |
| Transfers In | 892 | 947 | 787 | | | | | |
| Transfers Out | 7,029 | 5,214 | 3,584 | 6,400 | 6,400 | 6,400 | 6,400 | 6,400 |
| Cancellations | | 383 | | 74 | | | | |
| Balance Forward Out | 190 | | 172 | | | | | |
| Expenditures | 5,996 | 5,173 | 5,777 | 10,637 | 10,541 | 10,541 | 10,541 | 10,541 |
| Biennial Change in Expenditures | | | | 5,245 | | 4,668 | | 4,668 |
| Biennial % Change in Expenditures | | | | 47 | | 28 | | 28 |
| Governor's Change from Base | | | | | | | | 0 |
| Governor's % Change from Base | | | | | | | | 0 |
| Full-Time Equivalents | 6.88 | 6.69 | 6.76 | 6.76 | 6.76 | 6.76 | 6.76 | 6.76 |

2403 - Gift

Commerce

Agency Financing by Fund

(Dollars in Thousands)

| | Actual | Actual | Actual | Estimate | Forecast Base | | Governor's Recommendation | |
|---------------------|--------|--------|--------|----------|---------------|------|---------------------------|------|
| | FY16 | FY17 | FY18 | FY19 | FY20 | FY21 | FY20 | FY21 |
| Balance Forward In | 91 | 91 | 92 | 94 | 95 | 96 | 95 | 96 |
| Receipts | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 |
| Balance Forward Out | 91 | 92 | 94 | 95 | 96 | 97 | 96 | 97 |

2830 - Workers Compensation

| | | | | | | | | |
|-----------------------------------|------------|------------|------------|------------|------------|------------|------------|------------|
| Balance Forward In | | 35 | | 10 | | | | |
| Direct Appropriation | 751 | 751 | 751 | 755 | 758 | 759 | 758 | 759 |
| Cancellations | | 62 | | | | | | |
| Balance Forward Out | 35 | | 10 | | | | | |
| Expenditures | 716 | 725 | 741 | 765 | 758 | 759 | 758 | 759 |
| Biennial Change in Expenditures | | | | 66 | | 11 | | 11 |
| Biennial % Change in Expenditures | | | | 5 | | 1 | | 1 |
| Governor's Change from Base | | | | | | | | 0 |
| Governor's % Change from Base | | | | | | | | 0 |
| Full-Time Equivalents | 5.28 | 4.56 | 4.56 | 4.56 | 4.56 | 4.56 | 4.56 | 4.56 |

3000 - Federal

| | | | | | | | | |
|-----------------------------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
| Balance Forward In | 34 | 5 | 1 | | | | | |
| Receipts | 120,489 | 119,027 | 131,756 | 138,289 | 273,529 | 227,759 | 273,529 | 227,759 |
| Expenditures | 120,524 | 119,031 | 131,757 | 138,289 | 273,529 | 227,759 | 273,529 | 227,759 |
| Biennial Change in Expenditures | | | | 30,491 | | 231,242 | | 231,242 |
| Biennial % Change in Expenditures | | | | 13 | | 86 | | 86 |
| Governor's Change from Base | | | | | | | | 0 |
| Governor's % Change from Base | | | | | | | | 0 |
| Full-Time Equivalents | 29.44 | 25.11 | 27.22 | 34.26 | 30.70 | 29.70 | 30.70 | 29.70 |

3002 - Oil Overcharge

| | | | | | | | | |
|---------------------|-----|-----|-----|-----|-----|-----|-----|-----|
| Balance Forward In | 232 | 232 | 248 | 248 | 248 | 248 | 248 | 248 |
| Receipts | | 15 | | | | | | |
| Balance Forward Out | 232 | 248 | 248 | 248 | 248 | 248 | 248 | 248 |

6000 - Miscellaneous Agency

| | | | | | | | | |
|--------------------|-----|----|----|----|--|--|--|--|
| Balance Forward In | 134 | 52 | 44 | 43 | | | | |
|--------------------|-----|----|----|----|--|--|--|--|

Commerce

Agency Financing by Fund

(Dollars in Thousands)

| | Actual | Actual | Actual | Estimate | Forecast Base | | Governor's Recommendation | |
|-----------------------------------|------------|------------|-----------|------------|---------------|------------|---------------------------|------------|
| | FY16 | FY17 | FY18 | FY19 | FY20 | FY21 | FY20 | FY21 |
| Receipts | 46 | 91 | 44 | 139 | 155 | 155 | 155 | 155 |
| Balance Forward Out | 52 | 23 | 43 | | | | | |
| Expenditures | 128 | 121 | 44 | 182 | 155 | 155 | 155 | 155 |
| Biennial Change in Expenditures | | | | (22) | | 84 | | 84 |
| Biennial % Change in Expenditures | | | | (9) | | 37 | | 37 |
| Governor's Change from Base | | | | | | | | 0 |
| Governor's % Change from Base | | | | | | | | 0 |

(Dollars in Thousands)

| | FY19 | FY20 | FY21 | Biennium 2020-21 |
|---|---------------|---------------|---------------|---------------------|
| Direct | | | | |
| Fund: 1000 - General | | | | |
| FY2019 Appropriations | 23,217 | 23,217 | 23,217 | 46,434 |
| Base Adjustments | | | | |
| Pension Allocation | | 67 | 67 | 134 |
| Forecast Base | 23,217 | 23,284 | 23,284 | 46,568 |
| Change Items | | | | |
| Litigation Expenses | | 1,485 | | 1,485 |
| Agency Operating Budget Adjustment | | 1,332 | 1,604 | 2,936 |
| IT System Modernization | | 416 | 416 | 832 |
| Senior Financial Fraud Prevention | | 250 | 250 | 500 |
| Unclaimed Property Operating System Modernization & Cybersecurity Upgrade | | 475 | 350 | 825 |
| Unclaimed Property Policy Modernization and Operations | | 368 | 702 | 1,070 |
| State Energy Office | | 500 | 500 | 1,000 |
| Total Governor's Recommendations | 23,217 | 28,110 | 27,106 | 55,216 |
| Fund: 2340 - Renewable Development | | | | |
| FY2019 Appropriations | 600 | 600 | 600 | 1,200 |
| Forecast Base | 600 | 600 | 600 | 1,200 |
| Change Items | | | | |
| Solar On Schools | | 10,000 | 10,000 | 20,000 |
| Total Governor's Recommendations | 600 | 10,600 | 10,600 | 21,200 |
| Fund: 2350 - Petroleum Tank Release Cleanup | | | | |
| FY2019 Appropriations | 1,054 | 1,054 | 1,054 | 2,108 |
| Base Adjustments | | | | |
| Pension Allocation | | 2 | 2 | 4 |
| Forecast Base | 1,054 | 1,056 | 1,056 | 2,112 |
| Total Governor's Recommendations | 1,054 | 1,056 | 1,056 | 2,112 |
| Fund: 2830 - Workers Compensation | | | | |
| FY2019 Appropriations | 755 | 755 | 755 | 1,510 |
| Base Adjustments | | | | |
| Pension Allocation | | 3 | 4 | 7 |
| Forecast Base | 755 | 758 | 759 | 1,517 |
| Total Governor's Recommendations | 755 | 758 | 759 | 1,517 |
| Open | | | | |
| Fund: 2340 - Renewable Development | | | | |

Commerce

Agency Change Summary

(Dollars in Thousands)

| | FY19 | FY20 | FY21 | Biennium 2020-21 |
|--|----------------|----------------|----------------|---------------------|
| FY2019 Appropriations | 3,572 | 3,572 | 3,572 | 7,144 |
| Base Adjustments | | | | |
| Forecast Open Appropriation Adjustment | 628 | 1,328 | 1,328 | 2,656 |
| November Forecast Adjustment | (195) | (460) | (460) | (920) |
| Forecast Base | 4,005 | 4,440 | 4,440 | 8,880 |
| Total Governor's Recommendations | 4,005 | 4,440 | 4,440 | 8,880 |
| Fund: 2350 - Petroleum Tank Release Cleanup | | | | |
| FY2019 Appropriations | 16,485 | 16,485 | 16,485 | 32,970 |
| Base Adjustments | | | | |
| November Forecast Adjustment | (600) | (600) | (600) | (1,200) |
| Forecast Base | 15,885 | 15,885 | 15,885 | 31,770 |
| Total Governor's Recommendations | 15,885 | 15,885 | 15,885 | 31,770 |
| Dedicated | | | | |
| Fund: 2000 - Restrict Misc Special Revenue | | | | |
| Planned Spending | 40,476 | 178,786 | 224,850 | 403,636 |
| Forecast Base | 40,476 | 178,786 | 224,850 | 403,636 |
| Total Governor's Recommendations | 40,476 | 178,786 | 224,850 | 403,636 |
| Fund: 2001 - Other Misc Special Revenue | | | | |
| Planned Spending | 300 | 300 | 300 | 600 |
| Forecast Base | 300 | 300 | 300 | 600 |
| Total Governor's Recommendations | 300 | 300 | 300 | 600 |
| Fund: 3000 - Federal | | | | |
| Planned Spending | 138,289 | 273,529 | 227,759 | 501,288 |
| Forecast Base | 138,289 | 273,529 | 227,759 | 501,288 |
| Total Governor's Recommendations | 138,289 | 273,529 | 227,759 | 501,288 |
| Fund: 6000 - Miscellaneous Agency | | | | |
| Planned Spending | 182 | 155 | 155 | 310 |
| Forecast Base | 182 | 155 | 155 | 310 |
| Total Governor's Recommendations | 182 | 155 | 155 | 310 |
| Revenue Change Summary | | | | |
| Dedicated | | | | |
| Fund: 2000 - Restrict Misc Special Revenue | | | | |
| Forecast Revenues | 44,368 | 45,410 | 43,519 | 88,929 |

(Dollars in Thousands)

| | FY19 | FY20 | FY21 | Biennium 2020-21 |
|--|----------------|----------------|----------------|---------------------|
| Total Governor's Recommendations | 44,368 | 45,410 | 43,519 | 88,929 |
| Fund: 2001 - Other Misc Special Revenue | | | | |
| Forecast Revenues | 300 | 300 | 300 | 600 |
| Total Governor's Recommendations | 300 | 300 | 300 | 600 |
| Fund: 2403 - Gift | | | | |
| Forecast Revenues | 1 | 1 | 1 | 2 |
| Total Governor's Recommendations | 1 | 1 | 1 | 2 |
| Fund: 3000 - Federal | | | | |
| Forecast Revenues | 138,289 | 273,529 | 227,759 | 501,288 |
| Total Governor's Recommendations | 138,289 | 273,529 | 227,759 | 501,288 |
| Fund: 6000 - Miscellaneous Agency | | | | |
| Forecast Revenues | 139 | 155 | 155 | 310 |
| Total Governor's Recommendations | 139 | 155 | 155 | 310 |
| Non-Dedicated | | | | |
| Fund: 1000 - General | | | | |
| Forecast Revenues | 102,618 | 102,618 | 102,618 | 205,236 |
| Change Items | | | | |
| Unclaimed Property Policy Modernization and Operations | | | 13,780 | 13,780 |
| Total Governor's Recommendations | 102,618 | 102,618 | 116,398 | 219,016 |
| Fund: 2350 - Petroleum Tank Release Cleanup | | | | |
| Forecast Revenues | 300 | 300 | 300 | 600 |
| Total Governor's Recommendations | 300 | 300 | 300 | 600 |

Department of Commerce

FY 2020-21 Biennial Budget Change Item

Change Item Title: Litigation Expenses

| Fiscal Impact (\$000s) | FY 2020 | FY 2021 | FY 2022 | FY 2023 |
|--|----------|----------|----------|----------|
| General Fund | | | | |
| Expenditures | 1,485 | 0 | 0 | 0 |
| Revenues | 0 | 0 | 0 | 0 |
| Other Funds | | | | |
| Expenditures | 0 | 0 | 0 | 0 |
| Revenues | 0 | 0 | 0 | 0 |
| Net Fiscal Impact = (Expenditures – Revenues) | 1,485 | 0 | 0 | 0 |
| FTEs | 0 | 0 | 0 | 0 |

Recommendation:

The Governor recommends \$1,485,000 in FY20 for litigation costs.

Rationale/Background:

In November 2011, the State of North Dakota and several private companies sued the Minnesota Public Utilities Commissioners (PUC) and the Commissioner of Commerce. The suit claimed that Minnesota’s Next Generation Energy Act (“NGEA”), which was passed by the Legislature in 2007, unlawfully regulated North Dakota utilities, was preempted by federal law, and was constitutionally invalid. The United States District Court found against Minnesota. The District Court, as affirmed by the 8th Circuit on August 14, 2018, awarded \$1.4 million in attorney’s fees and costs.

In August 2018, the PUC and Commerce entered into a payment agreement with North Dakota and the other private companies to pay the attorney’s fees and costs judgement. The PUC and Commerce have made an initial payment of \$360,000 toward the judgement obligation. The outstanding balance of the judgement, \$1,050,000 must be paid by July 31, 2019 and is divided evenly between the two agencies.

Additionally, in 2015, SafeLite Group, Inc. sued the Department of Commerce arguing that the Department unconstitutionally executed a voluntary consent order with an independent insurance company in which it was agreed that the insurance company would no longer use SafeLite for its claims handling. The District Court’s ruling found in favor of both Commerce and SafeLite, but ordered Commerce to pay a reduced amount of attorney’s fees and costs. In January 2019, the Court of Appeals affirmed the District Court’s decision awarding the Plaintiffs the reduced amount of attorney’s fees plus interest, totaling \$960,000, which must be paid by July 1, 2019.

Proposal:

This proposal recommends \$1,485,000 in total to satisfy the remaining legal obligations of the State of Minnesota in these cases. The appropriation of these funds will be directly paid pursuant to the payment agreements.

Statutory Change(s):

This proposal does not require a statutory change.

Department of Commerce

FY 2020-21 Biennial Budget Change Item

Change Item Title: Agency Operating Budget Adjustment

| Fiscal Impact (\$000s) | FY 2020 | FY 2021 | FY 2022 | FY 2023 |
|--|----------|----------|----------|----------|
| General Fund | | | | |
| Expenditures | 1,332 | 1,604 | 1,604 | 1,604 |
| Revenues | 0 | 0 | 0 | 0 |
| Other Funds | | | | |
| Expenditures | 0 | 0 | 0 | 0 |
| Revenues | 0 | 0 | 0 | 0 |
| Net Fiscal Impact = (Expenditures – Revenues) | 1,332 | 1,604 | 1,604 | 1,604 |
| FTEs | 0 | 0 | 0 | 0 |

Recommendation:

The Governor recommends \$1,332,000 in FY2020 and \$1,604,000 in ongoing funding to support the core functions of the Department of Commerce. The funds will be used to address the increasing costs of doing business including increases in compensation and rent costs.

Rationale/Background:

Each year, the cost of doing business rises—employer-paid health care contributions, pension contributions, FICA and Medicare, along with other salary and compensation-related costs increase. Other operating costs, like rent also grow. The Commerce Department did not receive an operating adjustment for the 2018-19 biennium. Because of this, essential functions of the Department have been severely impacted over the last several years due to budgetary constraints. This has required the Department to implement salary-savings strategies, including holding open unfilled, critical positions in order to fund immediate needs. Additional funding will offset increasing agency cost drivers and address salary deficiencies.

This request will help the Department fund agency central services including human resources, accounting services, and internal controls. Due to the budget pressures facing the agency, programs that directly serve Minnesotans have been prioritized, which has reduced funding for the agency's central service infrastructure. These core functions are critical and without ongoing stable funding, will further impact the agency and its mission.

Proposal:

An increase of \$1,332,000 in FY2020 and \$1,604,000 in ongoing funding will maintain the delivery of current services. For the Department of Commerce, this funding will cover employee compensation growth, including anticipated compensation increases and employer-paid pension costs and in turn will help stabilize the basic infrastructure of the Department allowing the agency to continue to serve Minnesotans to the fullest extent.

Estimated costs include:

- Rent increases of \$448,000 in FY20 and \$471,000 in FY21.
- Salary pressures of \$884,000 in FY20 and \$1,133,000 in FY21.

This change item is effective July 1, 2019.

Equity and Inclusion:

Stabilizing the operating budget will allow the Department to maintain the delivery of current services and address critical risk management concerns. This will ensure the Department will not have to divert resources away from protecting Minnesota consumers and ensures the agency can continue its work in maintaining a fair and equitable marketplace.

Statutory Change(s):

This proposal does not require a statutory change.

Change Item Title: IT System Modernization

| Fiscal Impact (\$000s) | FY 2020 | FY 2021 | FY 2022 | FY 2023 |
|--|----------|----------|----------|----------|
| General Fund | | | | |
| Expenditures | 416 | 416 | 416 | 0 |
| Revenues | 0 | 0 | 0 | 0 |
| Other Funds | | | | |
| Expenditures | 0 | 0 | 0 | 0 |
| Revenues | 0 | 0 | 0 | 0 |
| Net Fiscal Impact = (Expenditures – Revenues) | 416 | 416 | 416 | 0 |
| FTEs | 0 | 0 | 0 | 0 |

Recommendation:

The Governor recommends \$416,000 in FY20, FY21, and FY22 to support the Commerce IT System Modernization project. The funds will be used to continue work on the priorities listed in the system modernization plan and roadmap created in 2015. The work is focused on data security, transparency and creating sustainable IT platforms

Rationale/Background:

Commerce has over 40 specialized IT applications used on a regular basis to carry out its mission to protect the public interest, advocate for Minnesota consumers, ensure a strong, competitive and fair marketplace, strengthen the state’s economic future and serve as a trusted public resource for consumers and businesses. Many of these applications are in legacy languages, on obsolete hardware, do not meet current security requirements and are on unsupported operating systems/platforms.

The Commerce IT System Modernization project started in 2015 to modernize IT systems to:

- Meet business needs;
- Update systems to align with enterprise standards;
- Improve efficiencies, data quality, security and accessibility;
- Align with Commerce strategic goals.

Initial funding through an Odyssey Fund request in 2015 was used to assess Commerce’s IT systems, create a modernization plan and begin work on six of the IT recommendations.

Proposal:

The Department of Commerce requests \$416,000 per year through FY22 for two contracted Java developers. Developers will begin to replace the following systems:

- Access 1997 and 2003 Databases used daily by the Insurance and Enforcement Divisions that support the public facing IT applications. Access 1997 and 2003 Databases are no longer supported putting business needs, functionality and service at risk.
- eDockets: Application used to review the official record of utility regulation.
 - 390,695 documents available in FY2018.
 - 12.5 million public views since January 1, 2018.

- eFiling: Application allows users to upload documents as a part of regulatory proceedings.
 - There are 3,711 active users.
 - 17,109 documents efiled in FY2018.
- eAssessment: Updated system will allow utilities to pay the Department assessments online instead of mailing a check.

With these updates, Commerce can better safeguard private and non-public data and serve the public in a timely and cost-effective manner.

This proposal will improve data quality and decrease time spent on manual processes or duplicative data entry. For example, periodically the eFiling system does not retain documents even though the user gets confirmation that all documents were uploaded. In addition, some documents are sent to our service lists manually via paper mailing because there is no method to import the lists and the discovery is managed outside of the current IT system.

This proposal is effective July 1, 2019.

Equity and Inclusion:

Many of Commerce’s existing systems do not meet accessibility standards. A key component of the Commerce IT System Modernization is to update IT systems to meet accessibility standards and serve all Minnesotans. Many of these applications provide online no-cost public access to utility and stakeholder filings that increase consumer transparency.

IT Related Proposals:

| <i>Category</i> | <i>FY 2020</i> | <i>FY 2021</i> | <i>FY 2022</i> | <i>FY 2023</i> | <i>FY 2024</i> | <i>FY 2025</i> |
|----------------------------------|----------------|----------------|----------------|----------------|----------------|----------------|
| Payroll | | | | | | |
| Professional/Technical Contracts | \$416 | \$416 | \$416 | | | |
| Infrastructure | | | | | | |
| Hardware | | | | | | |
| Software | | | | | | |
| Training | | | | | | |
| Enterprise Services | | | | | | |
| Staff costs (MNIT or agency) | | | | | | |
| Total | \$416 | \$416 | \$416 | | | |
| MNIT FTEs | 0 | 0 | 0 | | | |
| Agency FTEs | 0 | 0 | 0 | | | |

Results:

| <i>Type of Measure</i> | <i>Name of Measure</i> | <i>Previous</i> | <i>Current</i> | <i>Dates</i> |
|------------------------|--|--------------------|--------------------|---------------------|
| Quantity | Staff time processing manual service list mailings | 3 hours per month | 3 hours per month | FY2017 and FY2018 |
| Quantity | Staff time processing discovery requests | 20 hours per month | 20 hours per month | FY2017 and FY2018 |
| Quantity | Franchise documents available on ComOnline | 11,793 | 12,099 | CY14-15 and CY17-18 |

Statutory Change(s):

This proposal does not require a statutory change.

Department of Commerce

FY 2020-21 Biennial Budget Change Item

Change Item Title: Senior Financial Fraud Prevention

| Fiscal Impact (\$000s) | FY 2020 | FY 2021 | FY 2022 | FY 2023 |
|--|----------|----------|----------|----------|
| General Fund | | | | |
| Expenditures | 250 | 250 | 0 | 0 |
| Revenues | 0 | 0 | 0 | 0 |
| Other Funds | | | | |
| Expenditures | 0 | 0 | 0 | 0 |
| Revenues | 0 | 0 | 0 | 0 |
| Net Fiscal Impact = (Expenditures – Revenues) | 250 | 250 | 0 | 0 |
| FTEs | 0 | 0 | 0 | 0 |

Recommendation:

The Governor recommends \$250,000 in FY20 and FY21 to continue the Senior Financial Fraud Prevention Education and Outreach campaign. In order to protect older and more vulnerable Minnesota adults against financial fraud and exploitation, this recommendation will provide funding for targeted awareness and educational advertising, production and distribution of a fraud prevention toolkit and online content, translation services to make information accessible to vulnerable ethnic/racial communities, and travel expenses for outreach presentations and trainings.

Rationale/Background:

Older adults are often targeted for financial exploitation. It is estimated that one out of every five persons over the age of 65 has been victimized by a financial fraud. One recent study estimated that older Americans are defrauded out of nearly \$3 billion each year. Many older adults are targeted because they have equity in their homes, a lifetime of savings and steady retirement income. Older adults can also be vulnerable to financial exploitation because of isolation, cognitive decline or physical limitations and health problems.

The threat of fraud and scams targeting older and vulnerable adults is expected to grow as the senior population itself grows. Currently, there are more than one million Minnesotans age 65 and over. From now to the year 2030, an additional 60,000 Minnesotans will turn 65 every year. In many Greater Minnesota counties, more than 25% of the population is over age 65.

The Commerce Department addresses senior financial fraud and exploitation through both education and outreach, as well as enforcement efforts. The Department’s education and outreach strategy focuses on empowering older and vulnerable Minnesotans, as well as their family caregivers, to recognize and stop fraud before they lose money – and to report it when it happens.

With one-time funding of \$200,000 in 2017, the Department launched the “Hang Up on Fraud” campaign, a statewide education and outreach initiative. The initiative included 1) a “toolkit” of information resources for older Minnesotans and their families to use in identifying and preventing financial fraud; 2) a media campaign that included print, radio and online advertising, as well as direct marketing; and 3) community outreach presentations and trainings to share information about fraud prevention at community centers, senior living facilities, houses of worship and other venues.

The toolkit prepared in November 2017 for the Hang Up on Fraud campaign was a success. Since November 2017, the Department has distributed more than 30,000 Hang Up on Fraud toolkits via mail, website downloads and in-person at over 100 outreach events across the state. The current supply of toolkits is nearly exhausted.

As Minnesota's older population continues to grow, the Hang Up on Fraud campaign should continue as an ongoing effort by the State of Minnesota to empower older Minnesotans and caregivers to prevent financial fraud and exploitation.

Proposal:

This recommendation provides continued funding for the Department's outreach and education efforts to prevent fraud and financial exploitation targeting older and vulnerable adults.

Funding will support the design, production and distribution of a new fraud prevention toolkit (both print and online). The updated toolkit will incorporate information about the latest fraud trends and messaging that addresses common questions and concerns of seniors. The toolkit is intended to provide convenient access to easy-to-understand and actionable information that empowers older adults and their caregivers to protect their finances and prevent fraud. The fraud prevention toolkit will be translated and customized for distribution in all communities, with content tailored to address specific frauds and scams that target specific minority groups.

The Department will utilize a targeted advertising campaign to promote the fraud prevention toolkit. The campaign will focus on delivering effective messages through communications platforms and channels that would have the greatest impact to reach the most vulnerable seniors and their caregivers.

The proposal includes additional fraud prevention outreach – both to seniors and to those who work with and care for seniors. The Department continues to receive requests for in-person outreach events statewide. This funding would support current demand and identify other options to deliver materials and training more efficiently and remotely, such as through video or online for those who provide services to older and vulnerable adult populations.

Estimated costs include:

- \$75,000 for targeted advertising to promote the fraud prevention toolkit, including:
 - Creative services, expected to be less than \$15,000.
 - Prioritizing awareness/education messages to vulnerable and minority populations.
- \$100,000 for design, production and distribution of fraud prevention toolkit materials, including:
 - Direct mail (purchase of address lists, printing, and mailing of the toolkit).
 - Printing and design of toolkit to maintain inventory for outreach.
 - Video production, in lieu of in-person training for multidisciplinary audiences.
- \$25,000 for translation services for printed and digital versions of toolkit.
- \$50,000 for travel and outreach expenses.

The Department will continue to build on existing partnerships with government, nonprofit and private sector entities to promote and support its senior fraud prevention efforts. Current partners include: the Minnesota Adult Abuse Reporting Center (MAARC) with the Department of Human Services; county adult protection services; local law enforcement; houses of worship; financial organizations such as the Financial Planning Association of Minnesota and the Minnesota Credit Union Network; senior service organizations such as LeadingAge Minnesota; and senior advocacy groups such as AARP Minnesota and the Minnesota Elder Justice Center.

This proposal is effective July 1, 2019.

Equity and Inclusion:

Older Minnesotans in certain minority groups can be at heightened risk of fraud due to isolation, financial insecurity, language barriers and limited economic knowledge. For example, recent research by the Federal Trade Commission revealed that African American and Latino consumers were more likely to become fraud victims than non-Hispanic whites. It also found that these consumers are less likely to report fraud when they are victimized. Specifically, a serious emerging threat for minority populations is affinity fraud – where victims are targeted because they belong to a particular community.

Providing customized outreach and translated messages within these communities can increase awareness of fraud and provide practical knowledge that empowers people to identify fraud before it starts and to report it when it happens. In addition, to direct public outreach, this funding would support outreach with community organizations and leaders to share information and provide training about effective fraud prevention methods they can use within these communities.

IT Related Proposals:

This proposal does not have an IT component.

Results:

| <i>Type of Measure</i> | <i>Name of Measure</i> | <i>Previous</i> | <i>Current</i> | <i>Dates</i> |
|------------------------|--|-----------------|----------------|--------------|
| Quantity | Number of media impressions from “Hang Up on Fraud” advertising campaign | NA* | 15,257,770 | 11/17-9/18 |
| Quantity | Number of fraud prevention presentations held throughout Minnesota | NA* | 98 | FY 2018 |
| Quantity | Number of Minnesotans who attended fraud prevention presentations | NA* | 1632 | FY 2018 |
| Quality | Number of counties where fraud prevention presentations were held | NA* | 30 | FY 2018 |
| Results | Minnesota seniors are informed and empowered to protect themselves against financial fraud. (Number of fraud prevention toolkits distributed.) | NA* | 30,982 | 11/17-9/18 |

Performance Measures Notes:

*This program started in FY18.

Statutory Change(s)

This proposal does not require a statutory change.

Department of Commerce

FY 2020-21 Biennial Budget Change Item

Change Item Title: Unclaimed Property Operating System Modernization & Cybersecurity Upgrade

| Fiscal Impact (\$000s) | FY 2020 | FY 2021 | FY 2022 | FY 2023 |
|--|----------|----------|----------|----------|
| General Fund | | | | |
| Expenditures | 475 | 350 | 350 | 350 |
| Revenues | 0 | 0 | 0 | 0 |
| Other Funds | | | | |
| Expenditures | 0 | 0 | 0 | 0 |
| Revenues | 0 | 0 | 0 | 0 |
| Net Fiscal Impact = (Expenditures – Revenues) | 475 | 350 | 350 | 350 |
| FTEs | 0 | 0 | 0 | 0 |

Recommendation:

The Governor recommends \$475,000 in FY 2020 and \$350,000 per year in ongoing funding to modernize the state’s unclaimed property operating system, putting the Unclaimed Property Program on a sustainable path to serve Minnesota consumers and businesses with unclaimed property. This recommendation is to obtain, deploy and staff a new unclaimed property operating system in order to increase the number of claims processed and ability for Minnesotans to make online claims

Rationale/Background:

Minnesota’s Unclaimed Property Program serves as a lost and found for financial assets belonging to current and former residents of Minnesota. In this capacity, the program safeguards, maintains and seeks to return to owners, millions of dollars in abandoned property held by the State.

The State’s existing unclaimed property system used by the Commerce Department is antiquated. Designed in 2000, this 18-year-old system limits the agency’s ability to serve the public and is vulnerable to cybersecurity threats. The system houses private data on more than five million properties and nonpublic data turned over to the State by companies related to the owners of those properties.

The program continues to grow in size and complexity. An aging program operating system, and the lack of dedicated claims processing staff, are impeding the Commerce Department’s ability to sustain the program’s successes over the long term and poses growing risk to the State.

In addition to IT-related security and operations concerns, this aging electronic system contributes to claims processing delays for consumers who make claims. Deploying a new system will increase the number of claims the agency can process resulting in the need for additional claims processing staff.

Proposal:

This change item will:

- **Increase** the amount of abandoned property returned to Minnesotans
- **Improve** the customer service experience and process for Minnesotans
- **Mitigate** cybersecurity and legal risks to the State resulting from Minnesota’s out-of-date operating system

This recommendation will fund:

- \$125,000 in one-time costs in FY20 to install, configure and integrate a new unclaimed property operating system with the Commerce Department and MN.IT's existing operations and cybersecurity requirements. System integration includes costs related to training Commerce staff on the new operating system.
- \$35,000 per year for hosted document management, and \$15,000 annually for conversion of existing electronic documents onto the new platform. This will allow Commerce to migrate document storage and ultimately eliminate an existing legacy program, which the agency has maintained because the current unclaimed property operating system does not support this function.
- \$125,000 annually for identification and authentication services to efficiently verify the identity of individuals seeking to claim property.
- \$175,000 per year for annual maintenance fees, software upgrades and support.

Modernizing Commerce's Unclaimed Property Operating System will:

- Account for modern and specialized financial products that are increasingly turned over to the State and require advanced tracking and bookkeeping;
- Partner with businesses in order to improve the process for turning abandoned property over to the State.

Increasing the amount of property returned to consumers will result in a positive impact for the state by returning millions of dollars to Minnesotans while improving customer service. Failure to modernize the program's operating system, however, will inhibit Commerce's ability to maintain current performance levels.

Equity and Inclusion:

This recommendation will improve Commerce's ability to return property to its rightful owners wherever they live or work. Commerce will be able to better identify the geographic disbursement of property throughout the state, creating opportunities for strategic advertising and outreach to traditionally underserved communities.

For example, in FY17, Commerce made a modest investment in newspaper advertisements in diverse press outlets in Minnesota. While this advertising helped the State return property to consumers, and establish service connections with communities the agency had previously underserved, the current unclaimed property operating system did not allow agency staff to track data on whether claimants heard about the program via the advertising campaign.

A modern operating system would provide mapping and reporting data to facilitate targeted outreach to specific communities in the state. A modern operating system would also give Commerce the ability to track and utilize that data to improve future outreach campaigns using traditional and social media. Coupled with dedicated claims processing staff, Commerce can conduct proactive outreach to Minnesotans to return property rather than waiting for consumers to come forward with their claims.

IT Related Proposals:

This recommendation would allow Commerce to contract with a vendor to obtain, deploy and maintain a new unclaimed property operating system. Costs are included for professional/technical contracts. Commerce and MN.IT do not assume MN.IT would incur additional staff or agency costs.

| <i>Category</i> | <i>FY 2020</i> | <i>FY 2021</i> | <i>FY 2022</i> | <i>FY 2023</i> | <i>FY 2024</i> | <i>FY 2025</i> |
|----------------------------------|----------------|----------------|----------------|----------------|----------------|----------------|
| Payroll | | | | | | |
| Professional/Technical Contracts | \$475,000 | \$350,000 | \$350,000 | \$350,000 | \$350,000 | \$350,000 |
| Infrastructure | | | | | | |
| Hardware | | | | | | |
| Software | | | | | | |
| Training | | | | | | |
| Enterprise Services | | | | | | |
| Staff costs (MNIT or agency) | | | | | | |
| Total | \$475,000 | \$350,000 | \$350,000 | \$350,000 | \$350,000 | \$350,000 |
| MNIT FTEs | 0 | 0 | 0 | 0 | 0 | 0 |
| Agency FTEs | 0 | 0 | 0 | 0 | 0 | 0 |

Results:

| <i>Type of Measure</i> | <i>Name of Measure</i> | <i>Previous</i> | <i>Current</i> | <i>Dates</i> |
|------------------------|------------------------------------|-----------------|----------------|-------------------------|
| Quantity | Claims returned to owners | 86,771 | 130,657 | FY03-FY10 and FY11-FY18 |
| Quality | Value of claims returned to owners | \$126,725,949 | \$213,190,262 | FY05-10 and FY13-18 |

Statutory Change(s):

This proposal does not require a statutory change.

Change Item Title: Unclaimed Property Policy Modernization and Operations

| Fiscal Impact (\$000s) | FY 2020 | FY 2021 | FY 2022 | FY 2023 |
|--|----------|----------|----------|----------|
| General Fund | | | | |
| Expenditures | 368 | 702 | 702 | 702 |
| Revenues | 0 | 13,780 | 13,780 | 13,780 |
| Other Funds | | | | |
| Expenditures | 0 | 0 | 0 | 0 |
| Revenues | 0 | 0 | 0 | 0 |
| Net Fiscal Impact = (Expenditures – Revenues) | 368 | (13,078) | (13,078) | (13,078) |
| FTEs | 4 | 7 | 7 | 7 |

Recommendation:

The Governor recommends \$368,000 in FY20 and \$702,000 in FY 21, FY22, and FY23 to modernize the state’s unclaimed property program and statutes to better serve Minnesota consumers and businesses. These statutory updates will increase both the amount of property turned over to the state in compliance with state law and the amount of property returned to Minnesotans.

Beginning in FY21, this proposal is expected to facilitate approximately \$30.2 million in property transferred to the state and \$16.5 million returned to Minnesotans annually. This will result in approximately \$13.8 million in state revenue.

Rationale/Background:

Minnesota’s Unclaimed Property Program serves as a lost and found for financial assets belonging to current and former residents of Minnesota. In this capacity, the program safeguards, maintains, and seeks to return to owners, the millions in abandoned property held by the State.

The Unclaimed Property Program returns approximately \$33 million to Minnesotans each fiscal year. The program also receives an average of approximately \$70 million per fiscal year in property.

Minnesota’s current unclaimed property law was first enacted in 1969 and has seen only modest revisions since - the last time it was modified was in 1989. Consequently, state law is out-of-date, does not reflect 21st Century business practices or financial instruments, and makes it harder for Minnesotans to claim their property and Minnesota businesses to comply with the law. This ambiguity makes it difficult for companies to prevent property abandonment in the first place, turn property over to the State, and for the State to effectively return property to consumers.

Updating Minnesota’s unclaimed property law will require changes to how the Commerce Department administers the unclaimed property program. Additional staff will be required to process higher numbers of claims, account for modern and specialized financial products, and partner with businesses in fulfilling compliance and reporting requirements. This update will increase the number of properties returned to consumers and the amount of property turned over to the state so it can be returned to consumers.

Proposal:

This change item will:

- **Increase** the amount of abandoned property returned to Minnesotans

- **Improve** the customer service experience and process for Minnesotans
- **Mitigate** cybersecurity and legal risks to the State resulting from Minnesota’s out-of-date operating system and unclaimed property law

This change item requests funds for:

- Administration of the unclaimed property program.
- Four FTEs, at an estimated \$368,000, dedicated to claims processing in order to initially reduce existing claims processing times by half and, in the long-term, increase the total number of claims the state returns to rightful owners.
- One FTE beginning in FY21, at an estimated \$123,000, dedicated to accounting for, and returning to claimants, securities-related and interest-bearing properties.
- Two FTE beginning in FY21, at an estimated \$211,000, dedicated to supporting Minnesota businesses on compliance and reporting activities including audit methodologies, property reporting and reconciliation and customer support functions. Based on previous proposals from the Legislature, Commerce estimates that every dollar spent on holder compliance efforts will net five dollars to the state.

Increasing the amount of property returned to consumers benefits Minnesota by returning millions of dollars to the rightful owners. Improving the operating system is also important to this proposal as it serves as the infrastructure of the program and will mitigate potential cybersecurity and legal risks for the state, protecting owners’ nonpublic data.

Minnesota’s unclaimed property laws are ambiguous, vague and unclear, restricting the ability of consumers to claim property and businesses to turn property over to the state. Over the long term, failure to modernize Minnesota’s unclaimed property laws will inhibit Commerce’s ability to maintain current performance levels because of these restrictions.

With this recommendation, Commerce expects the program to:

- Increase the amount of property turned over to the state by approximately \$30.2 million annually.
- Increase the number of claims paid to Minnesotans by 40 percent.
- Increase the dollar value of claims paid to Minnesotans by approximately \$16.5 million annually.

The difference will result in approximately \$13.1 million in state revenue factoring in administrative costs.

This recommendation also includes the following statutory changes:

- Update existing, and create new, statutory definitions used in the unclaimed property law to reflect modern financial products in use today;
- Modernize the due diligence relationship between companies and customers to prevent property from inappropriately being labeled as abandoned and sent to the state unnecessarily;
- Improve the process for how companies turn over property to the state when it is in the best interest of consumers and/or truly abandoned to increase the state’s ability to successfully return it to rightful owners;
- Address the legal status of how the state handles interest-bearing accounts when claimed; and
- Create a clearly defined fraud restitution mechanism to protect owners from attempted unclaimed property fraud.

Equity and Inclusion:

This change item will improve Commerce’s ability to return property to its rightful owners wherever they live or work. It will also improve the equitable treatment of Minnesota businesses by clarifying legal requirements for turning abandoned property over to the state so it can be returned to consumers. Additionally, Commerce will be

able to better identify the geographic disbursement of property throughout the state, creating opportunities for strategic advertising and outreach to traditionally underserved communities.

Results:

This request will increase the performance of the unclaimed property program – to the benefit of Minnesota consumers and businesses.

| <i>Type of Measure</i> | <i>Name of Measure</i> | <i>Previous</i> | <i>Current</i> | <i>Dates</i> |
|------------------------|------------------------------------|-----------------|----------------|----------------------------|
| Quantity | Claims returned to owners | 86,771 | 130,657 | FY03-FY10 and FY11-FY18 |
| Quality | Value of claims returned to owners | \$126,725,949 | \$213,190,262 | FY05-10 and FY13-18 |

Statutory Change(s):

The proposal will require a statutory change to Minn. Stat. 345.

Change Item Title: State Energy Office

| Fiscal Impact (\$000s) | FY 2020 | FY 2021 | FY 2022 | FY 2023 |
|--|----------|----------|----------|----------|
| General Fund | | | | |
| Expenditures | 500 | 500 | 500 | 500 |
| Revenues | 0 | 0 | 0 | 0 |
| Other Funds | | | | |
| Expenditures | 0 | 0 | 0 | 0 |
| Revenues | 0 | 0 | 0 | 0 |
| Net Fiscal Impact = (Expenditures – Revenues) | 500 | 500 | 500 | 500 |
| FTEs | 0 | 0 | 0 | 0 |

Recommendation:

The Governor recommends \$500,000 annually from the General Fund to fund the State Energy Office (SEO) in the Division of Energy Resources. This appropriation will support the SEO’s implementation of programs aimed at meeting the state’s clean energy goals.

Rationale/Background:

The Division of Energy Resources SEO serves Minnesota businesses and consumers by:

- Ensuring Minnesota’s energy system supports a strong economy, job creation, and healthy environment.
- Advancing Minnesota’s leadership in energy efficiency.
- Expanding Minnesota’s renewable energy potential and energy business activity.
- Assisting low-income Minnesotans through financial assistance and energy conservation measures.

The SEO is responsible for the following statutory programs:

- 16B.97 sub. 4 (a)(1) Grants Management Policies
- 16C.144 Guaranteed Energy Savings Program
- 116J.035 Subd. 8 MN Business First Stop
- 216A.07, Subd. 3a Regional and National Duties
- 216B.241 Conservation Improvement Program
- 216B.241; 16B.325 B3 Benchmarking and Sustainable Buildings 2030
- 216C.02 Local Government Energy/Climate Planning and Conservation
- 216C.053 Renewable Energy Development
- 216C.09 Technical Assistance for Renewable Energy
- 216C.11 Energy Conservation Information Center Energy Information Center
- 216C.145 Microenergy Loan Program
- 216C.15-16 Energy Assurance and Resilience
- 216C.26 Renewable Energy Research and Project Review
- 216C.261 Technical Assistance and Clean Energy Financing
- 216C.37 Energy Conservation Investment
- 216C.41 Renewable Energy Production Incentive Program
- 216C.42; 216C.43 Local Energy Efficiency Program and Energy Savings Partnership
- 2017 Law Chapter 94 Healthy AIR (Asbestos Insulation Remediation) Program
- 10CFR440; 42 USC Sec. 6861 Weatherization Assistance for Low-Income Persons

Since the creation of the SEO forty-six years ago, the number of initiatives it oversees has increased significantly. Several new programs have been enacted without funding since 2000, including:

- the Energy Conservation Information Center
- Minnesota Business First Stop, the Renewable Energy Development Program, and Technical Assistance for Renewable Energy
- the Local Energy Efficiency Program and Energy Savings Partnership and the Community Energy Efficiency and Renewable Energy (Microenergy) Loan Program
- the Emergency Energy Conservation and Allocation Plan (Energy Assurance)
- the Guaranteed Energy Savings Program (GESp)
- B3 Benchmarking and Sustainable Buildings SB 2030

Current funding is not adequate to provide effective and efficient services. Without additional funding, critical programs aimed at assuring a sustainable energy future for Minnesota, as well as providing program management support to Minnesota businesses and consumers cannot be sustained.

Proposal:

The Department of Commerce requests \$500,000 per year for staff costs to provide program oversight, customer service and internal controls. Increased funding will ensure timely technical assistance, energy resiliency planning, energy emergency response and programmatic oversight serving Minnesota businesses and consumers alike.

The proposal funds current FTEs working on energy resiliency, reliability, technical assistance and program management. This proposal will provide sustainable funding for the work of the SEO.

With this funding, the SEO will continue to:

- **Respond to consumer energy questions** and provide information to make informed energy choices.
 - The Energy Information Center responded to 3,000 energy calls in 2017.
 - 500,000 Minnesotans received energy-related information via phone, email newsletters, website visits, brochures and the Energy Home State Fair exhibit annually.
- **Support the development of wind, solar, bioenergy and clean energy jobs and businesses statewide.**
 - From 2007 to 2017, renewables tripled from 8% to 25%.
 - Minnesota has 57,351 clean energy jobs statewide with 30 percent located in Greater Minnesota. From 2013-2017, solar jobs increased from 814 to 4,256, a 523% increase.
 - In 2012, Minnesota had 12 Megawatts (MW) of installed solar and in 2018 there were over 900 MW.
- **Administer energy financing programs** including two loan programs and four third-party loan and lease programs.
 - The SEO leverages nearly \$20 million in revolving loan programs for energy efficiency projects serving residential, business, nonprofit and public sectors.
- **Ensure energy security, reliability and emergency response.**
 - Develops the weekly energy and fuels emergency situational awareness report to track energy and fuels data and identify potential shortages. Collaborates with other state agencies and industry to assist consumers directly impacted by energy emergencies.
- **Provide energy efficiency and renewable energy technical assistance** to schools, colleges, local units of government and state agencies.
 - Administers the Guaranteed Energy Savings Program (GESp) allowing state agencies, colleges, and cities to implement major energy-saving projects.
 - Current GESp projects are saving state and local governments and colleges \$800,000 annually.
- **Support sustainable building practices.**
 - Completed 109 Sustainable Building 2030 projects with a reduction of 216,000 tons of CO2 (equivalent to removing over 46,000 passenger vehicles annually).

- Sponsors Minnesota B3 Benchmarking, tracking energy use in over 8,500 public buildings in the state with over \$23 million in potential energy savings.
- **Ensure Minnesotans have healthy and energy-efficient homes.**
 - Provides over 2,000 low-income households with weatherization assistance annually reducing energy use by 30%.
 - Healthy AIR program serves households who had deferred weatherization services due to asbestos in insulation. In some parts of rural Minnesota, over 40% of weatherization eligible households are declined due to asbestos in insulation.

Without an increase in funding, the SEO is unable to provide the level of service Minnesotans expect. This will severely affect Minnesota businesses and consumers reliance on the Department for trusted and timely technical assistance and programmatic support.

This proposal is effective July 1, 2019.

Equity and Inclusion:

Sustainable, consistent funding allows the SEO to better serve those with the greatest need for technical, project, and program assistance and assist the most vulnerable in an energy emergency. Experience illustrates the greatest need for these services are low-income and under-represented, elderly, and rural communities that often lack access to the internet and most benefit from individual support in navigating programs, resources, and unbiased information that helps them be informed.

Results:

| <i>Type of Measure</i> | <i>Name of Measure</i> | <i>Previous</i> | <i>Current</i> | <i>Dates</i> |
|------------------------|---|--|--|----------------------------|
| Quantity | Number of households served in the Healthy AIR Pilot Program (2017 MN Law Chapter 94) | N/A* | 38 households | Thru December 2018 |
| Quantity | Energy conservation, efficiency, and renewable energy information distributed through the Energy Information Center (Minn. Stat. 216C.11/216C.09) | 500,000 outreached to annually | 500,000 outreached to annually | CY2017 and CY2018 |
| Quantity | Weekly energy awareness and reliability reports (Minn. Stat. 216C.15-16; EO15-13) | 52 weeks | 52 weeks | CY2017 and CY2018 |
| Results | Renewable Energy Standard of 25% of energy comes from renewable sources by 2025** | Xcel Energy: 18% Other electric utilities: 12% | Xcel Energy: 25% Other electric utilities: 17% | CY2015 and CY2017 |
| Quantity | Number of households served by the Federal Weatherization (WAP) Assistance Program | 1,790 | 1,810 | Program Year 2016 and 2017 |
| Results | Amount of solar Minnesota utilities developed toward the 1.5% Solar Energy Standard by 2020. | 185 MW | 505 MW | CY2016 and CY2017 |

* The first year of the program was FY17.

**Minn. Stat. § 216B.1691 requires Xcel to meet the higher goal; the lower is for all other utilities.

Statutory Change(s):

This proposal does not require a statutory change.

Change Item Title: Solar on Schools

| Fiscal Impact (\$000s) | FY 2020 | FY 2021 | FY 2022 | FY 2023 |
|--|----------------|----------------|----------------|----------------|
| General Fund | | | | |
| Expenditures | 0 | 0 | 0 | 0 |
| Revenues | 0 | 0 | 0 | 0 |
| Special Revenue Fund | | | | |
| Expenditures | 10,000 | 10,000 | 0 | 0 |
| Revenues | 0 | 0 | 0 | 0 |
| Net Fiscal Impact = (Expenditures – Revenues) | 10,000 | 10,000 | 0 | 0 |
| FTEs | 2 | 2 | 0 | 0 |

Recommendation:

The Governor recommends \$20 million from the Renewable Development Account in FY20-21 to fund grants for schools to install solar panels. These funds, would be expended in two ways: through a master lease program or through a purchase power prepay agreement. In each year, \$9.5 million would be available for grants and up to \$500,000 per year would be available for administration of the program, funding 2 FTE.

The FTE and administrative costs are broken down as follows:

- \$240,000 for two FTE to provide program development, fund administration, project assistance and technical assistance to schools and solar developers.
- \$260,000 for costs associated with outreach and promotion, stakeholder engagement and third party assistance for technical aspects of the program that require outside expertise.

Funds under this program will be available through fiscal year 2023.

Rationale/Background:

Nationally, energy costs are K-12 school districts’ second highest operating budget expense, after personnel costs. A Solar on Schools program could reduce electric utility bill costs through increased efficiency of operations and access to less costly energy through on-site solar energy production. Further, on-site solar generation could create an educational opportunity for students, enhance the school’s long-term resiliency from grid power outages, and enable the school to reallocate utility bill savings to more resources for student advancement.

According to the Minnesota Department of Education, Minnesota is home to 339 school districts with over 2403 schools that serve approximately 850,000 K-12 students and an additional 200,000 early childhood and adult learners.

Proposal:

Commerce recommends options for public-private partnerships be made available to schools using \$20 million in Renewable Development Account (RDA) funds to facilitate the implementation of solar photovoltaics (PV) on schools through rooftop, ground mount or other appropriate applications.

To achieve the goals of this program, there are two pathways available in the development of the public-private partnership: a master lease program and a power-purchase agreement prepay program. The pathways outlined in this Solar on Schools Program could potentially result in installation of 17-26 MW of solar capacity.

PATHWAY 1: SOLAR ON SCHOOLS MASTER LEASE PROGRAM

This pathway would build upon the success of the Energy Improvement Financing Program for Local Government. This pathway would adapt the existing program and add a solar energy implementation component specifically for schools. For this pathway, a combination of private investment and RDA funds could be utilized in the following manner:

| | |
|-------|---|
| \$50M | Private dollars as lease-purchase agreements |
| \$20M | RDA funds as grants for schools to buy-down project costs |

Experience with the existing public-private partnership shows that when efficiency and renewable energy are combined in the project, there is an investor appetite for a 15-year term, whereas a solar-only project is limited to 7 years or less.

In this pathway, the RDA dollars would be used to buy-down the cost of the project. Commerce technical staff would work with schools and developers to ensure cost-effective energy efficiency measures are implemented prior to the solar energy project to ensure public and private funding is maximized.

Without a buy-down, the estimated cost of solar is \$3.50/watt, which results in a 20+ year payback. Utilizing a buy-down to \$2.50/watt, projects could cash flow in under 15 years.

Assumptions (If all funds were expended within Option1):

- 100 KW systems
- 200 systems installed
- 17 MWAC installed solar capacity

| | |
|--------------------|--------------------------------------|
| \$350,000 | Total Cost of System (@ \$3.50/watt) |
| - <u>\$100,000</u> | System buy down (RDA Funds) |
| \$250,000 | Lease-purchase agreement |

PATHWAY 2: SOLAR ON SCHOOLS POWER PURCHASE PRE-PAY PROGRAM (SOSP⁵)

This pathway is a public-private partnership using a third-party ownership model that would use RDA funds to pre-pay a power purchase agreement's buy-out, increasing the financial value of the solar energy system for schools. Enabling language would be needed to establish the Solar on Schools Power Purchase Pre-Pay Program. Commerce would work within the school's existing procurement processes to establish power purchase agreements (PPAs) and would develop standard PPA language that would allow for pre-payment of the system using RDA funds. Commerce would set forth the requirements to access pre-payment funds which would be used to pre-pay the buy-out of the PPA from a third-party that provided the initial investment for installation of the system. This results in a lower PPA price that would increase the annual electric utility bill savings for the school. Commerce would develop standard contract language that would include criteria for the following, but not limited to:

- Terms of the PPA
- Formula for determining future fair market value of the system
- Future value of PPA payments
- Escalator for utility costs

\$107.5M
\$20M

Private funds in a 3rd party ownership model (\$350K x system)
RDA funds as a pre-payment of PPA buy-out

Assumptions: (If all funds were expended within Pathway 2):

- \$.035/kWh savings School utility savings using a Power Purchase Agreements
- 100 kW systems Average system Size
- \$65,000 Average pre-payment
- \$3.50/Watt Average cost/installed watt
- 307 Total number of systems installed
- 26 MW_{AC} Installed solar capacity

Commerce staff would provide technical assistance to develop and execute projects while also ensuring other programs that implement energy efficiency at Minnesota schools are leveraged. This program would have a variety of benefits, including the ability to reduce lifetime building operating costs, provide educational opportunities, and assist with energy related deferred maintenance, and enhance school resiliency. Commerce would also develop a technical advisory committee with the solar industry, investors, and school leadership to develop the program in a cooperative and informed way, ensuring its success.

A program using both pathways should be flexible and appropriately leverage existing programs/incentives, procurement methods/state technical assistance, or public/private funding for project implementation and remaining financing. The duration of this program needs to take into consideration changes with the federal Investment Tax Credit, electricity prices, cost of solar, and other impactful market changes.

It is recommended that Commerce provide program development, fund administration, project assistance and technical assistance to schools and solar developers. Schools need support in: assuring energy efficiency is incorporated to reduce overall solar project costs; conducting financial analysis on options; and developing the project parameters.

Equity and Inclusion:

Commerce staff would develop program and proposal criteria, which would focus on schools that disproportionately serve vulnerable or otherwise disadvantaged populations.

IT Related Proposals:

Not applicable

Results:

| <i>Type of Measure</i> | <i>Name of Measure</i> | <i>Current</i> | <i>Proposed</i> | <i>Dates</i> |
|------------------------|--------------------------------|----------------|------------------|--------------|
| Technology | Solar Energy Systems Installed | 0 | 200-300 | 2020-2023 |
| Fiscal | Private Funds Leveraged | 0 | \$50-100 million | 2020-2023 |

Statutory Change(s):

Minn. Stat. §216C.43

Department of Commerce

FY 2020-21 Biennial Budget Change Item

Change Item Title: Minnesota Premium Security Plan Transfer

| Fiscal Impact (\$000s) | FY 2020 | FY 2021 | FY 2022 | FY 2023 |
|--|----------|----------|----------|----------|
| Commerce Department | | | | |
| Special Revenue Fund | | | | |
| Transfer Out | 0 | 281,483 | 0 | 0 |
| Transfer In | 0 | 0 | 0 | 0 |
| MMB Non-Operating | | | | |
| Health Care Access Fund | | | | |
| Transfer Out | 0 | 0 | 0 | 0 |
| Transfer In | 0 | 281,483 | 0 | 0 |
| Net Fiscal Impact = (Expenditures – Revenues) | 0 | 0 | 0 | 0 |
| FTEs | 0 | 0 | 0 | 0 |

Recommendation:

The Governor recommends transferring approximately \$281.4 million remaining in the Premium Security Plan Account in FY2021 to the Health Care Access Fund to support programs to increase access to affordable health insurance coverage and health care services.

Rationale/Background:

In 2017, the Minnesota Premium Security Plan (MPSP) was created to provide reinsurance payments to health insurers to help cover the costs of high claims in the state’s individual health insurance market.

\$543 million in state resources were appropriated for FY 2018-19 to cover plan years 2018 and 2019. The state resources are from \$142 million in transfers from the General Fund, \$401 million in transfers from the Health Care Access Fund, and \$42 million in remaining operating funds from MCHA. Minnesota received \$130.7 million in federal funds for the program for 2018.

Federal regulators project Minnesota will receive approximately \$84.7 million in federal funds for the program for plan year 2019. The final amount the State will receive will be finalized by April 2019.

Proposal:

This request utilizes assumptions from the November 2018 Forecast regarding total MPSP program size in both 2018 and 2019. This request assumes the MPSP will end after plan year 2019, with final payments to eligible health insurers for plan year 2019 occurring by August, 2020. This request assumes that approximately \$281.4 million will be returned to the Health Care Access Fund after final payment obligations are fulfilled for the MPSP.

Statutory Change(s):

Transfer language within appropriations article.

Program: Financial Institutions Divisionmn.gov/commerce/industries/financial-institutions/**AT A GLANCE**

- The Financial Institutions Division regulates state-chartered banks, state-chartered credit unions, non-depository institutions and Minnesota registered securities professionals.
- **236:** State-chartered banks in Minnesota.
- **165:** Number of Minnesota's state-chartered banks located in Greater Minnesota.
- **72:** State-chartered credit unions in Minnesota.
- **6,154:** Licensed non-depository entities and individuals in Minnesota.

PURPOSE

The Commerce Department's Financial Institutions Division is responsible for licensing and regulating businesses that provide financial products and services to Minnesotans. These include banks, trust companies, credit unions, certificate investment companies, thrift companies, consumer credit companies, debt management companies, debt settlement companies, mortgage companies, currency exchanges, payday lenders and money transmitters.

The Division serves all Minnesota consumers and businesses that rely on these regulated businesses for financial products and services.

The Division conducts periodic on-site examinations, as well as ongoing monitoring, to ensure that financial institutions are safe and sound and comply with applicable state and federal laws. The Division's on-site examinations focus on various financial factors, including loan portfolios and overall asset quality.

The Financial Institutions Division is self-funded through assessments and hourly examination fees charged to the industries it examines. These charges are deposited into the Financial Institutions Special Revenue Account. The Division also receives a small appropriation from the General Fund and provides the General Fund non-dedicated revenue from license and renewal fees charged to all regulated financial institutions.

SERVICES PROVIDED

- Chartering and conducting on-site examinations at all state-chartered banks, trust companies, credit unions and the nation's only certificate investment company on a 12- to 24-month cycle.
- Licensing Minnesota's non-depository financial services, including the mortgage industry, consumer credit companies, currency exchanges, payday lenders, money transmitters and debt service providers through participation in the Nationwide Multistate Licensing System & Registry (NMLS).
- Conducting on-site mortgage company and money transmitter examinations.
- Minimizing the impact on Minnesotans in the event of a financial institution failure through timely and adequate intervention procedures.
- Collaborating with the Federal Deposit Insurance Corporation, the Federal Reserve Bank, and the National Credit Union Administration to conduct joint examinations of state-charted banks and credit unions and share findings.
- Participating in joint multi-state examinations of interstate investment advisers, mortgage and money transmission companies.
- Maintaining accreditation with the Conference of State Bank Supervisors and the National Association of State Credit Union Supervisors.

- Engaging in outreach activities to promote financial literacy among all Minnesotans and collaborating with state-chartered financial institutions to protect seniors and vulnerable adults from fraud.

RESULTS

| <i>Type of Measure</i> | <i>Name of Measure</i> | <i>Previous</i> | <i>Current</i> | <i>Dates</i> |
|------------------------|---|-----------------|----------------|-------------------|
| Results | Complete financial examinations for state-chartered banks and credit unions within the 12-24 month time frame | 100% | 100% | CY2017 and CY2018 |
| Quality | Act on company licensing applications and corporate amendment applications on a timely basis | 60 days | 60 days | CY2017 and CY2018 |
| Quantity | Number of banks on the troubled bank monitoring list ⁽¹⁾ | 12 | 9 | CY2017 and CY2018 |
| Results | Increase number of licensed programs types utilizing NMLS ⁽²⁾ | 17 | 18 | CY2017 and CY2018 |

Performance Measures Notes:

1. As of 6/30/2018, there are nine banks on the problem bank-monitoring list. This is down from a high of 111 in 2010.
2. This performance measure tracks the Division's progress towards achievement of a long-term goal to move all non-depository institutions to the same electronic licensing platform, the Nationwide Multistate Licensing System & Registry

Statutory Authority: The Department's authority is located in Chapters: 45A, 46, 47, 48, 48A, 49, 50, 51A, 52, 53, 53A, 53B, 53C, 54, 55, 56, 58, 59A, 216C, 332, 332A, 332B, 334, 80, 80A.

Financial Institutions

Program Expenditure Overview

(Dollars in Thousands)

| | Actual FY16 | Actual FY17 | Actual FY18 | Estimate FY19 | Forecast Base | | Governor's Recommendation | |
|--------------------------------------|----------------|----------------|----------------|------------------|---------------|---------------|------------------------------|---------------|
| | | | | | FY20 | FY21 | FY20 | FY21 |
| <i>Expenditures by Fund</i> | | | | | | | | |
| 1000 - General | 4,722 | 5,011 | 818 | 861 | 790 | 790 | 801 | 806 |
| 2000 - Restrict Misc Special Revenue | 5,024 | 5,935 | 10,914 | 12,862 | 12,856 | 12,906 | 12,856 | 12,906 |
| Total | 9,746 | 10,946 | 11,733 | 13,723 | 13,646 | 13,696 | 13,657 | 13,712 |
| Biennial Change | | | | 4,763 | | 1,886 | | 1,913 |
| Biennial % Change | | | | 23 | | 7 | | 8 |
| Governor's Change from Base | | | | | | | | 27 |
| Governor's % Change from Base | | | | | | | | 0 |

Expenditures by Activity

| | | | | | | | | |
|------------------------|--------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| Financial Institutions | 9,746 | 10,946 | 11,733 | 13,723 | 13,646 | 13,696 | 13,657 | 13,712 |
| Total | 9,746 | 10,946 | 11,733 | 13,723 | 13,646 | 13,696 | 13,657 | 13,712 |

Expenditures by Category

| | | | | | | | | |
|-----------------------------|--------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| Compensation | 3,909 | 4,162 | 4,456 | 5,646 | 5,630 | 5,630 | 5,641 | 5,646 |
| Operating Expenses | 5,837 | 6,784 | 6,823 | 7,621 | 7,610 | 7,660 | 7,610 | 7,660 |
| Grants, Aids and Subsidies | | | 450 | 450 | 400 | 400 | 400 | 400 |
| Other Financial Transaction | 0 | 0 | 3 | 6 | 6 | 6 | 6 | 6 |
| Total | 9,746 | 10,946 | 11,733 | 13,723 | 13,646 | 13,696 | 13,657 | 13,712 |

| | | | | | | | | |
|---|--------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| Total Agency Expenditures | 9,746 | 10,946 | 11,733 | 13,723 | 13,646 | 13,696 | 13,657 | 13,712 |
| Internal Billing Expenditures | 105 | 116 | 655 | 677 | 677 | 677 | 677 | 677 |
| Expenditures Less Internal Billing | 9,641 | 10,830 | 11,078 | 13,046 | 12,969 | 13,019 | 12,980 | 13,035 |

Full-Time Equivalent

| | | | | | | | | |
|--|-------|-------|-------|-------|-------|-------|-------|-------|
| | 45.32 | 46.56 | 46.23 | 50.23 | 50.23 | 50.23 | 50.23 | 50.23 |
|--|-------|-------|-------|-------|-------|-------|-------|-------|

Financial Institutions

Program Financing by Fund

(Dollars in Thousands)

| | Actual FY16 | Actual FY17 | Actual FY18 | Estimate FY19 | Forecast Base | | Governor's Recommendation | |
|-----------------------------------|----------------|----------------|----------------|------------------|---------------|------------|------------------------------|------------|
| | | | | | FY20 | FY21 | FY20 | FY21 |
| 1000 - General | | | | | | | | |
| Balance Forward In | | 147 | | 71 | | | | |
| Direct Appropriation | 4,885 | 4,885 | 920 | 820 | 820 | 820 | 831 | 836 |
| Transfers Out | 19 | 19 | 31 | 30 | 30 | 30 | 30 | 30 |
| Cancellations | | 2 | | | | | | |
| Balance Forward Out | 144 | | 71 | | | | | |
| Expenditures | 4,722 | 5,011 | 818 | 861 | 790 | 790 | 801 | 806 |
| Biennial Change in Expenditures | | | | (8,053) | | (99) | | (72) |
| Biennial % Change in Expenditures | | | | (83) | | (6) | | (4) |
| Governor's Change from Base | | | | | | | | 27 |
| Governor's % Change from Base | | | | | | | | 2 |
| Full-Time Equivalents | 45.32 | 46.56 | 3.73 | 3.73 | 3.73 | 3.73 | 3.73 | 3.73 |

2000 - Restrict Misc Special Revenue

| | | | | | | | | |
|-----------------------------------|--------------|--------------|---------------|---------------|---------------|---------------|---------------|---------------|
| Balance Forward In | 26 | 25 | 25 | 3,011 | 2,317 | 1,879 | 2,317 | 1,879 |
| Receipts | 5,676 | 6,797 | 14,767 | 12,968 | 13,218 | 13,568 | 13,218 | 13,568 |
| Transfers Out | 653 | 861 | 866 | 800 | 800 | 800 | 800 | 800 |
| Balance Forward Out | 25 | 25 | 3,011 | 2,317 | 1,879 | 1,741 | 1,879 | 1,741 |
| Expenditures | 5,024 | 5,935 | 10,914 | 12,862 | 12,856 | 12,906 | 12,856 | 12,906 |
| Biennial Change in Expenditures | | | | 12,817 | | 1,986 | | 1,986 |
| Biennial % Change in Expenditures | | | | 117 | | 8 | | 8 |
| Governor's Change from Base | | | | | | | | 0 |
| Governor's % Change from Base | | | | | | | | 0 |
| Full-Time Equivalents | | | 42.50 | 46.50 | 46.50 | 46.50 | 46.50 | 46.50 |

Program: Petroleum Tank Release Cleanup Fund (Petrofund)

mn.gov/commerce/industries/fuel/petrofund

AT A GLANCE

- **\$450 million:** Approximate amount of reimbursement paid out to eligible applicants since 1987.
- **13,000:** Approximate number of leak sites that have received funding for corrective actions since 1987.
- **490:** Underground petroleum storage tanks removed from approximately 325 properties since 2004.

PURPOSE

Created in 1987, the Petroleum Tank Release Cleanup Fund (Petrofund) contributes to a cleaner environment and helps to prevent the pollution of Minnesota’s soil and water by providing eligible applicants with reimbursement for a portion of their costs to investigate and clean up contamination from leaking petroleum storage tanks.

SERVICES PROVIDED

- Helps applicants with the costs to investigate and clean up contaminated soil and water from leaking petroleum storage tanks in the most cost-effective manner possible;
- Contracts for the removal of abandoned underground petroleum storage tanks;
- Recovers costs from responsible persons for investigation and cleanup work performed by the Minnesota Pollution Control Agency (MPCA) when the responsible persons are unwilling or unable to complete statutorily-required corrective actions;
- Provides funding to the MPCA for administration of the Petroleum Remediation, Tank Compliance and Assistance, and Emergency Response programs, mainly to pay for state-financed investigation and cleanup projects where no viable responsible person is available; and
- Annually approves the use of funds by the Minnesota Department of Employment and Economic Development (DEED) for the administration of the Contamination Cleanup and Investigation Grant Program.

The Petrofund is primarily funded by the Petroleum Tank Release Cleanup Fee. The fee is charged on wholesale petroleum products and is paid at a rate of \$20 per 1,000 gallons (commonly referred to as \$.02 per gallon) by the first licensed distributor receiving the product in the state. The fee is imposed for a four-month time period whenever the Program's fund balance drops below \$4 million and authorization has been given by the five-member Petroleum Tank Release Compensation Board. Investment earnings on the Petrofund’s cash balance generate additional revenue.

RESULTS

| <i>Type of Measure</i> | <i>Name of Measure</i> | <i>Previous</i> | <i>Current</i> | <i>Dates</i> |
|------------------------|--|---|---|-------------------|
| Quality | Review of reimbursement applications within 60- and 120-day statutory deadlines in order to assure timely payment of investigation and cleanup costs incurred by applicants. | All initial applications reviewed within 51 days and all supplemental applications within 73 days | All initial and supplemental applications reviewed within 34 days | FY2017 and FY2018 |

| <i>Type of Measure</i> | <i>Name of Measure</i> | <i>Previous</i> | <i>Current</i> | <i>Dates</i> |
|-------------------------------|---|--|--|---------------------|
| Quantity | Removal of abandoned underground petroleum storage tanks in order to identify and prevent old tanks from leaking and contaminating soil and groundwater. | 29 tanks removed at 24 sites | 21 tanks removed at 20 sites | FY2017 and FY2018 |
| Quantity | Protect human health and the environment by reimbursing eligible applicants for a portion of their costs to investigate and clean up contamination from leaking petroleum storage tanks across the state. | \$4.2 million reimbursed to approximately 300 applicants | \$4.7 million reimbursed to approximately 300 applicants | FY2017 and FY2018 |

Performance Measure Notes:

1. When a Petrofund applicant incurs costs, they can either submit all costs in one application or request reimbursement in multiple applications. Initial applications must be reviewed within 60 days. All subsequent applications must be reviewed within 120 days.
2. The application review data compares the application queue as of July 2017 (previous) and July 2018 (current). The application queue is mainly driven by the number of reimbursement applications received.
3. The abandoned tank removal data compares the number of tanks removed in Fiscal Year 2017 (previous) to the number removed in Fiscal Year 2018 (current). The number of tanks removed is contingent on the number of applications received and the staff resources available to manage the tank removal projects.

Statutory Authority: The Petrofund program’s legal authority is found in Chapter 115C.

Petroleum Tank Cleanup Fund

Program Expenditure Overview

(Dollars in Thousands)

| | Actual FY16 | Actual FY17 | Actual FY18 | Estimate FY19 | Forecast Base FY20 FY21 | | Governor's Recommendation FY20 FY21 | |
|---|----------------|----------------|----------------|------------------|----------------------------|---------------|---|---------------|
| <u>Expenditures by Fund</u> | | | | | | | | |
| 2350 - Petroleum Tank Release Cleanup | 5,996 | 5,173 | 5,777 | 10,637 | 10,541 | 10,541 | 10,541 | 10,541 |
| Total | 5,996 | 5,173 | 5,777 | 10,637 | 10,541 | 10,541 | 10,541 | 10,541 |
| Biennial Change | | | | 5,245 | | 4,668 | | 4,668 |
| Biennial % Change | | | | 47 | | 28 | | 28 |
| Governor's Change from Base | | | | | | | | 0 |
| Governor's % Change from Base | | | | | | | | 0 |
| <u>Expenditures by Activity</u> | | | | | | | | |
| Petroleum Tank Cleanup Fund | 5,996 | 5,173 | 5,777 | 10,637 | 10,541 | 10,541 | 10,541 | 10,541 |
| Total | 5,996 | 5,173 | 5,777 | 10,637 | 10,541 | 10,541 | 10,541 | 10,541 |
| <u>Expenditures by Category</u> | | | | | | | | |
| Compensation | 649 | 672 | 695 | 730 | 734 | 734 | 734 | 734 |
| Operating Expenses | 5,347 | 4,501 | 5,081 | 9,902 | 9,802 | 9,802 | 9,802 | 9,802 |
| Other Financial Transaction | | | 0 | 5 | 5 | 5 | 5 | 5 |
| Total | 5,996 | 5,173 | 5,777 | 10,637 | 10,541 | 10,541 | 10,541 | 10,541 |
| Total Agency Expenditures | 5,996 | 5,173 | 5,777 | 10,637 | 10,541 | 10,541 | 10,541 | 10,541 |
| Internal Billing Expenditures | 102 | 104 | 101 | 120 | 120 | 120 | 120 | 120 |
| Expenditures Less Internal Billing | 5,894 | 5,069 | 5,676 | 10,517 | 10,421 | 10,421 | 10,421 | 10,421 |
| <u>Full-Time Equivalent</u> | 6.88 | 6.69 | 6.76 | 6.76 | 6.76 | 6.76 | 6.76 | 6.76 |

Petroleum Tank Cleanup Fund

Program Financing by Fund

(Dollars in Thousands)

| | Actual FY16 | Actual FY17 | Actual FY18 | Estimate FY19 | Forecast Base FY20 FY21 | | Governor's Recommendation FY20 FY21 | |
|--|----------------|----------------|----------------|------------------|----------------------------|---------------|---|---------------|
| 2350 - Petroleum Tank Release Cleanup | | | | | | | | |
| Balance Forward In | | 194 | | 172 | | | | |
| Direct Appropriation | 1,052 | 1,052 | 1,052 | 1,054 | 1,056 | 1,056 | 1,056 | 1,056 |
| Open Appropriation | 11,271 | 8,576 | 7,694 | 15,885 | 15,885 | 15,885 | 15,885 | 15,885 |
| Transfers In | 892 | 947 | 787 | | | | | |
| Transfers Out | 7,029 | 5,214 | 3,584 | 6,400 | 6,400 | 6,400 | 6,400 | 6,400 |
| Cancellations | | 383 | | 74 | | | | |
| Balance Forward Out | 190 | | 172 | | | | | |
| Expenditures | 5,996 | 5,173 | 5,777 | 10,637 | 10,541 | 10,541 | 10,541 | 10,541 |
| Biennial Change in Expenditures | | | | 5,245 | | 4,668 | | 4,668 |
| Biennial % Change in Expenditures | | | | 47 | | 28 | | 28 |
| Governor's Change from Base | | | | | | | | 0 |
| Governor's % Change from Base | | | | | | | | 0 |
| Full-Time Equivalent | 6.88 | 6.69 | 6.76 | 6.76 | 6.76 | 6.76 | 6.76 | 6.76 |

Program: Regulatory and Administrative Services Division

mn.gov/commerce/

AT A GLANCE

- 227,360: Number of active licenses issued by the Commerce Department’s Licensing Unit to individual Minnesotans and businesses.
- 32,714: Total Unclaimed Property claims paid in FY17-18.
- \$249.1 million: Total dollar value of property returned to Unclaimed Property claimants since FY11.
- 98: Senior fraud prevention outreach and trainings held across Minnesota from November 2017 through July 2018.
- 27,944: Hang up On Fraud toolkits distributed to Minnesota seniors and caregivers from November 2017 through July 2018.
- 99.4: Percentage of invoices processed by Financial Services within 30 days.
- 9: Career and job fairs attended in FY17-18 by Human Resources staff.

PURPOSE

The Department of Commerce’s Regulatory and Administrative Services Division includes two units. The Regulatory Services unit oversees the licensing and unclaimed property programs in the Department. Administrative Services unit includes core agency functions like Communications, Government Affairs, Financial Services and Human Resources.

The Regulatory and Administrative Services Division is funded through a General Fund appropriation.

SERVICES PROVIDED

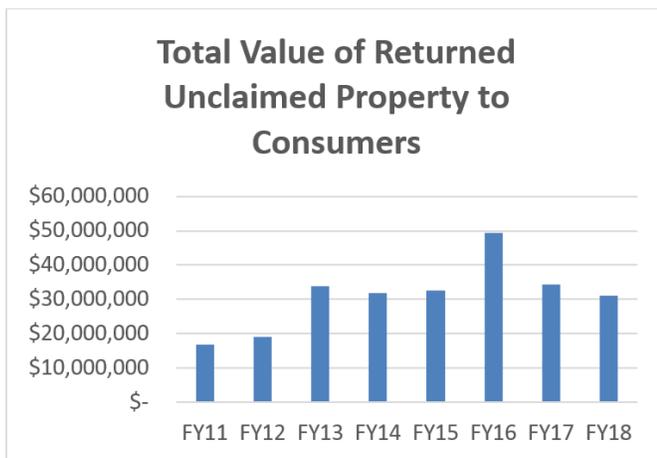
Regulatory Services

- Licensing
 - Administers application and renewal programs for 30 different professional license including of insurance agents and adjusters, real estate salespersons and brokers, appraisers, collection agencies and debt collectors and others seeking to do business across the state.
 - Provides licensing oversight for over 220,000 individuals and companies that do business in Minnesota.
 - Approves applications for pre-license and continuing education courses, maintains experience requirement standards and assists regulated entities in their ongoing efforts to better serve their clients.
 - Answers consumer inquiries regarding commerce-administered professional licenses.
- Unclaimed Property
 - Serves as a “lost and found” for financial assets belonging to current and former residents of Minnesota.
 - Safeguards, maintains, and seeks to return to owners, the approximately \$800 Million in abandoned property held by the state.
 - Takes in unclaimed property from companies (or “holders”) with a statutory obligation to report property to the state once the property owner has not been located after a specific period of time.
 - Answers consumer inquiries regarding unclaimed property claims.

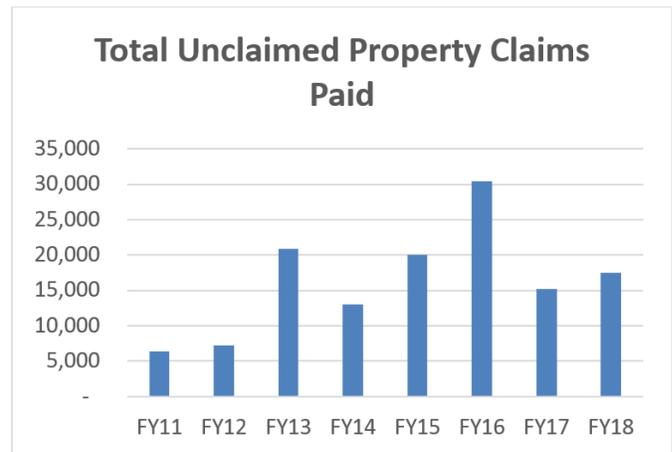
Administrative Services

- Consumer Services Center
 - Provides services to consumers who have inquires or complaints about Commerce regulated industries and licensees.
 - Responded to 13,220 consumer phone calls in 2017.
 - Mediates disputes between consumers and insurance companies.
 - Investigates complaints about improper claims practices.
 - Provides outreach and education to consumers about Commerce regulated industries.
- Communications
 - Provides information about consumer protection topics and Commerce services to the public and licensees through traditional media, online communications and outreach activities.
 - Maintains the Commerce website, which had 2,199,118 page views in FY18.
- Government Affairs
 - Leads policy development and advocacy for the agency.
 - Oversees constituent services responses for consumers who contact the agency via elected officials.
- Financial Services
 - Manages day-to-day office, financial and human resources operations.
 - Provides information management services and technical support including data processing, budget implementation, payroll and facilities management.
- Human Resources
 - Conducts policy administration, staffing, recruitment, workforce planning, labor relations, benefits administration and other functions for the agency and its staff.
 - Spearheads Departmental efforts to increase diversity and inclusion within the organization including developing pipelines and community partnerships, increased employee engagement, improved onboarding processes, new recruiting efforts at statewide career fairs and expanded advertisement of career opportunities in diverse mediums.

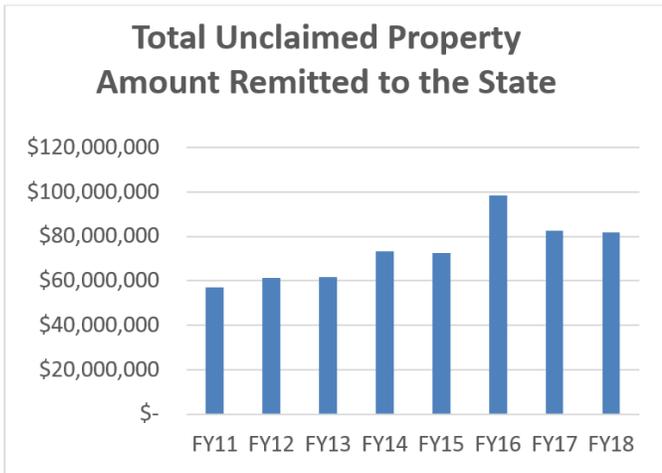
RESULTS



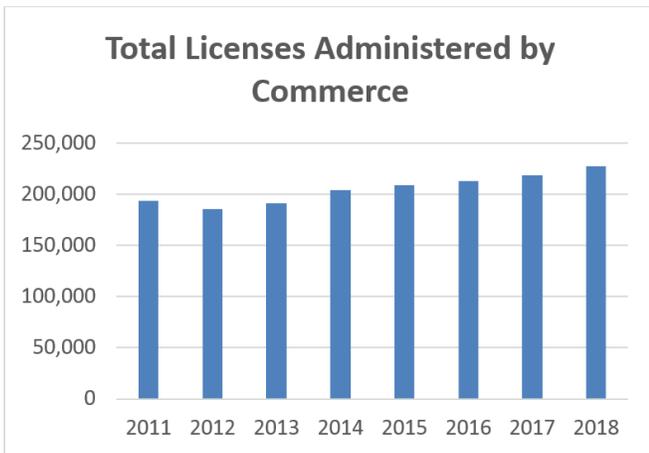
In FY18, \$31.1 million in unclaimed property was returned to consumers.



In FY18, 17,505 unclaimed property claims were paid.



In FY18, \$81.76 million in unclaimed property was remitted to the State.



In FY18, there were 227,360 active licenses issued by the Licensing Unit.

Statutory Authority: While many of the categories of licensure administered by the Division have their own statutory citations, the Department’s authority is located in Chapter 45 and 345.

Regulatory and Administrative Services

Program Expenditure Overview

(Dollars in Thousands)

| | Actual FY16 | Actual FY17 | Actual FY18 | Estimate FY19 | Forecast Base FY20 FY21 | | Governor's Recommendation FY20 FY21 | |
|--|----------------|----------------|----------------|------------------|----------------------------|--------------|---|---------------|
| <u>Expenditures by Fund</u> | | | | | | | | |
| 1000 - General | 6,464 | 7,794 | 6,515 | 8,262 | 7,423 | 7,423 | 10,167 | 8,952 |
| 2000 - Restrict Misc Special Revenue | 1,754 | 1,120 | 1,968 | 2,120 | 2,120 | 2,120 | 2,120 | 2,120 |
| Total | 8,218 | 8,914 | 8,482 | 10,382 | 9,543 | 9,543 | 12,287 | 11,072 |
| Biennial Change | | | | 1,732 | | 222 | | 4,495 |
| Biennial % Change | | | | 10 | | 1 | | 24 |
| Governor's Change from Base | | | | | | | | 4,273 |
| Governor's % Change from Base | | | | | | | | 22 |
| <u>Expenditures by Activity</u> | | | | | | | | |
| Administrative Services | 8,218 | 8,914 | 8,482 | 10,382 | 9,543 | 9,543 | 12,287 | 11,072 |
| Total | 8,218 | 8,914 | 8,482 | 10,382 | 9,543 | 9,543 | 12,287 | 11,072 |
| <u>Expenditures by Category</u> | | | | | | | | |
| Compensation | 5,858 | 6,007 | 6,067 | 7,100 | 6,632 | 6,632 | 7,000 | 7,395 |
| Operating Expenses | 2,338 | 2,872 | 2,408 | 3,280 | 2,911 | 2,911 | 5,287 | 3,677 |
| Capital Outlay-Real Property | 20 | 33 | | | | | | |
| Other Financial Transaction | 2 | 2 | 7 | 2 | | | | |
| Total | 8,218 | 8,914 | 8,482 | 10,382 | 9,543 | 9,543 | 12,287 | 11,072 |
| <u>Full-Time Equivalent</u> | | | | | | | | |
| | 69.59 | 70.42 | 67.02 | 68.01 | 68.01 | 68.01 | 72.01 | 75.01 |

Regulatory and Administrative Services

Program Financing by Fund

(Dollars in Thousands)

| | Actual FY16 | Actual FY17 | Actual FY18 | Estimate FY19 | Forecast Base FY20 FY21 | | Governor's Recommendation FY20 FY21 | |
|-----------------------------------|----------------|----------------|----------------|------------------|----------------------------|--------------|---|--------------|
| 1000 - General | | | | | | | | |
| Balance Forward In | 0 | 704 | 0 | 861 | | | | |
| Direct Appropriation | 7,222 | 7,386 | 7,379 | 7,404 | 7,426 | 7,426 | 10,170 | 8,955 |
| Transfers In | | 1 | | | | | | |
| Transfers Out | 93 | 2 | 3 | 3 | 3 | 3 | 3 | 3 |
| Cancellations | | 294 | | | | | | |
| Balance Forward Out | 665 | | 861 | | | | | |
| Expenditures | 6,464 | 7,794 | 6,515 | 8,262 | 7,423 | 7,423 | 10,167 | 8,952 |
| Biennial Change in Expenditures | | | | 518 | | 69 | | 4,342 |
| Biennial % Change in Expenditures | | | | 4 | | 0 | | 29 |
| Governor's Change from Base | | | | | | | | 4,273 |
| Governor's % Change from Base | | | | | | | | 29 |
| Full-Time Equivalents | 50.90 | 50.24 | 47.51 | 47.51 | 47.51 | 47.51 | 51.51 | 54.51 |

2000 - Restrict Misc Special Revenue

| | | | | | | | | |
|-----------------------------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| Balance Forward In | 2,099 | 1,818 | 2,157 | 2,192 | 2,072 | 1,952 | 2,072 | 1,952 |
| Receipts | 1,473 | 1,459 | 2,003 | 2,000 | 2,000 | 2,000 | 2,000 | 2,000 |
| Internal Billing Receipts | 1,473 | 1,459 | 2,003 | 2,000 | 2,000 | 2,000 | 2,000 | 2,000 |
| Balance Forward Out | 1,818 | 2,157 | 2,192 | 2,072 | 1,952 | 1,832 | 1,952 | 1,832 |
| Expenditures | 1,754 | 1,120 | 1,968 | 2,120 | 2,120 | 2,120 | 2,120 | 2,120 |
| Biennial Change in Expenditures | | | | 1,213 | | 152 | | 152 |
| Biennial % Change in Expenditures | | | | 42 | | 4 | | 4 |
| Governor's Change from Base | | | | | | | | 0 |
| Governor's % Change from Base | | | | | | | | 0 |
| Full-Time Equivalents | 18.69 | 20.18 | 19.51 | 20.50 | 20.50 | 20.50 | 20.50 | 20.50 |

Program: Enforcement Division

mn.gov/commerce/consumers/file-a-complaint/

AT A GLANCE

In 2017, the Enforcement Division:

- **\$4.4 million:** Recovered for Minnesota consumers through administrative action.
- **\$8.3 million:** Civil penalties assessed by the Enforcement Division.
- **1,562:** Questions, concerns and complaints received by the Enforcement Division.
- **4,922:** Investigations opened.
- **443:** Number of enforcement actions taken.
- **2,476:** Reports of suspected insurance fraud.
- **\$3.98 million:** Amount of grants issued by the Commerce Fraud Bureau to local law enforcement agencies throughout Minnesota through the Auto Theft Prevention Program.
- **\$163.5 million:** Total economic impact of Commerce Fraud Bureau investigations that resulted in prosecutions.
- **2,117:** State-registered Investment Adviser and Broker Dealer firms in Minnesota.

PURPOSE

The mission of the Commerce Department's Enforcement Division is to protect consumers by monitoring conduct and investigating complaints related to unfair, deceptive, or fraudulent practices.

The Commerce Department regulates 22 industries in Minnesota, covering a large portion of the economic activity in the state. These industries include insurance, securities, financial institutions, real estate and collection agencies. The Enforcement Division works to ensure that businesses in these regulated industries operate in compliance with Minnesota law.

The Division performs audits and examinations of regulated businesses, responds to complaints and conducts investigations of suspected illegal activity. When the Division uncovers illegal activity, it can initiate administrative action or, where appropriate, collaborate with local law enforcement, county prosecutors, and the United States Attorney's Office to pursue criminal charges.

The Securities Unit registers securities agents, broker-dealers, franchises, timeshares, investment advisers and investment adviser representatives to do business in Minnesota. The Unit also performs examinations of businesses offering securities in Minnesota.

The Civil Investigations Unit and Securities Unit are funded through General Fund appropriations. The Commerce Fraud Bureau is funded through an assessment of insurance companies doing business in Minnesota and a special revenue fund appropriation from the Auto Theft Prevention Account.

SERVICES PROVIDED

Civil Investigations

- Conduct civil investigations, audits, and market conduct examinations to determine if laws under Commerce's jurisdiction have been violated, while providing due process during the resolution of any alleged violations.

- Regulate business activity to ensure compliance, responsible business conduct, and a fair and consistent regulatory environment for businesses and consumers.
- Engage in outreach activities to inform, educate, and obtain feedback from Minnesota consumers and businesses.
- Work with industry to increase the transparency and efficiency of the insurance examination process.
- During 2017, Commerce’s insurance market conduct examinations resulted in the imposition of \$5.08 million in civil penalties.

Commerce Fraud Bureau

- Undertake criminal investigations related to insurance fraud and other related criminal activities.
- Review notices and reports of insurance fraud submitted by insurers, their employees, and agents or producers, as well as notifications or complaints of suspected insurance fraud generated by other law enforcement agencies, state or federal government units or the public.
- During 2017, the Fraud Bureau initiated investigations into 2,476 cases, representing an 11% increase over the 2,227 investigations conducted in 2016.
 - These investigations resulted in prosecutions of individuals who were responsible for committing crimes with an economic impact of more than \$163.5 million to Minnesotans.
- Administer the Auto Theft Prevention Account and grant program which partners with local law enforcement to reduce the incidence of auto theft across Minnesota.

Securities

- Register broker dealer firms, state-based investment advisor firms and investment advisor representatives.
- Conduct on-site investment advisor examinations.
- Register franchise offerings to maintain the integrity of the franchise community in Minnesota.
- Advocate for and assist investors and consumers through consumer complaint resolution and public education and outreach.
- Work with federal and self-regulatory bodies that share regulatory authority over the securities area.
- Ensure compliant, responsible business conduct and practices to ensure a fair and consistent regulatory environment.
- Oversee crowdfunding exemption from securities registration known as MNvest.

RESULTS

| <i>Type of Measure</i> | <i>Name of Measure</i> | <i>Previous</i> | <i>Current</i> | <i>Years</i> |
|------------------------|---|-----------------|----------------|-------------------|
| Quantity | Civil Investigations Initiated | 4,669 | 4,922 | FY2016 and FY2017 |
| Quantity | Criminal Investigations Initiated | 2,227 | 2,476 | FY2016 and FY2017 |
| Results | Civil Administrative Actions Taken | 513 | 443 | FY2016 and FY2017 |
| Results | Civil Penalties Assessed | \$13 million | \$8.3 million | FY2016 and FY2017 |
| Quantity | Investment Adviser Representative Registrations | 10,639 | 11,878 | CY2015 and CY2018 |
| Quantity | Broker Dealer Agent Registrations | 140,242 | 153,615 | CY2015 and CY2018 |

Statutory Authority: The Department’s authority is located in Chapters: 45, 60A, 65B, 80, 80A.

Enforcement

Program Expenditure Overview

(Dollars in Thousands)

| | Actual FY16 | Actual FY17 | Actual FY18 | Estimate FY19 | Forecast Base | | Governor's Recommendation | |
|--------------------------------------|----------------|----------------|----------------|------------------|---------------|---------------|------------------------------|---------------|
| | | | | | FY20 | FY21 | FY20 | FY21 |
| <u>Expenditures by Fund</u> | | | | | | | | |
| 1000 - General | 4,557 | 5,045 | 5,067 | 5,644 | 5,284 | 5,284 | 6,192 | 6,282 |
| 2000 - Restrict Misc Special Revenue | 7,138 | 7,813 | 6,526 | 7,926 | 7,741 | 7,741 | 7,741 | 7,741 |
| 2830 - Workers Compensation | 196 | 200 | 198 | 199 | 200 | 200 | 200 | 200 |
| 6000 - Miscellaneous Agency | 128 | 121 | 44 | 182 | 155 | 155 | 155 | 155 |
| Total | 12,019 | 13,178 | 11,835 | 13,951 | 13,380 | 13,380 | 14,288 | 14,378 |
| Biennial Change | | | | 589 | | 974 | | 2,880 |
| Biennial % Change | | | | 2 | | 4 | | 11 |
| Governor's Change from Base | | | | | | | | 1,906 |
| Governor's % Change from Base | | | | | | | | 7 |

Expenditures by Activity

| | | | | | | | | |
|--------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| Enforcement | 12,019 | 13,178 | 11,835 | 13,951 | 13,380 | 13,380 | 14,288 | 14,378 |
| Total | 12,019 | 13,178 | 11,835 | 13,951 | 13,380 | 13,380 | 14,288 | 14,378 |

Expenditures by Category

| | | | | | | | | |
|------------------------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| Compensation | 5,985 | 6,352 | 6,601 | 7,536 | 7,536 | 7,536 | 7,872 | 7,962 |
| Operating Expenses | 4,020 | 4,640 | 3,482 | 3,807 | 3,236 | 3,186 | 3,808 | 3,758 |
| Grants, Aids and Subsidies | 2,001 | 2,170 | 1,731 | 2,575 | 2,575 | 2,625 | 2,575 | 2,625 |
| Capital Outlay-Real Property | 10 | | | 6 | 6 | 6 | 6 | 6 |
| Other Financial Transaction | 4 | 15 | 21 | 27 | 27 | 27 | 27 | 27 |
| Total | 12,019 | 13,178 | 11,835 | 13,951 | 13,380 | 13,380 | 14,288 | 14,378 |

| | | | | | | | | |
|---|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| Total Agency Expenditures | 12,019 | 13,178 | 11,835 | 13,951 | 13,380 | 13,380 | 14,288 | 14,378 |
| Internal Billing Expenditures | 252 | 278 | 246 | 265 | 265 | 265 | 265 | 265 |
| Expenditures Less Internal Billing | 11,767 | 12,900 | 11,589 | 13,686 | 13,115 | 13,115 | 14,023 | 14,113 |

| | | | | | | | | |
|------------------------------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| <u>Full-Time Equivalent</u> | 62.64 | 62.57 | 63.37 | 68.21 | 68.21 | 68.21 | 68.21 | 68.21 |
|------------------------------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|

Enforcement

Program Financing by Fund

(Dollars in Thousands)

| | Actual FY16 | Actual FY17 | Actual FY18 | Estimate FY19 | Forecast Base | | Governor's Recommendation | |
|-----------------------------------|----------------|----------------|----------------|------------------|---------------|--------------|------------------------------|--------------|
| | | | | | FY20 | FY21 | FY20 | FY21 |
| 1000 - General | | | | | | | | |
| Balance Forward In | | 332 | | 377 | | | | |
| Direct Appropriation | 4,901 | 4,901 | 5,469 | 5,292 | 5,309 | 5,309 | 6,217 | 6,307 |
| Transfers Out | 14 | 15 | 25 | 25 | 25 | 25 | 25 | 25 |
| Cancellations | | 174 | | | | | | |
| Balance Forward Out | 329 | | 377 | | | | | |
| Expenditures | 4,557 | 5,045 | 5,067 | 5,644 | 5,284 | 5,284 | 6,192 | 6,282 |
| Biennial Change in Expenditures | | | | 1,109 | | (143) | | 1,763 |
| Biennial % Change in Expenditures | | | | 12 | | (1) | | 16 |
| Governor's Change from Base | | | | | | | | 1,906 |
| Governor's % Change from Base | | | | | | | | 18 |
| Full-Time Equivalents | 45.69 | 46.13 | 44.89 | 47.33 | 47.33 | 47.33 | 47.33 | 47.33 |

2000 - Restrict Misc Special Revenue

| | | | | | | | | |
|-----------------------------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| Balance Forward In | 10,348 | 9,375 | 7,584 | 8,369 | 7,474 | 6,774 | 7,474 | 6,774 |
| Receipts | 7,336 | 7,286 | 7,311 | 7,031 | 7,041 | 7,041 | 7,041 | 7,041 |
| Transfers In | 725 | 640 | 1,300 | 1,300 | 1,300 | 1,300 | 1,300 | 1,300 |
| Transfers Out | 2,025 | 1,940 | 1,302 | 1,300 | 1,300 | 1,300 | 1,300 | 1,300 |
| Balance Forward Out | 9,246 | 7,548 | 8,368 | 7,474 | 6,774 | 6,074 | 6,774 | 6,074 |
| Expenditures | 7,138 | 7,813 | 6,526 | 7,926 | 7,741 | 7,741 | 7,741 | 7,741 |
| Biennial Change in Expenditures | | | | (499) | | 1,030 | | 1,030 |
| Biennial % Change in Expenditures | | | | (3) | | 7 | | 7 |
| Governor's Change from Base | | | | | | | | 0 |
| Governor's % Change from Base | | | | | | | | 0 |
| Full-Time Equivalents | 14.95 | 14.97 | 17.04 | 19.44 | 19.44 | 19.44 | 19.44 | 19.44 |

2830 - Workers Compensation

| | | | | | | | | |
|-----------------------------------|------------|------------|------------|------------|------------|------------|------------|------------|
| Balance Forward In | | 2 | | | | | | |
| Direct Appropriation | 198 | 198 | 198 | 199 | 200 | 200 | 200 | 200 |
| Balance Forward Out | 2 | | 0 | | | | | |
| Expenditures | 196 | 200 | 198 | 199 | 200 | 200 | 200 | 200 |
| Biennial Change in Expenditures | | | | 1 | | 3 | | 3 |
| Biennial % Change in Expenditures | | | | 0 | | 1 | | 1 |
| Governor's Change from Base | | | | | | | | 0 |

Enforcement

Program Financing by Fund

(Dollars in Thousands)

| | Actual | Actual | Actual | Estimate | Forecast Base | | Governor's Recommendation | |
|-------------------------------|--------|--------|--------|----------|---------------|------|---------------------------|------|
| | FY16 | FY17 | FY18 | FY19 | FY20 | FY21 | FY20 | FY21 |
| Governor's % Change from Base | | | | | | | | 0 |
| Full-Time Equivalents | 2.00 | 1.47 | 1.44 | 1.44 | 1.44 | 1.44 | 1.44 | 1.44 |

6000 - Miscellaneous Agency

| | | | | | | | | |
|-----------------------------------|------------|------------|-----------|------------|------------|------------|------------|------------|
| Balance Forward In | 134 | 52 | 44 | 43 | | | | |
| Receipts | 46 | 91 | 44 | 139 | 155 | 155 | 155 | 155 |
| Balance Forward Out | 52 | 23 | 43 | | | | | |
| Expenditures | 128 | 121 | 44 | 182 | 155 | 155 | 155 | 155 |
| Biennial Change in Expenditures | | | | (22) | | 84 | | 84 |
| Biennial % Change in Expenditures | | | | (9) | | 37 | | 37 |
| Governor's Change from Base | | | | | | | | 0 |
| Governor's % Change from Base | | | | | | | | 0 |

Program: Telecommunicationsmn.gov/commerce/industries/telecom/**AT A GLANCE**

- **2.25 million:** Residential and business wireline telephones serving Minnesotans, including reliable and vital 911 services.
- **571:** Opened investigations and dockets in 2017.
- **439:** Number of new Telephone Equipment Distribution Program participants in 2017.

PURPOSE

The Telecommunications Unit serves the public as a state regulator of the telecommunications industry. The Unit provides the Public Utilities Commission (PUC) and the legislature with appropriate information and policy alternatives that are responsive to rapidly changing market conditions, including the transition to internet protocol technology.

The Telecommunications Unit reviews filings made with the PUC by telecommunications companies in compliance with state statutes, PUC orders, and state and federal regulations. It investigates complaints from the public, local governments and telecommunications companies about illegal, unfair, or anti-competitive practices and takes action to enforce state and federal statutes and regulations. The unit ensures that consumers are protected in the transition from legacy technologies to voice over internet protocol (VoIP) service.

The unit also administers the Telecommunications Access Minnesota (TAM) program, which delivers free services to persons with hearing, speech, or physical disabilities through the Minnesota Relay, and funds the Telephone Equipment Distribution (TED) Program, which provides specialized telecommunications equipment to Minnesotans.

Most of the functions of the unit are funded by an assessment on regulated telecommunications companies. The TAM program is funded by a fee imposed on consumers, collected by regulated telecommunications companies, wireless companies, and point of sale retail outlets selling prepaid wireless services.

SERVICES PROVIDED

- Advocate on behalf of the public interest for statewide telecommunications policies that promote high quality, affordable telecommunications network in Minnesota.
- Enforce Minnesota and Federal laws and rules of the PUC and the Federal Communications Commission.
- Investigate company filings and telecommunications matters for compliance with Minnesota requirements.
- Administrative review of licensing requests, service quality, pricing of services, and the competitive practices of telecommunications companies.
- Encourage deployment of infrastructure for improved voice, video, and data transmission, while protecting consumers from being left behind as new technologies are employed by the regulated industry, including VoIP service offerings.
- Provide Minnesotans a venue to resolve telecommunications complaints relating to service in rural areas, service outages, excessive fees and critical 911 service.

RESULTS

The Telecommunications Unit measures success by the extent to which all Minnesota citizens have access to high-quality, affordable telecommunications services, regardless of technology. The impact of the unit's activities is reflected in the availability of competitive alternatives and continued service to those areas in Minnesota with a single provider, including reliable and vital 911 services.

| <i>Type of Measure</i> | <i>Name of Measure</i> | <i>Previous</i> | <i>Current</i> | <i>Dates</i> |
|------------------------|---|-------------------------------------|-------------------------------------|--------------------------|
| Quality | Telecommunications Penetration - Wireline Residential - Wireline Business - Wireless | 1,173,000 1,111,000 5,761,000 | 1,109,000 1,142,000 5,854,000 | CY2015 and CY 2016 |
| Quantity | Number of new Telephone Equipment Distribution Program participants | 547 | 439 | CY2016 and FY2017 |
| Quantity | Number of Minnesota Relay conversation minutes used | 1,067,849 | 924,652 | CY2016 and CY2017 |

Statutory Authority: The Department's authority to regulate telecommunications providers is located in Chapter 237.

Telecommunications

Program Expenditure Overview

(Dollars in Thousands)

| | Actual FY16 | Actual FY17 | Actual FY18 | Estimate FY19 | Forecast Base | | Governor's Recommendation | |
|--------------------------------------|----------------|----------------|----------------|------------------|---------------|--------------|------------------------------|--------------|
| | | | | | FY20 | FY21 | FY20 | FY21 |
| <i>Expenditures by Fund</i> | | | | | | | | |
| 1000 - General | 907 | 881 | 831 | 1,158 | 995 | 995 | 1,023 | 1,033 |
| 2000 - Restrict Misc Special Revenue | 3,796 | 3,743 | 3,297 | 3,483 | 3,048 | 3,484 | 3,048 | 3,484 |
| Total | 4,703 | 4,624 | 4,128 | 4,641 | 4,043 | 4,479 | 4,071 | 4,517 |
| Biennial Change | | | | (557) | | (247) | | (181) |
| Biennial % Change | | | | (6) | | (3) | | (2) |
| Governor's Change from Base | | | | | | | | 66 |
| Governor's % Change from Base | | | | | | | | 1 |

Expenditures by Activity

| | | | | | | | | |
|--------------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| Telecommunications | 4,703 | 4,624 | 4,128 | 4,641 | 4,043 | 4,479 | 4,071 | 4,517 |
| Total | 4,703 | 4,624 | 4,128 | 4,641 | 4,043 | 4,479 | 4,071 | 4,517 |

Expenditures by Category

| | | | | | | | | |
|-----------------------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| Compensation | 782 | 811 | 797 | 981 | 888 | 888 | 906 | 913 |
| Operating Expenses | 3,921 | 3,813 | 3,331 | 3,659 | 3,154 | 3,590 | 3,164 | 3,603 |
| Other Financial Transaction | | | 0 | 1 | 1 | 1 | 1 | 1 |
| Total | 4,703 | 4,624 | 4,128 | 4,641 | 4,043 | 4,479 | 4,071 | 4,517 |

| | | | | | | | | |
|---|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| Total Agency Expenditures | 4,703 | 4,624 | 4,128 | 4,641 | 4,043 | 4,479 | 4,071 | 4,517 |
| Internal Billing Expenditures | 15 | 15 | 14 | 19 | 19 | 19 | 19 | 19 |
| Expenditures Less Internal Billing | 4,688 | 4,609 | 4,115 | 4,622 | 4,024 | 4,460 | 4,052 | 4,498 |

| | | | | | | | | |
|------------------------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| <i>Full-Time Equivalent</i> | 7.58 | 7.64 | 7.13 | 7.13 | 7.13 | 7.13 | 7.13 | 7.13 |
|------------------------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|

Telecommunications

Program Financing by Fund

(Dollars in Thousands)

| | Actual FY16 | Actual FY17 | Actual FY18 | Estimate FY19 | Forecast Base | | Governor's Recommendation | |
|-----------------------------------|----------------|----------------|----------------|------------------|---------------|------------|------------------------------|--------------|
| | | | | | FY20 | FY21 | FY20 | FY21 |
| 1000 - General | | | | | | | | |
| Balance Forward In | | 103 | | 163 | | | | |
| Direct Appropriation | 1,009 | 1,009 | 1,008 | 1,009 | 1,009 | 1,009 | 1,037 | 1,047 |
| Transfers In | 1,017 | 942 | 1,206 | 1,089 | 1,089 | 1,089 | 1,089 | 1,089 |
| Transfers Out | 1 | 2 | 14 | 14 | 14 | 14 | 14 | 14 |
| Cancellations | 1,017 | 1,171 | 1,206 | 1,089 | 1,089 | 1,089 | 1,089 | 1,089 |
| Balance Forward Out | 101 | | 163 | | | | | |
| Expenditures | 907 | 881 | 831 | 1,158 | 995 | 995 | 1,023 | 1,033 |
| Biennial Change in Expenditures | | | | 202 | | 1 | | 67 |
| Biennial % Change in Expenditures | | | | 11 | | 0 | | 3 |
| Governor's Change from Base | | | | | | | | 66 |
| Governor's % Change from Base | | | | | | | | 3 |
| Full-Time Equivalents | 6.48 | 6.55 | 6.04 | 6.04 | 6.04 | 6.04 | 6.04 | 6.04 |

2000 - Restrict Misc Special Revenue

| | | | | | | | | |
|-----------------------------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| Balance Forward In | 2,294 | 3,203 | 2,623 | 1,935 | 1,194 | 1,528 | 1,194 | 1,528 |
| Receipts | 6,962 | 5,329 | 5,425 | 5,441 | 6,081 | 6,180 | 6,081 | 6,180 |
| Transfers In | 376 | 41 | 395 | 397 | 395 | 395 | 395 | 395 |
| Transfers Out | 2,633 | 2,208 | 3,211 | 3,096 | 3,094 | 3,094 | 3,094 | 3,094 |
| Balance Forward Out | 3,202 | 2,623 | 1,935 | 1,194 | 1,528 | 1,525 | 1,528 | 1,525 |
| Expenditures | 3,796 | 3,743 | 3,297 | 3,483 | 3,048 | 3,484 | 3,048 | 3,484 |
| Biennial Change in Expenditures | | | | (759) | | (248) | | (248) |
| Biennial % Change in Expenditures | | | | (10) | | (4) | | (4) |
| Governor's Change from Base | | | | | | | | 0 |
| Governor's % Change from Base | | | | | | | | 0 |
| Full-Time Equivalents | 1.10 | 1.09 | 1.09 | 1.09 | 1.09 | 1.09 | 1.09 | 1.09 |

Program: Division of Energy Resources (DER)

mn.gov/commerce/industries/energy/

AT A GLANCE

- **320,000:** Number of Minnesotans served through the Low-Income Home Energy Assistance Program (LIHEAP) in Federal FY2018.
- **\$275 million:** Amount utility ratepayers saved due to Commerce's advocacy at the Public Utilities Commission in 2017.
- **500,000:** Number of Minnesotans who received energy-related information through phone, email, web visits, brochures and the Energy Home State Fair exhibit in 2017.
- **180:** Electric and natural gas utility Conservation Improvement Plans (CIP) reviewed and approved resulting in over 1.9 million megawatt-hours (MWh) and 6.6 million thousand cubic feet saved in 2015 and 2016 (the equivalent of removing 383,641 cars from the road for one year).
- **11:** Environmental reviews and technical support for large energy facility projects, including eight wind projects, two pipeline projects and one high-voltage transmission line in 2017.
- **860:** Megawatts of solar installed in Minnesota as of June 2018.
- **7:** Communities in Minnesota recognized at the 2018 Clean Energy Community Awards.

PURPOSE

The Division of Energy Resources (DER) represents the public interest while ensuring a clean, healthy environment with sustainable uses of natural resources. The Division of Energy Resources:

- Ensures Minnesota's energy system supports a strong economy, job creation, and healthy environment.
- Improves existing energy infrastructure while protecting ratepayers.
- Advances Minnesota's leadership in energy efficiency.
- Expands Minnesota's renewable energy potential and energy business activity.
- Assists low-income Minnesotans through financial assistance and energy conservation measures.
- Ensures sufficient, reliable energy at reasonable costs.

The Division of Energy Resources is funded primarily through federal grants. The Division also receives a general fund appropriation, which is recovered through an assessment on utilities. Additional funding is assessed to utilities and paid directly to the Department of Commerce.

SERVICES PROVIDED

The Division of Energy Resources provides the following services to support Minnesota's energy consumers:

State Energy Office

- Provides renewable energy financing and technical assistance and energy efficiency to the public sector.
 - Completed 109 Sustainable Building 2030 projects with a reduction of 216,000 tons of CO₂ (equivalent to removing over 46,000 passenger vehicles annually).
 - Administer the Guaranteed Energy Savings Program (GESp) allowing state agencies, colleges, and cities to implement major energy-saving projects. Current GESp projects are saving state and local governments and colleges \$800,000 annually.
- Oversees the State's Conservation Improvement Programs (CIP) to assure that utility consumers receive a comprehensive suite of energy efficiency and conservation assistance.
 - CIP helps support and grow over 49,361 energy efficiency jobs in Minnesota.

- Since 2006, CIP programs have reduced CO2 emissions by over 8 million tons, the equivalent of removing over 1.7 million passenger vehicles from the road for one year.
- Monitors energy supplies serving the state to assure Minnesota residences and businesses have reliable electricity service.
- Serves as an information resource to Minnesota consumers and businesses on clean energy programs and actions they can take to reduce energy use.
- Provides technical and financial resources to ensure energy efficiency and renewable energy projects are cost effective and soundly engineered for consumers, local units of government and state agencies.
 - Leverages nearly \$20 million in revolving loan programs for energy efficiency projects serving residential, business, nonprofit and other public sectors.
- Pursues public-private partnerships to deploy new clean energy technologies and bring new venture capital opportunities for Minnesota's businesses.
 - From 2013-2017, solar jobs in Minnesota increased from 814 to 4,256, a 523% increase.
 - Minnesota added 467 MW of solar capacity in 2017, up from 246 MW in 2016.

Low-Income Heating Assistance and Weatherization Assistance Program

- Administers \$117 million in the Low-Income Home Energy Assistance Program serving 320,000 Minnesotans in Federal FY2018.
- Serves on average 1,700 households annually in the Weatherization Assistance Program providing income-eligible homeowners and renters’ energy savings and healthy and safe homes.

Regulatory Services:

- Advocates for the public interest in proceedings before the Public Utilities Commission (PUC), including rate cases, resource plans, and certificates of need, and advocates on behalf of Minnesota ratepayers in regional and federal matters.
- Conducts environmental review and provides technical expertise and assistance to the PUC for large energy projects in Minnesota.

RESULTS

| <i>Type of Measure</i> | <i>Name of Measure</i> | <i>Previous</i> | <i>Current</i> | <i>Dates</i> |
|------------------------|---|---|---|-------------------|
| Results | Energy savings goals in CIP* (Natural Gas/Electric percentages) | Electric Utility Savings: 1.7% Natural Gas Utility Savings: 1.0% | Electric Utility Savings: 1.7% Natural Gas Utility Savings: 1.1% | CY2015 and CY2016 |
| Results | Renewable Energy Standard of 25% of energy comes from renewable sources by 2025** | Xcel Energy: 18% Other electric utilities: 12% | Xcel Energy: 25% Other electric utilities: 17% | CY2015 and CY2017 |
| Results | Percent of wind projects in compliance with permit conditions | 80% | 85% | CY2016 and CY2017 |

| <i>Type of Measure</i> | <i>Name of Measure</i> | <i>Previous</i> | <i>Current</i> | <i>Dates</i> |
|------------------------|--|-------------------------------|-------------------------------|---|
| Quantity | Number of households served by low-income heating (LIHEAP) and weatherization (WAP) programs | LIHEAP: 126,100 WAP: 1,790 | LIHEAP: 126,500 WAP: 1,810 | LIHEAP: CY2017 and CY2018 WAP: Program CY 2016 and CY2017 |
| Results | Amount of solar Minnesota utilities developed toward the 1.5% Solar Energy Standard by 2020. | 185 MW | 505 MW | CY2016 and CY2017 |

* (Energy savings goal is outlined in Minn. Stat. § 216B.241, subd. 1c.)

** (Minn. Stat. § 216B.1691 requires Xcel to meet the higher goal; the lower is for all other utilities)

Statutory Authority: The Department's authority is located in Chapters: 16B, 16C, 116J, 216A, 216B, 216C, 216E, 216G, 272.

Energy Resources

Program Expenditure Overview

(Dollars in Thousands)

| | Actual FY16 | Actual FY17 | Actual FY18 | Estimate FY19 | Forecast Base | | Governor's Recommendation | |
|--------------------------------------|----------------|----------------|----------------|------------------|----------------|----------------|------------------------------|----------------|
| | | | | | FY20 | FY21 | FY20 | FY21 |
| <u>Expenditures by Fund</u> | | | | | | | | |
| 1000 - General | 3,224 | 3,949 | 3,792 | 4,660 | 4,251 | 4,251 | 4,805 | 4,855 |
| 2000 - Restrict Misc Special Revenue | 13,022 | 16,862 | 10,549 | 9,762 | 9,848 | 9,848 | 9,848 | 9,848 |
| 2340 - Renewable Development | | | 3,009 | 4,605 | 5,040 | 5,040 | 15,040 | 15,040 |
| 3000 - Federal | 119,917 | 118,746 | 131,144 | 137,652 | 142,674 | 143,001 | 142,674 | 143,001 |
| Total | 136,163 | 139,557 | 148,494 | 156,679 | 161,813 | 162,140 | 172,367 | 172,744 |
| Biennial Change | | | | 29,453 | | 18,780 | | 39,938 |
| Biennial % Change | | | | 11 | | 6 | | 13 |
| Governor's Change from Base | | | | | | | | 21,158 |
| Governor's % Change from Base | | | | | | | | 7 |

Expenditures by Activity

| | | | | | | | | |
|------------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
| Energy Resources | 136,163 | 139,557 | 148,494 | 156,679 | 161,813 | 162,140 | 172,367 | 172,744 |
| Total | 136,163 | 139,557 | 148,494 | 156,679 | 161,813 | 162,140 | 172,367 | 172,744 |

Expenditures by Category

| | | | | | | | | |
|-----------------------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
| Compensation | 7,645 | 7,915 | 8,372 | 8,808 | 8,698 | 8,748 | 9,438 | 9,529 |
| Operating Expenses | 5,723 | 10,579 | 9,055 | 12,363 | 11,867 | 11,008 | 12,181 | 11,331 |
| Grants, Aids and Subsidies | 121,951 | 120,303 | 130,189 | 135,484 | 141,224 | 142,360 | 150,724 | 151,860 |
| Other Financial Transaction | 845 | 760 | 878 | 24 | 24 | 24 | 24 | 24 |
| Total | 136,163 | 139,557 | 148,494 | 156,679 | 161,813 | 162,140 | 172,367 | 172,744 |

| | | | | | | | | |
|---|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
| Total Agency Expenditures | 136,163 | 139,557 | 148,494 | 156,679 | 161,813 | 162,140 | 172,367 | 172,744 |
| Internal Billing Expenditures | 869 | 815 | 841 | 999 | 957 | 957 | 957 | 957 |
| Expenditures Less Internal Billing | 135,294 | 138,742 | 147,653 | 155,680 | 160,856 | 161,183 | 171,410 | 171,787 |

Full-Time Equivalent

| | | | | | | | | |
|--|-------|-------|-------|-------|-------|-------|-------|-------|
| | 79.86 | 78.66 | 80.12 | 81.76 | 81.76 | 81.76 | 83.76 | 83.76 |
|--|-------|-------|-------|-------|-------|-------|-------|-------|

Energy Resources

Program Financing by Fund

(Dollars in Thousands)

| | Actual FY16 | Actual FY17 | Actual FY18 | Estimate FY19 | Forecast Base | | Governor's Recommendation | |
|-----------------------------------|----------------|----------------|----------------|------------------|---------------|--------------|------------------------------|--------------|
| | | | | | FY20 | FY21 | FY20 | FY21 |
| 1000 - General | | | | | | | | |
| Balance Forward In | | 608 | | 423 | | | | |
| Direct Appropriation | 3,848 | 4,677 | 4,240 | 4,262 | 4,276 | 4,276 | 4,830 | 4,880 |
| Transfers Out | 19 | 19 | 25 | 25 | 25 | 25 | 25 | 25 |
| Cancellations | | 1,316 | | | | | | |
| Balance Forward Out | 606 | | 424 | | | | | |
| Expenditures | 3,224 | 3,949 | 3,792 | 4,660 | 4,251 | 4,251 | 4,805 | 4,855 |
| Biennial Change in Expenditures | | | | 1,279 | | 50 | | 1,208 |
| Biennial % Change in Expenditures | | | | 18 | | 1 | | 14 |
| Governor's Change from Base | | | | | | | | 1,158 |
| Governor's % Change from Base | | | | | | | | 14 |
| Full-Time Equivalents | 23.96 | 29.71 | 29.09 | 31.54 | 31.54 | 31.54 | 31.54 | 31.54 |

2000 - Restrict Misc Special Revenue

| | | | | | | | | |
|-----------------------------------|---------------|---------------|---------------|--------------|--------------|--------------|--------------|--------------|
| Balance Forward In | 41,553 | 54,300 | 67,977 | 10,786 | 10,341 | 9,810 | 10,341 | 9,810 |
| Receipts | 24,135 | 27,953 | 9,312 | 8,917 | 8,917 | 8,917 | 8,917 | 8,917 |
| Transfers In | 312 | 414 | 461 | 400 | 400 | 400 | 400 | 400 |
| Transfers Out | | | 56,418 | | | | | |
| Balance Forward Out | 52,977 | 65,805 | 10,784 | 10,341 | 9,810 | 9,279 | 9,810 | 9,279 |
| Expenditures | 13,022 | 16,862 | 10,549 | 9,762 | 9,848 | 9,848 | 9,848 | 9,848 |
| Biennial Change in Expenditures | | | | (9,573) | | (615) | | (615) |
| Biennial % Change in Expenditures | | | | (32) | | (3) | | (3) |
| Governor's Change from Base | | | | | | | | 0 |
| Governor's % Change from Base | | | | | | | | 0 |
| Full-Time Equivalents | 29.86 | 26.87 | 26.55 | 19.70 | 19.70 | 19.70 | 19.70 | 19.70 |

2340 - Renewable Development

| | | | | | | | | |
|-----------------------------------|--|--|--------------|--------------|--------------|--------------|---------------|---------------|
| Direct Appropriation | | | 600 | 600 | 600 | 600 | 10,600 | 10,600 |
| Open Appropriation | | | 2,909 | 4,005 | 4,440 | 4,440 | 4,440 | 4,440 |
| Cancellations | | | 500 | | | | | |
| Balance Forward Out | | | 0 | | | | | |
| Expenditures | | | 3,009 | 4,605 | 5,040 | 5,040 | 15,040 | 15,040 |
| Biennial Change in Expenditures | | | | 7,614 | | 2,466 | | 22,466 |
| Biennial % Change in Expenditures | | | | | | 32 | | 295 |

Energy Resources

Program Financing by Fund

(Dollars in Thousands)

| | Actual | Actual | Actual | Estimate | Forecast Base | | Governor's Recommendation | |
|-------------------------------|--------|--------|--------|----------|---------------|------|---------------------------|--------|
| | FY16 | FY17 | FY18 | FY19 | FY20 | FY21 | FY20 | FY21 |
| Governor's Change from Base | | | | | | | | 20,000 |
| Governor's % Change from Base | | | | | | | | 198 |
| Full-Time Equivalents | | | 0.82 | 0.82 | 0.82 | 0.82 | 2.82 | 2.82 |

2403 - Gift

| | | | | | | | | |
|---------------------|----|----|----|----|----|----|----|----|
| Balance Forward In | 91 | 91 | 92 | 94 | 95 | 96 | 95 | 96 |
| Receipts | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 |
| Balance Forward Out | 91 | 92 | 94 | 95 | 96 | 97 | 96 | 97 |

3000 - Federal

| | | | | | | | | |
|-----------------------------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
| Balance Forward In | 34 | 5 | 1 | | | | | |
| Receipts | 119,882 | 118,742 | 131,143 | 137,652 | 142,674 | 143,001 | 142,674 | 143,001 |
| Expenditures | 119,917 | 118,746 | 131,144 | 137,652 | 142,674 | 143,001 | 142,674 | 143,001 |
| Biennial Change in Expenditures | | | | 30,133 | | 16,879 | | 16,879 |
| Biennial % Change in Expenditures | | | | 13 | | 6 | | 6 |
| Governor's Change from Base | | | | | | | | 0 |
| Governor's % Change from Base | | | | | | | | 0 |
| Full-Time Equivalents | 26.04 | 22.08 | 23.66 | 29.70 | 29.70 | 29.70 | 29.70 | 29.70 |

3002 - Oil Overcharge

| | | | | | | | | |
|---------------------|-----|-----|-----|-----|-----|-----|-----|-----|
| Balance Forward In | 232 | 232 | 248 | 248 | 248 | 248 | 248 | 248 |
| Receipts | | 15 | | | | | | |
| Balance Forward Out | 232 | 248 | 248 | 248 | 248 | 248 | 248 | 248 |

Program: Weights & Measuresmn.gov/commerce/industries/fuel/**AT A GLANCE**

FY18 Weights & Measures performance by the numbers:

- 36,555: Fuel and diesel meters tested at gas stations, bulk plants and terminals.
- 6,082: Grocery, food and hardware scales tested.
- 8,472: Fuel tank inspections completed.
- 2,061: Gas Stations checked for advertising, signs, and labeling.
- 18,475: Credit card readers inspected for skimmers.
- 15,982: Objects calibrated in metrology laboratory.
- 2,408: Shipping, precious metal, and other commercial industrial scales tested.
- 4,199: Vehicle, track, hopper and other heavy capacity scales tested.

PURPOSE

The Weights & Measures Division protects Minnesota's commercial markets by promoting and ensuring equity, accuracy and quality of goods and fuels by:

- Providing Minnesota businesses with precision measurement services and certifying registered service agents for businesses and individuals.
- Supporting key Minnesota industries through testing lumber and agricultural scales, certifying the test chains used to calibrate taconite scales, and enforcing the biodiesel and biofuel content mandates.
- Protecting consumers to ensure they get what they pay for and weighing and measuring devices do not allow for fraud.
- Protecting the health and safety of Minnesota citizens and the environment by checking for leaks and working safety equipment on fuel dispensers.

Weights & Measures receives \$0.89 of the \$1.00 Petroleum Inspection Fee, which is collected from the first licensed distributor on every 1,000 gallons of petroleum products received and sold in Minnesota.

SERVICES PROVIDED

Weights & Measures provides five services to promote an equitable marketplace, free from fraud, which contributes to a healthy, safe environment for all citizens:

- The metrology laboratory maintains National Institute of Standards and Technology (NIST) recognition and National Voluntary Laboratory Accreditation Program (NVLAP) accreditation; and ensures accuracy in basic physical measurement by maintaining the state standards for mass, length, volume, temperature, and density; and by offering precision calibration services to businesses and individuals.
- Investigators enforce Minnesota statutes and rule to prevent fraud and ensure the accuracy and safety of fuel pumps; meters used at terminals, refineries and airports; grocery scales; prepackaged commodities; livestock, railway track, grain and fertilizer scales; precious metals scales; and other commercial weighing and measuring devices.
- The Petroleum lab and light duty investigators partner to ensure fuel quality, protect the environment, and enforce statutory biofuel mandates through records audits, routine sampling, complaint investigation, and fuel testing to ASTM quality standards and volatility and sulfur standards.

- Test and monitor the competency and performance of registered service technicians and private liquefied petroleum gas inspectors who install and repair commercial weighing and measuring devices in Minnesota.
- Engage in regional, national and international standard-setting organizations like the Central Weights and Measures Association (CWMA), the National Conference on Weights & Measures (NCWM), ASTM International and the National Conference of Standards Laboratories International (NCSLI) to ensure Minnesota stays current on the latest developments in fuel and metrology testing and regulation.

RESULTS

In FY 2017-18, the Weights & Measures Division saw inspection and audit activity rates rise 24% over the previous biennium. Fuel tax sticker inspections account for 6% of the additional inspections performed. The other 18% increase is due to increased efficiency on the part of inspectors. Inspection intervals at current productions levels are approximately 2 years.

| <i>Type of Measure</i> | <i>Name of Measure</i> | <i>Previous</i> | <i>Current</i> | <i>Dates</i> |
|------------------------|--|-----------------|----------------|-------------------------|
| Quantity | Number of samples, devices, audits and package lots checked annually | 68,761 | 85,341 | FY2015-16 and FY2017-18 |
| Results | Percent of samples, devices, audits and packages approved without need for corrections by Weights and Measures for sale in Minnesota | 80.7% | 77.9% | FY2015-16 and FY2017-18 |
| Results | Percent of samples, devices, audits and packages removed from marketplace | 3.2% | 7.8% | FY2015-16 and FY2017-18 |
| Results | Percent of devices, audits and packages corrected because of W&M inspections | 19.0% | 14.3% | FY2015-16 and FY2017-18 |

Statutory Authority: The Department’s authority is located in Chapter 239.

Weights & Measures

Program Expenditure Overview

(Dollars in Thousands)

| | Actual FY16 | Actual FY17 | Actual FY18 | Estimate FY19 | Forecast Base | | Governor's Recommendation | |
|--|----------------|----------------|----------------|------------------|---------------|------|------------------------------|------|
| | | | | | FY20 | FY21 | FY20 | FY21 |

Expenditures by Fund

| | | | | | | | | |
|--------------------------------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| 2000 - Restrict Misc Special Revenue | 3,558 | 3,763 | 3,788 | 3,560 | 3,565 | 3,565 | 3,565 | 3,565 |
| Total | 3,558 | 3,763 | 3,788 | 3,560 | 3,565 | 3,565 | 3,565 | 3,565 |
| Biennial Change | | | | 27 | | (218) | | (218) |
| Biennial % Change | | | | 0 | | (3) | | (3) |
| Governor's Change from Base | | | | | | | | 0 |
| Governor's % Change from Base | | | | | | | | 0 |

Expenditures by Activity

| | | | | | | | | |
|--------------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| Weights & Measures | 3,558 | 3,763 | 3,788 | 3,560 | 3,565 | 3,565 | 3,565 | 3,565 |
| Total | 3,558 | 3,763 | 3,788 | 3,560 | 3,565 | 3,565 | 3,565 | 3,565 |

Expenditures by Category

| | | | | | | | | |
|---|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| Compensation | 2,371 | 2,423 | 2,515 | 2,650 | 2,655 | 2,655 | 2,655 | 2,655 |
| Operating Expenses | 1,031 | 1,082 | 1,046 | 845 | 845 | 845 | 845 | 845 |
| Capital Outlay-Real Property | 154 | 247 | 214 | 50 | 50 | 50 | 50 | 50 |
| Other Financial Transaction | 1 | 10 | 13 | 15 | 15 | 15 | 15 | 15 |
| Total | 3,558 | 3,763 | 3,788 | 3,560 | 3,565 | 3,565 | 3,565 | 3,565 |
| Total Agency Expenditures | 3,558 | 3,763 | 3,788 | 3,560 | 3,565 | 3,565 | 3,565 | 3,565 |
| Internal Billing Expenditures | | 25 | 25 | 25 | 25 | 25 | 25 | 25 |
| Expenditures Less Internal Billing | 3,558 | 3,738 | 3,763 | 3,535 | 3,540 | 3,540 | 3,540 | 3,540 |

Full-Time Equivalent

| | | | | | | | | |
|--|-------|-------|-------|-------|-------|-------|-------|-------|
| | 29.86 | 29.57 | 29.06 | 29.06 | 29.06 | 29.06 | 29.06 | 29.06 |
|--|-------|-------|-------|-------|-------|-------|-------|-------|

Weights & Measures

Program Financing by Fund

(Dollars in Thousands)

| | Actual FY16 | Actual FY17 | Actual FY18 | Estimate FY19 | Forecast Base | | Governor's Recommendation | |
|---|----------------|----------------|----------------|------------------|---------------|--------------|------------------------------|--------------|
| | | | | | FY20 | FY21 | FY20 | FY21 |
| 2000 - Restrict Misc Special Revenue | | | | | | | | |
| Balance Forward In | 837 | 880 | 782 | 671 | 676 | 676 | 676 | 676 |
| Receipts | 25 | 15 | 21 | 5 | 5 | 5 | 5 | 5 |
| Transfers In | 3,564 | 3,601 | 3,660 | 3,560 | 3,560 | 3,560 | 3,560 | 3,560 |
| Transfers Out | | | 3 | | | | | |
| Balance Forward Out | 868 | 734 | 671 | 676 | 676 | 676 | 676 | 676 |
| Expenditures | 3,558 | 3,763 | 3,788 | 3,560 | 3,565 | 3,565 | 3,565 | 3,565 |
| Biennial Change in Expenditures | | | | 27 | | (218) | | (218) |
| Biennial % Change in Expenditures | | | | 0 | | (3) | | (3) |
| Governor's Change from Base | | | | | | | | 0 |
| Governor's % Change from Base | | | | | | | | 0 |
| Full-Time Equivalents | 29.86 | 29.57 | 29.06 | 29.06 | 29.06 | 29.06 | 29.06 | 29.06 |

Program: Insurance Division

mn.gov/commerce/industries/insurance/

AT A GLANCE

- **\$349 billion:** Amount of assets held by Minnesota domestic insurers regulated by the Insurance Division in 2017, an 11% increase from 2015.
- **152:** Domestic insurance companies located in Minnesota.
- **\$314.6 million:** Projected amount of federal funding expected to support premium rate relief for the 2018 and 2019 Minnesota individual health insurance markets.
- **3,801:** Policy rate and form filings reviewed in 2017 in the life insurance, annuity, health insurance, property & casualty insurance, and workers compensation lines of business.
- **20:** Domestic insurance companies examined in 2017.
- **36:** Certificates granted, authorizing increased competition and providing additional capacity in the insurance marketplace.
- **2017:** The Division was reaccredited by the National Association of Insurance Commissioners for an additional five years. Accreditation allows other states to rely on the Department's review and examination of domestic insurers, reducing cost and administrative burden for Minnesota insurers.

PURPOSE

The mission of the Department of Commerce's Insurance Division is to ensure that insurance companies licensed to do business in Minnesota are financially sound, offer insurance products that are fair with actuarially-reasonable rates, and inform and respond to the insurance needs of the residents and businesses of Minnesota.

Minnesota has the tenth largest insurance industry in the United States with over 152 domestic insurance companies and 1,305 foreign (out-of-state) companies. Insurance companies in Minnesota have over \$42 million in written premium which ranks 16th in the nation.

The Insurance Division's work consists of actuarial review, financial analysis, examinations, licensing and insurance product form and rate filing for health, property and casualty, and life insurance. This work is completed for all insurance types including: health, automobile, homeowner, farm, flood, crop, life, long-term care, workers compensation and more.

This work of the Insurance Division is funded through a General Fund appropriation and the Special Revenue Fund for Insurance Examinations. Revenues generated from the division's work consist of examination fees, desk audit fees, registration and filing fees, and transaction fees.

SERVICES PROVIDED

- The Insurance Division evaluates insurance policies and rates, ensures fairness in rates and compliance with Minnesota statutes and licenses to protect Minnesotans.
- The Insurance Division examines and regulates insurance companies, including two with over \$100 billion in assets, to ensure they are safe and financially solvent now and in the future.
- The Insurance Division serves Minnesota consumers and businesses that rely on insurance companies for financial products and services, the Minnesota insurance industry, other state insurance regulators, the legislature, and other state agencies.

The work of the Insurance Division is divided into the following categories:

- **Actuarial** – applies asset-liability and principle-based reserving modeling to verify the adequacy of insurance company reserves and capital over a range of economic scenarios, and reviews pricing models to ensure rates are adequate, not excessive, fair, non-discriminatory, and equitable;
- **Financial Analysis** – evaluates information and develops a financial profile of domestic and foreign insurance companies doing business in Minnesota, based on statutorily required financial and regulatory reports;
- **Examinations** – conducts on-site examinations of each Minnesota-domiciled insurer at least once every five years. Examiners review insurance company books and records at the company headquarters, conduct a risk-focused examination per national requirements, make recommendations for insurer improvement, and prepare examination reports;
- **Licensing** – approves insurance company applications for insurers who want to operate in the state and/or want to write additional lines of business and approves or denies those applications based on standards of compliance and financial strength; and
- **Insurance Product Form and Rate Filings** – reviews insurance form and rate submissions for compliance with Minnesota statutes to ensure Minnesotans are protected from false and deceptive products, as well as review the financial condition of companies that self-insure.

RESULTS

| <i>Type of Measure</i> | <i>Name of Measure</i> | <i>Previous</i> | <i>Current</i> | <i>Dates</i> |
|------------------------|---|------------------------|------------------------|-------------------|
| Quantity | Policy Form and Rate Review | 4,093 filings reviewed | 3,801 filings reviewed | FY2017 and FY2018 |
| Quality | Turnaround time from filing to disposition, – Property & Casualty, including Workers Compensation forms and rates – target: 40 days | 41.4 days | 21.3 days | FY2017 and FY2018 |
| Quality | Turnaround time from filing to disposition, Life, Annuity & Health forms and rates – target: 40 days | 34.5 days | 34.8 days | FY2017 and FY2018 |
| Quantity | Financial Examinations of insurers completed within the required time frame | 16 | 20 | FY2017 and FY2018 |
| Quantity | Financial Analysis of insurers completed within the required time frame | 74 | 69 | FY2017 and FY2018 |
| Results | Percentage of Financial Examinations and Financial Analysis of insurers completed within the required time frame | 100% | 100% | FY2017 and FY2018 |

Performance Measure Notes:

1. Review of forms in a timely manner allows new, innovative products to be offered to Minnesotans commensurate with the rollout in other states.
2. Financial examinations are on a regular schedule and are completed on individual insurance companies. Examinations are completed every three years for Health Maintenance Organizations on behalf of the Department of Health and every five years for indemnity insurers. The National Association of Insurance Commissioners requires examinations to be completed within 18 months of the as-of date, with extensions granted in special circumstances. Financial Analysis is performed on a quarterly basis for 69 insurance entities.

Statutory Authority: The Department's authority is located in Chapters: 59A, 59B, 59C, 60A, 60B, 60C, 60D, 60E, 60F, 60G, 60H, 60J, 60K, 60L, 61A, 61B, 62A, 62B, 62C, 62D, 62E, 62F, 62H, 62I, 62J, 62L, 62M, 62Q, 62R, 62S, 62U, 64B, 65A, 65B, 66A, 67A, 69, 70A, 71A, 72A, 72B, 72C, 79, 79A.

Insurance

Program Expenditure Overview

(Dollars in Thousands)

| | Actual FY16 | Actual FY17 | Actual FY18 | Estimate FY19 | Forecast Base | | Governor's Recommendation | |
|---|----------------|----------------|----------------|------------------|---------------|--------------|------------------------------|--------------|
| | | | | | FY20 | FY21 | FY20 | FY21 |
| <u>Expenditures by Fund</u> | | | | | | | | |
| 1000 - General | 3,480 | 4,148 | 4,238 | 4,718 | 4,414 | 4,414 | 4,995 | 5,051 |
| 2001 - Other Misc Special Revenue | 117 | 111 | 137 | 300 | 300 | 300 | 300 | 300 |
| 2830 - Workers Compensation | 519 | 525 | 543 | 566 | 558 | 559 | 558 | 559 |
| 3000 - Federal | 607 | 285 | 613 | 637 | 135 | | 135 | |
| Total | 4,724 | 5,069 | 5,531 | 6,221 | 5,407 | 5,273 | 5,988 | 5,910 |
| Biennial Change | | | | 1,959 | | (1,072) | | 146 |
| Biennial % Change | | | | 20 | | (9) | | 1 |
| Governor's Change from Base | | | | | | | | 1,218 |
| Governor's % Change from Base | | | | | | | | 11 |
| <u>Expenditures by Activity</u> | | | | | | | | |
| Insurance | 4,724 | 5,069 | 5,531 | 6,221 | 5,407 | 5,273 | 5,988 | 5,910 |
| Total | 4,724 | 5,069 | 5,531 | 6,221 | 5,407 | 5,273 | 5,988 | 5,910 |
| <u>Expenditures by Category</u> | | | | | | | | |
| Compensation | 3,750 | 4,143 | 4,626 | 5,192 | 4,537 | 4,449 | 5,056 | 5,013 |
| Operating Expenses | 972 | 926 | 903 | 1,021 | 862 | 816 | 924 | 889 |
| Other Financial Transaction | 2 | 0 | 2 | 8 | 8 | 8 | 8 | 8 |
| Total | 4,724 | 5,069 | 5,531 | 6,221 | 5,407 | 5,273 | 5,988 | 5,910 |
| Total Agency Expenditures | 4,724 | 5,069 | 5,531 | 6,221 | 5,407 | 5,273 | 5,988 | 5,910 |
| Internal Billing Expenditures | 130 | 91 | 122 | 85 | 73 | 55 | 73 | 55 |
| Expenditures Less Internal Billing | 4,594 | 4,978 | 5,409 | 6,136 | 5,334 | 5,218 | 5,915 | 5,855 |
| <u>Full-Time Equivalent</u> | 36.44 | 39.79 | 43.20 | 44.45 | 40.89 | 39.89 | 40.89 | 39.89 |

Insurance

Program Financing by Fund

(Dollars in Thousands)

| | Actual FY16 | Actual FY17 | Actual FY18 | Estimate FY19 | Forecast Base | | Governor's Recommendation | |
|-----------------------------------|----------------|----------------|----------------|------------------|---------------|--------------|------------------------------|--------------|
| | | | | | FY20 | FY21 | FY20 | FY21 |
| 1000 - General | | | | | | | | |
| Balance Forward In | | 591 | | 318 | | | | |
| Direct Appropriation | 4,095 | 4,504 | 4,587 | 4,430 | 4,444 | 4,444 | 5,025 | 5,081 |
| Transfers In | 653 | 861 | 861 | 800 | 800 | 800 | 800 | 800 |
| Transfers Out | 19 | 19 | 31 | 30 | 30 | 30 | 30 | 30 |
| Cancellations | 678 | 1,789 | 861 | 800 | 800 | 800 | 800 | 800 |
| Balance Forward Out | 571 | | 318 | | | | | |
| Expenditures | 3,480 | 4,148 | 4,238 | 4,718 | 4,414 | 4,414 | 4,995 | 5,051 |
| Biennial Change in Expenditures | | | | 1,327 | | (128) | | 1,090 |
| Biennial % Change in Expenditures | | | | 17 | | (1) | | 12 |
| Governor's Change from Base | | | | | | | | 1,218 |
| Governor's % Change from Base | | | | | | | | 14 |
| Full-Time Equivalents | 29.33 | 33.18 | 36.00 | 36.25 | 36.25 | 36.25 | 36.25 | 36.25 |

2001 - Other Misc Special Revenue

| | | | | | | | | |
|-----------------------------------|------------|------------|------------|------------|------------|------------|------------|------------|
| Balance Forward In | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 |
| Receipts | 73 | 54 | 137 | 300 | 300 | 300 | 300 | 300 |
| Balance Forward Out | 56 | 43 | 100 | 100 | 100 | 100 | 100 | 100 |
| Expenditures | 117 | 111 | 137 | 300 | 300 | 300 | 300 | 300 |
| Biennial Change in Expenditures | | | | 209 | | 163 | | 163 |
| Biennial % Change in Expenditures | | | | 91 | | 37 | | 37 |
| Governor's Change from Base | | | | | | | | 0 |
| Governor's % Change from Base | | | | | | | | 0 |
| Full-Time Equivalents | 0.43 | 0.49 | 0.52 | 0.52 | 0.52 | 0.52 | 0.52 | 0.52 |

2830 - Workers Compensation

| | | | | | | | | |
|-----------------------------------|------------|------------|------------|------------|------------|------------|------------|------------|
| Balance Forward In | | 34 | | 10 | | | | |
| Direct Appropriation | 553 | 553 | 553 | 556 | 558 | 559 | 558 | 559 |
| Cancellations | | 62 | | | | | | |
| Balance Forward Out | 34 | | 10 | | | | | |
| Expenditures | 519 | 525 | 543 | 566 | 558 | 559 | 558 | 559 |
| Biennial Change in Expenditures | | | | 65 | | 8 | | 8 |
| Biennial % Change in Expenditures | | | | 6 | | 1 | | 1 |
| Governor's Change from Base | | | | | | | | 0 |

Insurance

Program Financing by Fund

(Dollars in Thousands)

| | Actual | Actual | Actual | Estimate | Forecast Base | | Governor's Recommendation | |
|-------------------------------|--------|--------|--------|----------|---------------|------|---------------------------|------|
| | FY16 | FY17 | FY18 | FY19 | FY20 | FY21 | FY20 | FY21 |
| Governor's % Change from Base | | | | | | | | 0 |
| Full-Time Equivalents | 3.28 | 3.09 | 3.12 | 3.12 | 3.12 | 3.12 | 3.12 | 3.12 |

3000 - Federal

| | | | | | | | | |
|-----------------------------------|------------|------------|------------|------------|------------|--|------------|--|
| Receipts | 606 | 285 | 613 | 637 | 135 | | 135 | |
| Expenditures | 607 | 285 | 613 | 637 | 135 | | 135 | |
| Biennial Change in Expenditures | | | | 358 | (1,115) | | (1,115) | |
| Biennial % Change in Expenditures | | | | 40 | (89) | | (89) | |
| Governor's Change from Base | | | | | | | 0 | |
| Governor's % Change from Base | | | | | | | | |
| Full-Time Equivalents | 3.40 | 3.03 | 3.56 | 4.56 | 1.00 | | 1.00 | |

Program: Minnesota Premium Security Planmn.gov/commerce/**AT A GLANCE**

- **\$271 Million:** The total annual size of the Minnesota Premium Security Plan program.
- **\$130.7 Million:** Amount of federal funding made available to the state for plan year 2018.
- **\$183.9 Million:** Estimated amount of federal funding federal regulators project Minnesota will receive for plan year 2019.
- **20 Percent:** The average reduction in health insurance rates from where they otherwise would be absent the existence of the Minnesota Premium Security Plan program.
- **June 30, 2021:** Date under current law by which unexpended state funds appropriated for the Minnesota Premium Security Plan program must be returned to the Health Care Access Fund.

PURPOSE

Administered by the Minnesota Comprehensive Health Association (MCHA), the Minnesota Premium Security Program (MPSP) was created by the legislature in 2017 to provide reinsurance payments to health insurers to help offset the costs of high claims in the state's individual health insurance market.

Approximately 160,000 Minnesotans receive their health insurance through the individual market. The purpose of the MPSP reinsurance program is to reduce premiums and promote affordable health insurance for Minnesotans in the individual market.

Expenditures for the MPSP are for grants to MCHA for administrative costs related to the start-up and operations of the program, and reinsurance payments to health insurers. State law limits these payments to \$271 million per year in 2018 and 2019. Payments for 2018 are expected to be made after July 1, 2019 and no later than August 15, 2019. Any state funds not used by the program by June 20, 2021 will be cancelled and returned to the Health Care Access Fund.

SERVICES PROVIDED

The Commerce Department serves as the fiscal agent for appropriations directed to the MPSP.

In October 2017, the Commerce Department obtained approval of a Federal 1332 Waiver that authorized the program's operation under the Affordable Care Act (ACA). Commerce is the state's reporting agent to the federal government on the federal funds provided to the program.

Commerce provides state oversight of the program and is responsible for approving the MPSP program parameters on an annual basis.

RESULTS

The MPSP has had a stabilizing effect on Minnesota's individual health insurance market rates, which are what people pay for their health insurance premiums. This effect can be measured by examining health insurer's 2018 final rates and 2019 proposed rates:

| 2018 Final Individual Market Rates | |
|---|---|
| Company | 2018 Average Change in premium from previous year. |
| Blue Plus | +2.80% |
| Group Health | -7.50% |
| Medica Insurance Company | -0.40% |
| PreferredOne Insurance Company | -38.00% |
| UCare | -13.30% |

| 2019 Proposed Individual Market Rates | |
|--|--|
| Company | 2019 Average Change in premium from previous year (as calculated by each insurer) |
| Blue Plus | -11.80% |
| Group Health | -7.40% |
| Medica Insurance Company | -12.40% |
| PreferredOne Insurance Company | -3.00% |
| UCare | -7.00% |

Statutory Authority: The authority for this program is located in Minnesota Session Law 2017, Chapter 13 and Special Session 1, Chapter 6, Article 5, Section 10.

Minnesota Premium Security Plan

Program Expenditure Overview

(Dollars in Thousands)

| | Actual FY16 | Actual FY17 | Actual FY18 | Estimate FY19 | Forecast Base | | Governor's Recommendation | |
|---|----------------|----------------|----------------|------------------|----------------|----------------|------------------------------|----------------|
| | | | | | FY20 | FY21 | FY20 | FY21 |
| <u>Expenditures by Fund</u> | | | | | | | | |
| 2000 - Restrict Misc Special Revenue | | 250 | 500 | 763 | 139,608 | 185,186 | 139,608 | 185,186 |
| 3000 - Federal | | | | | 130,720 | 84,758 | 130,720 | 84,758 |
| Total | | 250 | 500 | 763 | 270,328 | 269,944 | 270,328 | 269,944 |
| Biennial Change | | | | 1,013 | | 539,009 | | 539,009 |
| Biennial % Change | | | | | | 42,677 | | 42,677 |
| Governor's Change from Base | | | | | | | | 0 |
| Governor's % Change from Base | | | | | | | | 0 |
| <u>Expenditures by Activity</u> | | | | | | | | |
| Reinsurance Program | | 250 | 500 | 763 | 270,328 | 269,944 | 270,328 | 269,944 |
| Total | | 250 | 500 | 763 | 270,328 | 269,944 | 270,328 | 269,944 |
| <u>Expenditures by Category</u> | | | | | | | | |
| Grants, Aids and Subsidies | | 250 | 500 | 763 | 270,328 | 269,944 | 270,328 | 269,944 |
| Total | | 250 | 500 | 763 | 270,328 | 269,944 | 270,328 | 269,944 |
| Total Agency Expenditures | | 250 | 500 | 763 | 270,328 | 269,944 | 270,328 | 269,944 |
| Expenditures Less Internal Billing | | 250 | 500 | 763 | 270,328 | 269,944 | 270,328 | 269,944 |

Minnesota Premium Security Plan

Program Financing by Fund

(Dollars in Thousands)

| | Actual FY16 | Actual FY17 | Actual FY18 | Estimate FY19 | Forecast Base | | Governor's Recommendation | |
|---|----------------|----------------|----------------|------------------|----------------|----------------|------------------------------|----------------|
| | | | | | FY20 | FY21 | FY20 | FY21 |
| 2000 - Restrict Misc Special Revenue | | | | | | | | |
| Balance Forward In | | | 38,547 | 314,078 | 592,321 | 460,861 | 592,321 | 460,861 |
| Receipts | | 38,709 | 4,280 | 8,006 | 8,148 | 5,808 | 8,148 | 5,808 |
| Transfers In | | | 271,750 | 271,000 | | | | |
| Transfers Out | | | | | | | | 281,483 |
| Balance Forward Out | | 38,459 | 314,078 | 592,321 | 460,861 | | 460,861 | |
| Expenditures | | 250 | 500 | 763 | 139,608 | 185,186 | 139,608 | 185,186 |
| Biennial Change in Expenditures | | | | 1,013 | | 323,531 | | 323,531 |
| Biennial % Change in Expenditures | | | | | | 25,616 | | 25,616 |
| Governor's Change from Base | | | | | | | | 0 |
| Governor's % Change from Base | | | | | | | | 0 |
| 3000 - Federal | | | | | | | | |
| Receipts | | | | | 130,720 | 84,758 | 130,720 | 84,758 |
| Expenditures | | | | | 130,720 | 84,758 | 130,720 | 84,758 |
| Biennial Change in Expenditures | | | | 0 | | 215,478 | | 215,478 |
| Biennial % Change in Expenditures | | | | | | | | |
| Governor's Change from Base | | | | | | | | 0 |
| Governor's % Change from Base | | | | | | | | 0 |

(Dollars in Thousands)

| Federal Agency and CFDA # | Federal Award Name and Brief Purpose | New Grant | FY2018 Actuals | FY2019 Budget | FY2020 Base | FY2021 Base | Required State Match or MOE? | FTEs |
|---------------------------|--|-----------|----------------|----------------|----------------|----------------|-------------------------------------|--------------|
| DOE-81.041 | State Energy Program- The State Energy Program (SEP) provides technical assistance, financial assistance, education and training, as well as data for energy efficiency and renewable energy. | No | 736 | 946 | 910 | 1,001 | Yes, 20% of the federal award total | 6.5 |
| DOE-81.042 | Weatherization Assistance for Low Income Persons- The Weatherization Assistance Program (WAP) uses energy conservation techniques to reduce the cost of home energy for eligible low-income households. | No | 8,605 | 11,878 | 10,764 | 11,000 | No | 7.75 |
| DOE-81.119 | State Energy Program Special Projects- The State Energy Program Special Projects provides technical assistance, financial assistance, education and training, as well as data for energy efficiency and renewable energy. | No | 896 | 884 | 1,000 | 1,000 | Match (various) | 1 |
| HHS-93.568 | Low Income Energy Assistance Program- The Low Income Energy Assistance Program helps pay for home heating costs and furnace repairs for income-qualified households. | No | 120,907 | 123,944 | 130,000 | 130,000 | No | 15 |
| | Program Total-Energy | | 131,144 | 137,652 | 142,674 | 143,001 | | 30.25 |
| HHS-93.413 | State Flexibility to Stabilize the Market- to enhance its internal and external checklists and standard operating procedures related to Sections 2702, 2703, and 2707 of the Affordable Care Act (Guaranteed Availability, Guaranteed Renewability, and Non-Discrimination in comprehensive health coverage). | Yes | 0 | 140 | 135 | 0 | No | 1 |
| HHS-93.881 | Health Ins Enforcement & Consumer Protections- used to oversee and enforce three market reform and consumer protection provisions with respect to health insurance under the Public Health Services Act's title XXVII Part A | No | 613 | 497 | 0 | 0 | No | 3.5 |
| | Program Total: Insurance | | 613 | 637 | 135 | 0 | | 4.5 |
| HHS-N/A | Premium Security Plan -used to fund Minnesota's Premium Security Plan Program | Yes | 0 | 0 | 130,720 | 84,758 | Yes | 0 |
| | Program Total: Premium Security Plan | | 0 | 0 | 130,720 | 84,758 | | |
| | Federal Fund – Agency Total | | 131,757 | 138,289 | 273,529 | 227,759 | | 34.75 |

Narrative

The Division of Energy Resources (DER) receives federal grants for three programs: Low Income Heating Assistance Program (EAP), Weatherization Assistance Program (WAP), and the State Energy Program (SEP).

- EAP provides energy assistance to low-income households.
- WAP enables income-qualified households to permanently reduce their energy bill by helping to make their homes more energy efficient while protecting the health and safety of family members.
- SEP promotes energy conservation, energy efficiency and renewable energy to all Minnesotans.

Historically, the federal funding in DER has accounted for 70-80% of the overall Department of Commerce budget with EAP being the single largest program. WAP is currently funded by a continuous formula grant at the federal level and current funding is has been approximately \$8-10M annually. Funding levels for SEP have remained relatively stable at the federal level however the program can be impacted by the US Department of Energy decisions on how much is allocated via formula and how much is set aside for competitive grants.

The Insurance Division manages a Health Insurance Enforcement and Consumer Protection grant to oversee and enforce three market reform and consumer protections provisions with respect to health insurance under the Public Health Services Act's title XXVII Part A. The strategies the Department will use include enhancing policy form review, auditing market conduct, and informing consumers of their rights and protections under these market reform and consumer protection provisions. Additionally, the Insurance Division manages a State Flexibility to Stabilize the Market grant program to enhance its internal and external checklists and standard operating procedures related to Sections 2702, 2703, and 2707 of the Affordable Care Act (Guaranteed Availability, Guaranteed Renewability, and Non-Discrimination in comprehensive health coverage). The Insurance Division will work with the Minnesota Department of Health to ensure best practices for the creation of internal and external checklists and standard operating procedures to ensure compliance with these provisions. In addition to the creation of new checklists and standard operating procedures, the Departments of Commerce and Health will consult externally with professionals (including pharmacists) to ensure compliance with non-discrimination of comprehensive health coverage, undertaking a review of health insurance carrier formularies.

The Minnesota Premium Security Plan is the state based reinsurance program which is designed to lower health insurance premiums for Minnesotans who purchase their own health insurance on the State's individual market. Minnesota received a Federal 1332 Waiver to operate the reinsurance program. Under state law, Federal funds must be expended prior to state funds for the operations of the Minnesota Premium Security Plan Program.