

1992-93
Proposed
Biennial
Budget



Infrastructure & Regulation

Presented by
GOVERNOR ARNE CARLSON
to the
77th LEGISLATURE
STATE OF MINNESOTA

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AGENCY: Abstractors, Board of

1992-93 Biennial Budget

The board will continue to implement its progress as effectively as possible with the resources that are available.

MISSION:

The purpose of the Board of Abstractors is to supervise the industry, examine, issue licenses, and renew individuals, firms or corporations in the business of making or extending of abstracts of title showing ownership of, interest in, encumbrances against real estate in the county where the license is issued within the state of Minnesota, registered or not.

MAJOR POLICY DRIVERS:

The board's responsibility is to protect the public by assuring that individuals preparing abstracts of title comply with the rules and regulations governing the industry.

This objective is implemented through the following:

- Examining prospective licensees through a written examination.
- Licensing applicants qualified as being capable of performing the duties of an abstractor. The board also assures that all licenses carry an errors and omissions insurance or post a bond in order to protect the consumer.
- The board investigates any complaints concerning fraudulent, deceptive or dishonest practices and seeks compliance with standards of conduct through a letter of reprimand, admonition, suspending or revoking a license, or censuring an abstractor holding a license for rules violation.

The board administers and processes an average of between 50 and 70 tests per year. Currently there are 370 licenses issued to individuals and 169 licenses issued to companies, making a total of 539 active licenses within the state of Minnesota. Licenses are effective July 1 through June 30. At the time of renewal, licensees must show proof of a current errors and omissions policy or a bond.

Although the real estate industry has been soft the last several years, the issuing of licenses and tests given have not been affected. There appears to be an increase of individuals and new companies entering the industry. therefore, it is imperative that the board remain active and continue to implement compliance with the standards of conduct.

LEGISLATION:

In the last legislative session the board introduced legislation to increase the minimum amount of insurance liability or bond coverage from \$20,000 to \$100,000; except in counties with more than 200,000 inhabitants, where the amount would have been raised from \$50,000 to \$250,000. The bill did have committee approval, but did not pass off of General Order. The board will reintroduce this bill in the 1991 session.

EXPLANATION OF BUDGET ISSUES AND ALTERNATIVES:

The board is currently in the process of updating the rules and regulations through the appropriate procedures.

Currently, there is no formal education program for training to become an abstractor. The board is proposing to develop a plan for a course curriculum for the education of prospective abstracters.

At the present time, there is no professional abstracting standards or regulations relative to the procedure of abstracting. The board is proposing to implement regulation to standardize abstracting procedures.

GOVERNOR'S RECOMMENDATION:

The Governor concurs with the agency's plan.

1992-1993 BIENNIAL BUDGET
(DOLLARS IN THOUSANDS)

AGENCY: BOARD OF ABSTRACTORS
PROGRAM: NON-HEALTH BOARDS

				FY 1992			FY 1993		
			Est.	Adjusted	Agency	Governor	Adjusted	Agency	Governor
ACTIVITY RESOURCE ALLOCATION:	FY 1989	FY 1990	FY 1991	Base	Plan	Recomm.	Base	Plan	Recomm.
=====	=====	=====	=====	=====	=====	=====	=====	=====	=====
ABSTRACTORS	3	5	8	8	8	8	8	8	8
=====	=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL EXPENDITURES BY ACTIVITY	3	5	8	8	8	8	8	8	8
=====	=====	=====	=====	=====	=====	=====	=====	=====	=====
DETAIL BY CATEGORY:									

STATE OPERATIONS	3	5	8	8	8	8	8	8	8
=====	=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL EXPENDITURES BY CATEGORY	3	5	8	8	8	8	8	8	8
=====	=====	=====	=====	=====	=====	=====	=====	=====	=====
SOURCES OF FINANCING:									

DIRECT APPROPRIATIONS:									
GENERAL	3	5	8	8	8	8	8	8	8
=====	=====	=====	=====	=====	=====	=====	=====	=====	=====
STATUTORY APPROPRIATIONS:									
=====	=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL FINANCING	3	5	8	8	8	8	8	8	8
=====	=====	=====	=====	=====	=====	=====	=====	=====	=====

MISSION:

The Minnesota State Board of Accountancy has been established to protect the public and ensure that persons engaged in public accounting meet and maintain the qualifications, standards and professionalism required to competently practice public accounting in Minnesota.

M.S. 326.165 to 326.231 mandates that the Board of Accountancy certify, license and regulate Certified Public Accountant (CPA) and Licensed Public Account (LPA) individuals and firms in order to provide the public with qualified professional personnel. The board's program for administering the law is comprised of examining, licensing and enforcement. Examining: the board reviews and processes applications; identifies applicants who meet the educational and experience requirements for admission to the Uniform CPA exam and administers the exam twice a year. Candidates who pass the CPA exam and Minnesota Ethics Exam are issued certificates. Licensing: the board evaluates and processes applications for licensure of CPAs. Certificate holders who complete the required public accounting experience are eligible for licensure. LPAs were grandfathered in as licensees in 1980. All licensees must renew their license on an annual basis. Licensees who intend to practice public accounting must maintain an active license and submit 120 hours of continuing professional education (CPE) every 3 years. Partnerships and corporations must maintain an annual license. Professional Corporations must comply with the Minnesota Professional Corporations Act. Enforcement: the board reviews, amends, adopts and enforces Minnesota statutes and board rules. The board receives, files and processes complaints as directed by law in conjunctions with the Office of the Attorney General. The board recovers both direct and indirect costs by fees.

MAJOR POLICY DRIVERS:

Examination. The board has no control over the number of candidates who qualify and apply for the Uniform CPA exam. The average number of first time candidates has steadily increased at a rate of 3.5% to 4% and re-exam candidates at 3% over the last 15 years. An increase in exam candidates increases the cost of the exam papers and the cost of exam site facilities. The projected increase in cost of the exam papers for 1992 is \$5,000 and another additional \$5,000 for F.Y. 1993. Exam site costs have increased \$12,000 per year. In some years there has been a 10% to 13% increase in candidates. If this reoccurs additional funding will be necessary.

Licensing. In 1989, with no additional funding and at a cost of \$3,000, the board contracted through an interagency agreement for development of its own in-house licensing system. At no additional cost, the board staff developed new renewal forms and licensing records were transferred from Administration's Statewide Licensing to the board's system. However, the in-house system, while functional, is slow, inefficient and does not meet the board's reporting and information requirements. The printer cannot generate the 8,800 annual licenses. In 1990 the board contracted with Inter-Tech to revise and upgrade the computer system to increase efficiency and fully automate the board's examining and licensing procedures. The estimate for the upgrade for F.Y. 1992 is \$13,000 and \$3,000 for F.Y. 1993. The cost of a new printer will be \$3,000.

Regulation. Emerging issues such as the 150 hour education requirement, allowance of commissions by the American Institute of CPAs, Non-CPA ownership of firms, national and international reciprocity, diversification of accounting services, and mandatory quality review have an effect on the regulatory efforts of all state boards. The board believes it is imperative that Minnesota continue to address these and other issues in rule changes. Publication and printing of these rule changes will occur in 1992 and 1993. Estimated cost for 1992 is \$5,000 and \$5,000 in 1993. A public hearing for controversial rules is estimated at \$1,500.

The board is developing legislation and rules to implement a quality review program similar to programs in other states. A staff position was created to assist with this program. Additional funding may be necessary to establish a quality review/practice monitoring program within the 1992-1993 biennium.

In order to revoke a license the board, by statute, must either enter into a consent order or enlist the services of an Administrative Law Judge (ALJ). In 1990 5 cases went before the Administrative Hearings Office. Cost per uncontested case has ranged from \$75 to \$800. Anticipated ALJ cost for 1992 is \$5,000 and \$5,000 in 1993.

Per Diem. Per Diem was increased by the legislature in the 1990 Session. An additional \$3,500 is requested for F.Y. 1992 and \$3,500 for F.Y. 1993.

PERFORMANCE MEASURES:

Examination. The board successfully processes 2,200 plus CPA exam applications and supporting documentation each year. Board staff complies and reviews all application and supporting documentation (transcripts, employment verifications, personal reference forms) and prepares the file for board approval. Approved candidates receive identification numbers, photo I.D. cards and specific instructions for the highly secure exam. Approximately 950 to 1,100 candidates sit for the November exam and 850 to 950 for the May exam each year. The exams will continue to be held at large sites such as the St. Paul Civic Center and Minneapolis Auditorium Convention Center.

Licensing. With the upgrade in the computer system, the board will be able to process licenses within 3 days of receipt of the renewal. The renewal deadline is 12-31-90. The goal is to issue the 8,800 licenses on record, including those submitted late, by 2-1-91.

Enforcement. The board has taken a pro-active stance in the areas of regulation and enforcement. Approximately 90 to 100 complaints will have been investigated in 1990. Forty one thousand eight hundred dollars (\$41,800) has been collected through consent orders entered into by individuals practicing without a license and/or violating state statutes and rules. Fifty one thousand dollars (\$51,000) in late renewal and reinstatement fees have been received in 1990. The board anticipates that through clarification of the current rules and education of the licensees, revenue through these sources will decrease and compliance with the law will increase.

PLAN

The board is a fee generating agency that recovers both direct and indirect costs. Total Revenue Estimates are as follows:

Actual F.Y. 1989	Actual F.Y. 1990	Estimate F.Y. 1991	Estimate F.Y. 1992	Estimate F.Y. 1993
\$ 458,796	\$ 551,213	\$ 481,270	\$ 487,616	\$ 498,830

The following appropriation is requested for the 1992-1993 biennium.

	F.Y. 1992	F.Y. 1993
Base Allocation	\$377,000	\$376,000
Inflationary rate for F.Y. 1992	17,000	17,000
Inflationary rate for F.Y. 1993		18,000
Additional request as discussed in		
Major Policy Drivers:	47,000	34,000
TOTAL	\$441,000	\$445,000

The board expects the current projected revenue will recover estimated direct and indirect costs. Board examination and/or licensing fees will be raised, if necessary, to recover costs.

GOVERNOR'S RECOMMENDATION:

The Governor concurs with the agency's plan.

1992-1993 BIENNIAL BUDGET
(DOLLARS IN THOUSANDS)

AGENCY: BRD OF ACCOUNTANCY
PROGRAM: NON-HEALTH BOARDS

				FY 1992			FY 1993		
			Est.						
ACTIVITY RESOURCE ALLOCATION:	FY 1989	FY 1990	FY 1991	Adjusted Base	Agency Plan	Governor Recomm.	Adjusted Base	Agency Plan	Governor Recomm.
=====	=====	=====	=====	=====	=====	=====	=====	=====	=====
ACCOUNTANCY	350	349	373	377	441	441	376	445	445
=====	=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL EXPENDITURES BY ACTIVITY	350	349	373	377	441	441	376	445	445
=====	=====	=====	=====	=====	=====	=====	=====	=====	=====
DETAIL BY CATEGORY:									
=====									
STATE OPERATIONS	350	349	373	377	441	441	376	445	445
=====	=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL EXPENDITURES BY CATEGORY	350	349	373	377	441	441	376	445	445
=====	=====	=====	=====	=====	=====	=====	=====	=====	=====
SOURCES OF FINANCING:									
=====									
DIRECT APPROPRIATIONS:									
GENERAL	350	349	373	377	441	441	376	445	445
=====	=====	=====	=====	=====	=====	=====	=====	=====	=====
STATUTORY APPROPRIATIONS:									
=====	=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL FINANCING	350	349	373	377	441	441	376	445	445

BASE RECONCILIATION REPORT
for 1992-1993 Biennium

AGENCY: BRD OF ACCOUNTANCY

	ALL FUNDS		GENERAL FUND		OTHER STATE FUNDS		FEDERAL FUNDS	
	F.Y.92	F.Y.93	F.Y.92	F.Y.93	F.Y.92	F.Y.93	F.Y.92	F.Y.93
F.Y.91 FUNDING LEVEL	373	373	373	373				
SALARY ANNUALIZATION	3	1	3	1				
DOCUMENTED RENT/LEASE INCR.	1	2	1	2				
TOTAL	377	376	377	376				
BIENNIAL TOTAL		753		753				

ACTIVITY
PROGRA

1992-93 Biennial Budget

AGENCY: Accountancy, Board of

DECISION ITEM: Financing Inflationary Costs

Dollars in Thousands			
<u>F.Y. 1992</u>	<u>F.Y. 1993</u>	<u>F.Y. 1994</u>	<u>F.Y. 1995</u>

AGENCY PLAN:

Expenditures

General Fund	\$	17	\$	35	\$	35	\$	35
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Revenues

General Fund	\$	17	\$	35	\$	35	\$	35
--------------	----	----	----	----	----	----	----	----

Requires statutory change: _____ Yes X No

Statutes Affected:

ITEM SUMMARY:

The Board is a fee generating agency that recovers all direct and indirect costs.

The Board assumes and requests a 4 1/2% inflationary increase of \$17,000 for F.Y. 1992 and \$35,000 for F.Y. 1993.

RATIONALE:

In order to fully absorb the inflationary increases for the biennium it would be necessary to restrict the number of Uniform CPA exam candidates and reduce Board licensing and regulatory activities. The Board does not believe restricting exam applicants is an acceptable alternative, nor does the Board believe it can best serve and protect the public by absorbing the inflationary increase and restricting services. Therefore, the Board requests funding for the inflationary increase.

GOVERNOR'S RECOMMENDATION:

The Governor concurs with the agency's plan.

ACTIVITY:**PROGRAM:**

AGENCY: Accountancy, Board of

1992-93 Biennial Budget**DECISION ITEM:** Additional Budget Requests

1992 is \$13,000 and \$3,000 for F.Y. 1993. Projected cost for a printer is \$3,000.

Regulation: Emerging issues in the profession are impacting the regulatory efforts of all State Boards of Accountancy. The Minnesota State Board believes it is imperative to address these and other issues by rule changes. Projected cost of rules publication for F.Y. 1992 is \$5,000 and \$5,000 for F.Y. 1993. This includes the cost of Administration Law Judge Hearings for controversial rules.

To revoke a license, the Board, by statute, must enter into a consent order or enlist the services of an Administrative Law Judge. Projected cost for Administrative Hearings for F.Y. 1992 is \$5,500 and \$5,500 for F.Y. 1993.

Per Diem: The legislature increased per diem during the 1990 Session. Projected cost for F.Y. 1992 is \$3,500 and \$3,500 for F.Y. 1993.

IPO RECOMMENDATION:

The Information Policy Office supports completion of this project. To continue to perform its licensing duties effectively, the Accountancy Board needs additional software development. Funding of \$19,000 is recommended. Money is not available through base reallocation. Inter-Tech needs to address future replacement of obsolete technology within their rate structure. Strategic information and life cycle planning should be completed before system enhancements continue. The board should develop and implement a method to measure both the effects of technology changes and any efforts to re-engineer the work place.

GOVERNOR'S RECOMMENDATION:

The Governor concurs with the IPO recommendation and with the agency's plan.

Dollars in Thousands

	F.Y. 1992	F.Y. 1993	F.Y. 1994	F.Y. 1995
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AGENCY PLAN:**Expenditures**

General Fund	\$ 47	\$ 34	\$ 34	\$ 34
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Revenues

General Fund	\$ 47	\$ 34	\$ 34	\$ 34
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GOVERNOR'S RECOMMENDATION:**Expenditures**

General Fund	\$ 47	\$ 34	\$ 34	\$ 34
--------------	-------	-------	-------	-------

Revenues

General Fund	\$ 47	\$ 34	\$ 34	\$ 34
--------------	-------	-------	-------	-------

Requires statutory change: _____ Yes X No
Statutes Affected:

ITEM SUMMARY:

The Board is a fee generating agency that recovers all direct and indirect costs.

Costs for examination, licensing, regulation and per diem have increased over the past biennium. The Board requests an additional \$47,000 for F.Y. 1992 and \$34,000 for F.Y. 1993. Without additional funding it will be necessary to restrict the number of exam candidates and restrict licensing and regulatory services.

RATIONALE:

Examinations: An increase in exam candidates has increased the cost of the Uniform CPA Examination. The projected increase for F.Y. 1992 is \$5,000 and \$5,000 for F.Y. 1993. Exam site rental and costs have also increased. The projected increase for F.Y. 1992 is \$12,000 and \$12,000 for F.Y. 1993.

Licensing: The Board's in-house computerized licensing system is slow, inefficient, and does not meet the Board's reporting and information requirements. The printer cannot generate the 8,000 plus annual licenses. The Board contracted with Inter-Tech to revise and upgrade system programs to increase efficiency and fully automate examination and licensing procedures. Projected costs for F.Y.

MISSION:

The board safeguards the public life, health and property and promotes the public welfare by examining and licensing architects, professional engineers, land surveyors and landscape architects and by enforcing the licensing law. This regulation provides measures to assure the safety of the public in occupying buildings and using structures designed by licensees.

The board fulfills its mission by using national licensing examinations; working with other states to develop guidelines for writing rules implementing licensing laws and recommending changes in licensing laws; and enforcement of licensing requirements. The board recovers all direct and indirect costs through its structure or 29 licensing related fees. Board work leads to the development and refinement of mission-related objectives.

1. Assuring prompt and efficient processing of applications for reciprocal/comity licensure in order to enable an applicant to practice his or her profession in Minnesota within 6 weeks of filing a complete application. A long review and approval process will force the applicant to engage a Minnesota licensee to sign his/her project design. The signing of work done by others places one's license in jeopardy.
2. Assuring prompt and efficient processing of complaints alleging wrongdoing by licensees or unlicensed practice by others so that the complainant may have his/her complaint resolved within 30 days to 4 months.
3. Informing licensees and state, county and municipal building inspection officials of changes to licensing requirements and of board interpretations of existing requirements so that they are fully aware of these requirements.

MAJOR POLICY DRIVERS:

1. The board has no control over the number of applicants examined each year. These numbers have increased by about 20% each year over the past 6 years. While the number of new applicants may increase by only as much as 7% for each scheduled examination, the number of candidates required to retake a failed exam may vary from 20-50% of the total number of examinees. This increase in retake examinations has escalated the cost to the board by a like percentage. Also, the rental of examination space increases proportionately with the annual increase in inflation. Applicants pay examination fees to cover this increased cost. The board needs the ability to recover that revenue to pay the increased costs.
2. National task analysis of engineering, land surveying and landscape architectural professions. These task analyses will require changes to the licensing examinations to ensure that the examinations are job related. These changes will result in the increase of the cost of the examinations by as much as 33%. For example, the cost of: engineering examinations will increase by 20% for F.Y. 1993; land surveying examinations by 33% for F.Y. 1991; architectural examinations by 26% for F.Y. 1991 and landscape architectural examinations by 10% for F.Y. 1991 and are projected to increase by an additional 30% for F.Y. 1992.
3. The board has no control in the decision that agencies must establish their own licensing program. This means that the board must have its own licensing program by April 1992 at a cost of \$24,700 for hardware. The Department of Administration is providing software, programming and training for this new system. The new system will enable board staff to electronically process all board functions. The board expects to realize significant savings as a result of operating its own licensing program.
4. Life safety code changes improving the safety factors protecting persons occupying newly designed buildings. These changes require education of the design professionals to ensure their design competence and code compliance. The board prepares a periodic newsletter to advise licensees of these code changes so that the members of the public occupying new and remodeled buildings are properly protected from building failure. Each issue of the newsletter costs about \$4,500 not including staff time in preparing the publication.

PERFORMANCE INDICATORS

1. We expect to complete initial processing of comity applications for licensure within 3 working days following receipt. Upon receipt of the applicant's verified license in another state to notify the applicant within 3 more working days that he/she may practice his/her professional pending final board approval. The board will receive comity license applications from 100 architects, 275 professional engineers, 3 land surveyors and 3 landscape architects each year of the biennium.
2. The board will examine 240 intern architects, 400 intern engineers, 17 intern land surveyors and 26 intern landscape architects during each year of the biennium. In addition, the board will administer the Fundamentals of Engineering (EIT) Examination to 495 engineer applicants each year of the biennium.
3. The board will license 180 new architects, 380 new professional engineers, 12 new land surveyors and 20 new landscape architects each year of the F.Y. 1992-93 biennium. The board will renew the licenses of 2,700 architects, 7,400 professional engineers, 420 land surveyors and 270 landscape architects for the biennium.
4. The board will receive 65 new complaints each year of the biennium. Thirty of these complaints will be resolved within 60 days of receipt, 20 within 90 days, 10 within 120 days and the remainder within 6 months.

EXPLANATION OF BUDGET ISSUES AND ALTERNATIVES:

The Board assumed a 4.5% inflationary increase each year. In addition, examination costs are increasing, and the Board cannot fully fund these increases from within its base. The Board proposes to fund inflation and examination costs through a combination of reallocations and fee increases. The Board is requesting a net increase of \$13,000 in F.Y. 1992 and \$39,000 in F.Y. 1993 as follows:

1. <u>Inflation at 4.5%</u>	<u>F.Y. 1992</u>	\$19,000	<u>F.Y. 1993</u>	\$39,000
2. <u>Examination Costs</u>	<u>F.Y. 1992</u>	\$17,000	<u>F.Y. 1993</u>	\$27,000
Examination costs are increasing due to an increased number of examination applicants as well as increased costs levied by the vendors. The board will increase examination fees to cover the increased examination costs for F.Y. 1992 and F.Y. 1993.				
3. <u>Board Reallocations</u>	<u>F.Y. 1992</u>	(\$23,000)	<u>F.Y. 1993</u>	(\$27,000)
The Board has reduced the amount of money allocated for professional and technical services and will realize a savings by terminating the use of statewide licensing system and the lease of four word processing typewriters for a total of \$23,000 for F.Y. 1992. These same reallocations will apply to F.Y. 1993. In addition, the Board will reallocate another \$4,000 for a total reallocation of \$27,000 for F.Y. 1993.				

GOVERNOR'S RECOMMENDATION:

The Governor concurs with the agency's plan.

1992-1993 B I E N N I A L B U D G E T
(DOLLARS IN THOUSANDS)

AGENCY: BRD OF ARCHIT/ENGRNG
PROGRAM: NON-HEALTH BOARDS

				FY 1992			FY 1993		
			Est.	Adjusted	Agency	Governor	Adjusted	Agency	Governor
ACTIVITY RESOURCE ALLOCATION:	FY 1989	FY 1990	FY 1991	Base	Plan	Recomm.	Base	Plan	Recomm.
=====	=====	=====	=====	=====	=====	=====	=====	=====	=====
AELSLA	372	446	425	429	442	442	431	470	470
=====	=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL EXPENDITURES BY ACTIVITY	372	446	425	429	442	442	431	470	470
DETAIL BY CATEGORY:									
=====									
STATE OPERATIONS	372	446	425	429	442	442	431	470	470
=====	=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL EXPENDITURES BY CATEGORY	372	446	425	429	442	442	431	470	470
SOURCES OF FINANCING:									
=====									
DIRECT APPROPRIATIONS:									
GENERAL	372	446	425	429	442	442	431	470	470
STATUTORY APPROPRIATIONS:									
=====	=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL FINANCING	372	446	425	429	442	442	431	470	470

BASE RECONCILIATION REPORT
for 1992-1993 Biennium

AGENCY: BRD OF ARCHIT/ENGRNG

	ALL FUNDS		GENERAL FUND		OTHER STATE FUNDS		FEDERAL FUNDS	
	F.Y.92	F.Y.93	F.Y.92	F.Y.93	F.Y.92	F.Y.93	F.Y.92	F.Y.93
F.Y.91 FUNDING LEVEL	425	425	425	425				
SALARY ANNUALIZATION	3	3	3	3				
DOCUMENTED RENT/LEASE INCR.	1	3	1	3				
TOTAL	429	431	429	431				
BIENNIAL TOTAL		860		860				

ACTIVITY Board of Architecture, Engineering, Land Surveying and Landscape Architecture 1992-93 Biennial Budget
PROGRAM: Board of Architecture, Engineering, Land Surveying and Landscape Architecture
AGENCY: Board of Architecture, Engineering, Land Surveying and Landscape Architecture

DECISION ITEM: Financing Inflationary Costs/Additional Budget Requests

	Dollars in Thousands			
	<u>F.Y. 1992</u>	<u>F.Y. 1993</u>	<u>F.Y. 1994</u>	<u>F.Y. 1995</u>
AGENCY PLAN:				
Expenditures				
General Fund Increases	\$ 36	\$ 66	\$ 66	\$ 66
General Fund Reallocation	(23)	(27)	(27)	(27)
Total	\$ 13	\$ 39	\$ 39	\$ 39
Revenues				
General Fund	\$ 13	\$ 39	\$ 39	\$ 39

GOVERNOR'S RECOMMENDATION:

Expenditures				
General Fund	\$ 13	\$ 39	\$ 39	\$ 39
Revenues				
General Fund	\$ 13	\$ 39	\$ 39	\$ 39

Requires statutory change: _____ Yes X No
Statutes Affected:

ITEM SUMMARY:

The Board assumed a 4.5% inflation increase for F.Y. 1992 and F.Y. 1993. The Board requests an inflationary increase of \$12,000 for F.Y. 1993 and an additional \$13,000 for F.Y. 1992 and \$27,000 for F.Y. 1993 for increased examination costs:

	<u>F.Y. 1992</u>	<u>F.Y. 1993</u>
Inflationary Increase	19	39
Reallocation	(23)	(27)
Increased Exam Costs	17	27
Total	13	39

RATIONALE:

Inflationary Costs: The Board has reallocated funds to cover inflation increases for F.Y. 1992 and all but \$12,000 for F.Y. 1993. In order to fully absorb the F.Y. 1993 increase, it would be necessary to restrict the number of applicants taking licensing examination.

Examination Costs: Increased examination costs are due to increased costs levied by the vendors and by an increased number of examination applicants. The Board will increase examination fees to cover the increased costs.

GOVERNOR'S RECOMMENDATION:

The Governor concurs with the agency's plan.

MISSION:

The mission of the Board of Barber Examiners is to protect the public's health and welfare while maintaining a high quality of services to the public.

This mission is being accomplished by reviewing, composing and validating the school curriculums on an annual basis; holding examinations for apprentice barbers and registered barbers licenses on a quarterly basis to assure the applicants have the proper skills and knowledge to provide the quality services required of the profession and examining instructors twice a year to ensure students are receiving the best training possible from qualified instructors. Guidelines are prepared and a home study course has been prepared for the apprentice barber. The apprenticeship program is carefully monitored to ensure all qualifications and training are being met.

Sanitation in the shops and schools is a major concern of the board. The board's goal is to inspect all shops at least once a year and schools at least 3 time a year. Any violations of the sanitary rules which are found require immediate corrective action. When serious violations are found a follow-up inspection is made and if the violation has not been corrected, the board begins formal action by contacting and working with the Office of the Attorney General.

The board receives and processes complaints in accordance with M.S. 214.10. A designee from the board is appointed to the Complaint Committee. Most complaints are handled expediently and economically and are resolved through education, informal conferences and consent orders. Those violations which are serious and cannot be resolved in this manner are referred to the Office of the Attorney General.

MAJOR POLICY DRIVERS:

In the past year, the board has received a number of inquiries from shops who are looking for barbers to hire, especially in the outlying areas of Minnesota. The board has received information that 2 barber schools may open in the outlying areas and this should help with the shortage of barbers in this areas.

EFFECTIVENESS MEASURES:

	<u>F.Y. 1990</u>	<u>F.Y. 1991</u>	<u>F.Y. 1992</u>	<u>F.Y. 1993</u>
% Shops/Schools Inspected	98	98	99	99
% Sanitary Compliance	97	98	99	99
% Violations Corrected	98	98	99	99
% Complaints Resolved	96	97	98	98
% Suspensions/License Revocations	.06	1.0	.06	.06

ACTIVITY STATISTICS:

	<u>F.Y. 1990</u>	<u>F.Y. 1991</u>	<u>F.Y. 1992</u>	<u>F.Y. 1993</u>
Student Permits	80	60	80	80
No. of Licenses Issued	4,337	4,535	4,571	4,585
No. of Inspections	1,171	1,290	1,320	1,325
No. of Violations	188	200	190	180
No. of Complaints	25	10	15	20
No. of Examinations	151	181	190	190
No. of Shops	1,272	1,260	1,270	1,280
No. of Schools	4	4	5	6

EXPLANATION OF BUDGET ISSUES AND ALTERNATIVES:

The board has determined that it can continue at the same level of service, without additional funds and without increasing its fees, by reallocating within its BASE and keeping one of its positions vacant.

All of the board's direct and indirect costs are recovered through fees charged for examination and licensing.

GOVERNOR'S RECOMMENDATION:

The Governor concurs with the agency's plan.

1992-1993 BIENNIAL BUDGET
(DOLLARS IN THOUSANDS)

AGENCY: BRD OF BARBERS EXAM
PROGRAM: NON-HEALTH BOARDS

				FY 1992			FY 1993		
			Est.	Adjusted	Agency	Governor	Adjusted	Agency	Governor
ACTIVITY RESOURCE ALLOCATION:	FY 1989	FY 1990	FY 1991	Base	Plan	Recomm.	Base	Plan	Recomm.
=====	=====	=====	=====	=====	=====	=====	=====	=====	=====
BARBERS	107	100	135	135	135	135	135	135	135
=====	=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL EXPENDITURES BY ACTIVITY	107	100	135	135	135	135	135	135	135
=====	=====	=====	=====	=====	=====	=====	=====	=====	=====
DETAIL BY CATEGORY:									
=====									
STATE OPERATIONS	107	100	135	135	135	135	135	135	135
=====	=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL EXPENDITURES BY CATEGORY	107	100	135	135	135	135	135	135	135
=====	=====	=====	=====	=====	=====	=====	=====	=====	=====
SOURCES OF FINANCING:									
=====									
DIRECT APPROPRIATIONS:									
GENERAL	107	100	135	135	135	135	135	135	135
=====	=====	=====	=====	=====	=====	=====	=====	=====	=====
STATUTORY APPROPRIATIONS:									
=====	=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL FINANCING	107	100	135	135	135	135	135	135	135
=====	=====	=====	=====	=====	=====	=====	=====	=====	=====

BASE RECONCILIATION REPORT
for 1992-1993 Biennium

AGENCY: BRD OF BARBERS EXAM

	ALL FUNDS		GENERAL FUND		OTHER STATE FUNDS		FEDERAL FUNDS	
	F.Y.92	F.Y.93	F.Y.92	F.Y.93	F.Y.92	F.Y.93	F.Y.92	F.Y.93
F.Y.91 FUNDING LEVEL	135	135	135	135				
SALARY ANNUALIZATION	1	1	1	1				
BASE TECHNICAL ADJUSTMENTS	<1>	<1>	<1>	<1>				
TOTAL	135	135	135	135				
BIENNIAL TOTAL		270		270				

MISSION:

The Board of Boxing has been established to protect the health and safety of professional and amateur boxers, kick boxers and full contact karate participants in the state of Minnesota. The board by way of certification of qualifications of participants, judges and referees, assures that those who participate in the above referenced sports in Minnesota will have a safe environment in which to display the particular sport of interest.

The board's major emphasis is in the area of amateur sports promotion. The board works very closely with organizations which sponsor amateur activities. The board also assures that any event held in Minnesota is in compliance with Minnesota Statutes and Rules governing the sport of boxing, kick boxing and full contact karate.

MAJOR POLICY DRIVERS:

The major function of this board is to assure full compliance with statutes and rules governing the regulated sports to assure that all participants will have a safe environment to display their sport of interest. The board places special interest in the promotion of the amateur sport as it is a way for many underprivileged individuals to participate in an activity that takes interest away from less productive activities.

PERFORMANCE MEASURES:

The board finds that its success is measured by the number of participants in each of the related sports; the fact that in Minnesota, national recognition is given to the safety measures taken to assure no one involved in the sport is hurt; and that the regulated sports are helping underprivileged individuals find value and self worth in participating in a group activity.

EXPLANATION OF BUDGET ISSUES AND ALTERNATIVES:

In order for the Board of Boxing to meet the requirements of a no inflation budget, the board will reduce its per-diem and in-state travel expenditures by \$2,000 in each year of the biennium. This will require less participation by the board in the promotion of the regulated sports.

GOVERNOR'S RECOMMENDATION:

The Governor concurs with the agency's plan.

1992-1993 B I E N N I A L B U D G E T
(DOLLARS IN THOUSANDS)

AGENCY: BOARD OF BOXING
PROGRAM: NON HEALTH BOARDS

				FY 1992			FY 1993		
ACTIVITY RESOURCE ALLOCATION:	FY 1989	FY 1990	Est. FY 1991	Adjusted Base	Agency Plan	Governor Recomm.	Adjusted Base	Agency Plan	Governor Recomm.
=====	=====	=====	=====	=====	=====	=====	=====	=====	=====
BOXING	52	56	63	63	63	63	63	63	63
=====	=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL EXPENDITURES BY ACTIVITY	52	56	63	63	63	63	63	63	63
=====	=====	=====	=====	=====	=====	=====	=====	=====	=====
DETAIL BY CATEGORY:									
=====									
STATE OPERATIONS	52	56	63	63	63	63	63	63	63
=====	=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL EXPENDITURES BY CATEGORY	52	56	63	63	63	63	63	63	63
=====	=====	=====	=====	=====	=====	=====	=====	=====	=====
SOURCES OF FINANCING:									
=====									
DIRECT APPROPRIATIONS:									
GENERAL	52	56	63	63	63	63	63	63	63
=====	=====	=====	=====	=====	=====	=====	=====	=====	=====
STATUTORY APPROPRIATIONS:									
=====	=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL FINANCING	52	56	63	63	63	63	63	63	63
=====	=====	=====	=====	=====	=====	=====	=====	=====	=====

STATE BOARD OF ELECTRICITY

Position and Employee Status Information

Position Reconciliation:

Authority:	<u>Current F.Y. 1991</u>	<u>Requested For 6-30-93</u>
Legislative Complement:		
Legislative Authorized		
Special Revenue Fund	20	21
Budgetary Authorized		
Special Revenue Fund	1	
 TOTAL Positions	 21	 21
 Employees on 6-30-90	 21	

Employees by Employment Status:

	<u>6-30-90</u>
Full-Time Unlimited	21
 TOTAL	 21

MISSION:

The Board of Electricity is a service and regulatory agency which licenses electricians, electrical contractors, and alarm and communication contractors. It also inspects new electrical installations in all areas of the state except when a city, by ordinance, provides their own electrical inspection. The primary purpose of the board is to assure consumers that electrical wiring is installed in conformity with accepted standards of construction for safety to life and property and to protect the public from incompetent and unscrupulous installers of electrical wiring.

The board strives to license qualified electricians and competent contractors to install electrical work in accordance with the safety standards established by law. The type of electrical experience and schooling of applicants for examination are verified to determine that the applicant meets the minimum experience requirements for the type of examination requested. Examinations are conducted for 9 type's of electrician's licenses. There are approximately 1,000 applicants tested annually. A person or company contracting for electrical work is required to provide a performance bond, evidence of liability insurance, pertinent employer tax numbers, and evidence of a licensed Master electrician in their employ who will be responsible for the electrical work of the contractor.

There are 52 full time electrical inspectors under contract with this board. These inspectors are paid an average of 85% of the inspection fee upon completion of the inspection. Approximately 89,000 installations are inspected annually which average 4 trips per job.

The technical staff conducts meetings statewide to educate electricians, contractors, inspectors, engineers and other interested parties on current safety standards and material. Assistance is also given to the electrical industry by consultation to resolve complex problems.

Another mission of the board is to take action when fraudulent, deceptive or dishonest acts are committed by unqualified, incompetent, or unscrupulous persons doing electrical work. The Attorney General's Office has assisted this office in taking action to resolve violations of the statutes. Consent orders between persons or companies engaged in fraudulent acts and the board have resolved many of these problems.

MAJOR POLICY DRIVERS:

The board is committed to continue it's efforts to assure that electrical work is installed safely by competent persons by providing prompt and efficient inspection and licensing services and investigation of complaints. The peaks and valleys of the construction industry make it difficult to project the revenue of the board. Construction is at a high level currently which required an additional 5 electrical inspectors under contract to provide prompt inspection services to the consumers. The economy is uncertain at present and, if it should decline, the board's inspection fee revenue used to cover administrative costs would decrease. Measures are being taken to provide more efficient services to our customers by installing computer systems. The license renewal periods have been changed from 1 to 2 years and the dates staggered for better budget planning.

EXPLANATION OF BUDGET ISSUES AND ALTERNATIVES:

Administrative costs will be maintained within the revenues received from license fees and the percentage withheld from inspection fees during this biennium. During the next biennium costs will exceed our current receipts. Costs for salaries, supplies, communications and travel have been projected at a 4.5% inflationary increase. License fees have not been increased since 1981 and the Finance Department has approved the board's proposal to amend Minnesota Rules to increase fees on 7-1-91 to cover the estimated deficit. Other states with similar licensing laws charge 25% to 50% more for their licensing fees, and the board feels it has maintained costs at a very economical rate and will continue to keep these fees at a reasonable rate without affecting the level of service

to the customer.

Without a fee increase, the board would be required to reduce its staff by 2 or 3 employees and discontinue the final phase of the installation of computer systems to provide prompt and efficient inspection and license services. Safety standards could be jeopardized and delays in construction would occur without sufficient staff.

The dedicated fees received by this agency must cover the administrative costs of the board. Therefore, there would be no impact on the General Fund if our fees are increased. As stated previously, the board has maintained its budget without increases in license fees since 1981.

Special Revenue Fund/Account Balance
(In Thousands)

	<u>Estimated F.Y. 1992</u>	<u>Estimated F.Y. 1993</u>
Balance Forward Prior Year	\$ 2,095	\$ 2,330
Dedicated Receipts:		
License, Handling, Misc. Fees	\$ 600	\$ 582
Inspection Service Fees	3,500	3,500
Less Refunds:	<u>(9)</u>	<u>(9)</u>
Total Current Fees	\$ 4,091	\$ 4,073
Proposed License Fee Increases	195	98
Total Estimated Receipts	\$ 4,286	\$ 4,171
Total Revenue	6,381	6,501
Less Estimated Expenditures	<u>4,051</u>	<u>4,082</u>
Balance	\$ 2,330	\$ 2,419
Reserved Fund Balance:		
Escrow balance reserved for		
incomplete electrical inspections	\$ 2,081	\$ 2,273
For Administration Costs	<u>249</u>	<u>146</u>
Total Reserved Balance Forward	\$ 2,330	\$ 2,419

The Board of Electricity expenditures for the 1992-93 biennium from the Special Revenue Fund is estimated at \$8,133,000 of which \$5,600,000 is for electrical inspection services and \$2,533,000 is for administrative costs.

GOVERNOR'S RECOMMENDATION:

The Governor concurs with the agency's plan.

1992-1993 B I E N N I A L B U D G E T
(DOLLARS IN THOUSANDS)

AGENCY: BRD OF ELECTRICITY
PROGRAM: NON-HEALTH BOARDS

				FY 1992			FY 1993		
			Est.	Adjusted	Agency	Governor	Adjusted	Agency	Governor
ACTIVITY RESOURCE ALLOCATION:	FY 1989	FY 1990	FY 1991	Base	Plan	Recomm.	Base	Plan	Recomm.
=====	=====	=====	=====	=====	=====	=====	=====	=====	=====
BOARD OF ELECTRICITY	3,523	3,913	4,004	4,005	4,051	4,051	3,981	4,082	4,082
=====	=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL EXPENDITURES BY ACTIVITY	3,523	3,913	4,004	4,005	4,051	4,051	3,981	4,082	4,082
=====	=====	=====	=====	=====	=====	=====	=====	=====	=====
DETAIL BY CATEGORY:									
=====									
STATE OPERATIONS	3,523	3,913	4,004	4,005	4,051	4,051	3,981	4,082	4,082
=====	=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL EXPENDITURES BY CATEGORY	3,523	3,913	4,004	4,005	4,051	4,051	3,981	4,082	4,082
=====	=====	=====	=====	=====	=====	=====	=====	=====	=====
SOURCES OF FINANCING:									
=====									
DIRECT APPROPRIATIONS:									
STATUTORY APPROPRIATIONS:									
SPECIAL REVENUE	3,523	3,913	4,004	4,005	4,051	4,051	3,981	4,082	4,082
=====	=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL FINANCING	3,523	3,913	4,004	4,005	4,051	4,051	3,981	4,082	4,082
=====	=====	=====	=====	=====	=====	=====	=====	=====	=====

BASE RECONCILIATION REPORT
for 1992-1993 Biennium

AGENCY: BRD OF ELECTRICITY

	ALL FUNDS		GENERAL FUND		OTHER STATE FUNDS		FEDERAL FUNDS	
	F.Y.92	F.Y.93	F.Y.92	F.Y.93	F.Y.92	F.Y.93	F.Y.92	F.Y.93
F.Y.91 FUNDING LEVEL	4,004	4,004			4,004	4,004		
DEDICATED RECEIPTS AND FUNDS	1	<23>			1	<23>		
TOTAL	4,005	3,981			4,005	3,981		
BIENNIAL TOTAL		7,986				7,986		

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MISSION:

The Ethical Practices Board is the service and regulatory agency that develops and implements the administration and enforcement of state laws for the disclosure of public and local officials' financial interests and potential conflicts of interest; for the disclosure of lobbying disbursements to influence state legislative actions, administrative actions, and the official actions of metropolitan governmental units; and for the distribution of public financing to qualified state candidates.

The primary mission of the board is to promote public confidence in state government decision making, both through effecting timely compliance with disclosure and public financing laws and through developing programs which will increase public access to information filed with the board.

The board operates in 3 major areas: compliance and enforcement, public subsidy program, and client service and education to achieve the following mission-related objectives:

- to secure and make available timely accurate disclosure reports and statements,
- to administer the public subsidy program to lessen the reliance on large contributors and limit campaign expenditures, and
- to improve compliance through customer and client education services.

PERFORMANCE

The board's goal to secure timely accurate disclosure reports and statements has met continued success. More than 99% of the approximately 25,000 required biennial filings are filed before a late filing fee has accrued. Additionally, less than 1% of the documents are required to be amended after they have been filed. In 1990, 92.8% of the candidates for partisan office voluntarily agreed to limit their spending in order to participate in the public subsidy programs administered by the board. In the 1988 election, only 3 candidates exceeded the expenditure limits. The public subsidy program in Minnesota is meeting the objectives of decreased reliance on large contributors and of limiting campaign expenditures. The board's continuing client education and one-on-one client information services assist its customers in meeting the requirements of a complex law. Minnesota's state campaign financing system has been a model for the nation in the 16 years since its adoption. The confidence placed in the board by the Legislature is evidenced by the increase in and complexity of tasks and duties assigned to the board each succeeding legislative session.

MAJOR POLICY DRIVERS:

Each year the legislature passes legislation that increases the task and client load of the board. The 1990 legislature passed a major campaign reform bill and made massive changes in the law administered by the board. Many of the changes take effect 1-1-91. The new legislation requires increased interactions with current clients and an increase in the number of clients whose activities are subject to mandated reports that are administered by the board; more than 1,500 associations or individuals in the lobbyist program alone are newly-required to file periodic reports. The board was granted limited additional funding to administer the new provisions. The legislature assured the board that additional funding would be available if necessary to carry out the new statutory provisions.

Beginning in 1989, the board was required to pay for 50% of the costs of legal assistance by the Attorney General's office. Prior to 1989, the board was exempt from paying these costs and, therefore, was not funded for them. The charges range from \$2,000 to \$23,000 each year. The costs are not controllable and are dependent on external activities.

EXPLANATION OF BUDGET ISSUES AND ALTERNATIVES:

The board has determined that current programs, newly-legislated programs, and projected increase

in salaries will result in an unfunded liability of about \$11,000 in F.Y. 1992 and \$23,000 in F.Y. 1993. There will be serious negative consequences in the board's ability to continue the same level of service and take on the new legislative mandates without additional funding. The board proposes the following plan in an effort to meet Department of Finance guidelines.

AGENCY REALLOCATIONS:

1. **Photocopy Fees**

<u>F.Y. 1992</u>	\$4,000	<u>F.Y. 1993</u>	\$4,000
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The board will raise the cost of photocopy from 10¢ for self copying and 50¢ for staff copying to 25¢ for self copying and \$1.00 for staff copying. This increase is necessary to cover the costs of the service.
2. **Ethical Practices Board Reductions**

<u>F.Y. 1992</u>	(\$7,000)	<u>F.Y. 1993</u>	(\$19,000)
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The board will decrease by 4.5% the number of hours worked by its part-time employee during F.Y. 1992. This employee will be laid off during F.Y. 1993 if the board does not receive additional funding for salaries. This lay off will result in an 8% decrease in staff. The remaining staff will need to absorb the work currently performed by this employee. The board will reduce the number of hours it is open to the public in order to enable staff to accomplish tasks mandated by statute. The decrease in hours will cause delays in responding to client requests. The board will attempt to provide the same level of service, but timeliness will be an issue and some tasks may be delayed or eliminated.

The board will reduce communication costs approximately \$4,000 each year by sending routine mailings by bulk-mail instead of first class mail. These procedures may inconvenience the recipients of these mailings as there are statutory dates the documents must be filed.

The board will be unable to upgrade its systems to meet mandated requirements in the new legislation. The board can save \$2,000 each year by not seeking this assistance. However, systems currently in use need to be upgraded to meet changing requirements. Without funding, timeliness of data input and retrieval will suffer, thereby reducing the quantity and quality of staff assistance especially to legislators and legislative staff during legislative sessions.

The board will decrease In-State travel by \$1,000 each year. This decrease will reduce the number of board meetings held and hamper the board's outreach and training to clients in Greater Minnesota. Fewer board meetings will result in decreased timeliness in the resolution of complaints, in the issuance of advisory opinions responses, and the payments of public financing. The decrease in assistance and education to clients will result in increased enforcement activity by the board against those required to file reports.

PROSPECTS

The board will continue in its goals as stated above. However, decreased funding will severely limit the assistance that a reduced staff can provide to an increased clientele. The board may be required, in an effort to reduce costs, to mail out in 1 packet all the reports due for a year. Currently the mailings are done separately 3 or 4 weeks before a report is due. This new procedure will decrease the timeliness of the filed documents. A reduction in the number of hours the board office and the staff are available to the public will increase the number of errors in filed documents and adversely affect timely resolution of required amendments to correct the errors. The board will attempt, during the next biennium, to effect the payments of public subsidies to qualifying candidates in a timely manner. In 1992, all legislative offices will be on the ballot; additionally new legislation requires the board to deal with financial incentives for Congressional candidate campaigns. The board will try to meet the statutory deadlines in the public subsidy programs, although lack of funding may delay some mandated tasks. The availability of the board staff to offer formal and informal educational assistance will be restricted by fewer employees and fewer hours available for consultations. These factors will work to compound circumstances that may impede the progress of the board's stated objectives and the legislative intent of Laws of 1990, Chapter 608.

LEGISLATIVE INITIATIVES:

Legislation is being recommended to again exempt the board from paying Attorney General charges. If unsuccessful, the board will be unable to have legal assistance from the Attorney General's office and, therefore, would be unable to enforce the provisions of the statute. As a result, the board would need to ask the legislature to remove legal remedies from the statute. This may place a hardship on candidates or others seeking investigations of alleged violations of the law and related enforcement issues.

Alternative funding could be received by changes in the distribution of the State Elections Campaign Fund. Legislation in 1988 required 10% of the party account money in the State Elections Campaign Fund be paid to the state committee of a political party. If similar legislation were enacted to pay 10% of the general account money in the State Elections Campaign Fund (approximately \$110,000 for the biennium) to the board for the administration of the public subsidy program, the board could continue the same level of service, timeliness, and efficiency that clients have come to expect and on which they rely for compliance with this complex disclosure law entrusted to the board by the legislature.

GOVERNOR'S RECOMMENDATION:

The Governor concurs with the agency's plan except for the following: a 4.5% inflationary increase of \$11,000 in F.Y. 1992 and \$23,000 in F.Y. 1993 is recommended to enable the agency to fulfill its mission.

1992-1993 BIENNIAL BUDGET
(DOLLARS IN THOUSANDS)

AGENCY: ETHICAL PRACTICES BD
PROGRAM: ETHICAL PRACTICES BD

ACTIVITY RESOURCE ALLOCATION:	FY 1989	FY 1990	Est. FY 1991	FY 1992			FY 1993		
				Adjusted Base	Agency Plan	Governor Recomm.	Adjusted Base	Agency Plan	Governor Recomm.
ETHICAL PRACTICES BD	234	293	318	329	333	340	328	332	351
PUBLIC FINANCING	1,110	215	5,143	140	140	140	2,756	2,756	2,756
TOTAL EXPENDITURES BY ACTIVITY	1,344	508	5,461	469	473	480	3,084	3,088	3,107
DETAIL BY CATEGORY:									
STATE OPERATIONS	234	293	318	329	333	340	328	332	351
LOCAL ASSISTANCE		215	151	140	140	140	140	140	140
AID TO INDIVIDUALS	1,110		4,992				2,616	2,616	2,616
TOTAL EXPENDITURES BY CATEGORY	1,344	508	5,461	469	473	480	3,084	3,088	3,107
SOURCES OF FINANCING:									
DIRECT APPROPRIATIONS:									
GENERAL	234	293	318	329	333	340	328	332	351
STATUTORY APPROPRIATIONS:									
SPECIAL REVENUE	1,110	215	5,143	140	140	140	2,756	2,756	2,756
TOTAL FINANCING	1,344	508	5,461	469	473	480	3,084	3,088	3,107

BASE RECONCILIATION REPORT
for 1992-1993 Biennium

AGENCY: ETHICAL PRACTICES BD

	ALL FUNDS		GENERAL FUND		OTHER STATE FUNDS		FEDERAL FUNDS	
	F.Y.92	F.Y.93	F.Y.92	F.Y.93	F.Y.92	F.Y.93	F.Y.92	F.Y.93
F.Y.91 FUNDING LEVEL	5,461	5,461	318	318	5,143	5,143		
SALARY ANNUALIZATION	3	2	3	2				
DOCUMENTED RENT/LEASE INCR.	8	8	8	8				
DEDICATED RECEIPTS AND FUNDS	<5,003>	<2,387>			<5,003>	<2,387>		
TOTAL	469	3,084	329	328	140	2,756		
BIENNIAL TOTAL		3,553		657		2,896		

ACTIVITY: Ethical Practices, Board of
PROGRAM: Ethical Practices, Board of
AGENCY: Ethical Practices, Board of

1992-93 Biennial Budget

DECISION ITEM: Financing Inflationary Costs - Informational

	Dollars in Thousands			
	F.Y. 1992	F.Y. 1993	F.Y. 1994	F.Y. 1995

AGENCY PLAN:

Expenditures

General Fund - Inflation	\$ 11	\$ 23	\$ 23	\$ 23
- Reallocation	(7)	(19)	(19)	(19)

Revenues

General Fund	\$ 4	\$ 4	\$ 4	\$ 4
--------------	------	------	------	------

GOVERNOR'S RECOMMENDATION:

Expenditures

General Fund	\$ 11	\$ 23	\$ 23	\$ 23
--------------	-------	-------	-------	-------

Revenues

General Fund	\$ 4	\$ 4	\$ 4	\$ 4
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Requires statutory change: X Yes No

Statutes Affected: M.S. 10A.02, Subd. 14

ITEM SUMMARY:

The board has determined that current programs, newly-legislated programs, and projected increase in salaries will result in an unfunded liability of about \$11,000 in F.Y. 1992 and \$23,000 in F.Y. 1993. There will be serious negative consequences in the board's ability to continue the same level of service and take on the new legislative mandates without additional funding. The board proposes the following plan in an effort to meet Department of Finance guidelines.

1. Photocopy Fees:

F.Y. 1992	\$4,000	F.Y. 1993	\$4,000
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The board will raise the cost of photocopy from 10¢ for self copying and 50¢ for staff copying to 25¢ for self copying and \$1.00 for staff copying. This increase is necessary to cover the costs of the service.
2. Ethical Practices Board Reductions:

F.Y. 1992	(\$7,000)	F.Y. 1993	(\$19,000)
-----------	-----------	-----------	------------

The board will decrease by 4.5% the number of hours worked by its part-time employee during F.Y. 1992. This employee will be laid off during F.Y. 1993 if the board does not receive additional funding for salaries. This lay off will result in an 8% decrease in staff. The remaining staff will need to absorb the work currently performed by this employee. The board will reduce the number of hours it is open to the public in order to enable staff to accomplish tasks mandated

by statute. The decrease in hours will cause delays in responding to client requests. The board will attempt to provide the same level of service, but timeliness will be an issue as the tasks may be delayed or eliminated.

The board will reduce communication costs approximately \$4,000 each year by sending routine mailings by bulk-mail instead of first class mail. These procedures may inconvenience the recipients of these mailings as there are statutory dates the documents must be filed.

The board will be unable to upgrade its systems to meet mandated requirements in the new legislation. The board can save \$2,000 each year by not seeking this assistance. However, systems currently in use need to be upgraded to meet changing requirements. Without funding, timeliness of data input and retrieval will suffer, thereby reducing the quantity and quality of staff assistance especially to legislators and legislative staff during legislative sessions.

The board will decrease In-State travel by \$1,000 each year. This decrease will reduce the number of board meetings held and hamper the board's outreach and training to clients in Greater Minnesota. Fewer board meetings will result in decreased timeliness in the resolution of complaints, in the issuance of advisory opinions responses, and the payments of public financing. The decrease in assistance and education to clients will result in increased enforcement activity by the board against those required to file reports.

3. Legislation:

Legislation is being recommended to again exempt the board from paying Attorney General charges. If unsuccessful, the board will be unable to have legal assistance from the Attorney General's office and, therefore, would be unable to enforce the provisions of the statute. As a result, the board would need to ask the legislature to remove legal remedies from the statute. This may place a hardship on candidates or others seeking investigations of alleged violations of the law and related enforcement issues.

RATIONALE:

The Board will continue to try to meet its stated goals. However, decreased funding will severely limit the assistance that a reduced staff can provide to an increased clientele.

GOVERNOR'S RECOMMENDATION:

The Governor concurs with the agency's plan except for the following: an inflationary increase of \$11,000 in F.Y. 1992 and \$23,000 in F.Y. 1993 is recommended to enable the agency to fulfill its mission.

MISSION:

The Minnesota Municipal Board is the sole agency that reviews, adjudicates, and facilitates boundary expansion, contraction, or unification in Minnesota. The quasi-judicial agency was created by the Legislature in 1959 in response to boundary chaos. The vast majority of requests initiating boundary change, and necessitating board response, come from property owners and the remainder from cities and townships. All adjustments affect local government and have the potential for conflict or agreement. The board works with many other state agencies and local governments to make the most efficient use of available resources.

The agency continues to be a nationwide model for an efficient, economical, and uniform statewide approach to boundary adjustments.

Board decisions accommodate growth or change taking place in communities throughout the state and its decisions impact on the issues of:

- efficient delivery of services
- protection of the environment
- new construction and jobs
- agricultural preservation
- protection of the public health, safety, and welfare

The board's objective is to continue to provide information, conduct hearings and meetings, and issue orders within the statutory framework to achieve its mission. The board will continue to encourage and work to assist in negotiated settlements between cities and townships which will reduce costs to individuals, local government, and the state.

PERFORMANCE:

In F.Y. 1990, 212 files were opened, 108 annexation ordinances were approved, 70 orders were issued, 46 meetings and 21 hearings were held. Jurisdiction was not lost on any file. Only 1 appeal from approximately 70 orders was made to District Court. The board was successful in bringing initial contested proceedings between cities and townships to joint agreement on approximately 40 proceedings. This effort saved the townships and cities bitterly contested and expensive hearings.

The board encourages cities and townships to eliminate duplication of services and conserve resources. A recent consolidation of the cities of International Falls and South International Falls is an excellent example of such cooperation and joint efforts that benefit the entire area. Another example: A petition was filed for detachment of land from the city of Fertile. Garfield Township initially objected. The board allowed the matter to continue 3 or 4 months, urging the township and city to talk. They eventually arrived at a mutually agreeable plan on how to jointly service the area and plan for the future.

In F.Y. 1990, 6,240 acres of land were adjusted by the board to provide for more efficient delivery of services and protection of the environment. New construction and jobs were created as the result of board orders for 3,037 acres of residential development, 967 acres of commercial development, 956 acres of institutional development, and 1,028 acres of industrial development. The board protected the stability of 228 acres of agricultural land. Two hundred twenty-one acres of land was adjusted to improve the contiguity between governmental units and 5,397 acres of parks, sewage treatment plants, roads, or other city-owned land was adjusted to protect the public health, safety, and welfare of Minnesota citizens.

The agency has consistently saved the State of Minnesota money by accomplishing its mission and bringing cities and townships together for joint agreement. The agency has assisted communities with over 220 agreements which plan for future boundaries, delivery of services, and related matters of

MAJOR POLICY DRIVERS:

The agency anticipates an increase in more contested/complex petitions for boundary change, particularly incorporation petitions, due to: demographic changes, development (particularly lake areas), increased demand for services, availability and competition for decreasing local government aids, increased reliance on real estate taxes to fund local services, agricultural issues, environmental concerns generated by maturing development, aging wells and septic systems, and increased enforcement of on-site septic systems by MPCA and counties.

The agency has lived within its base by bringing parties together for joint agreement on boundaries vs. hearings that are expensive for the agency as well as property owners and local government. The majority of the agency non-salary expenses are directly affected by the area and degree of controversy in proceedings. The number of contested proceedings has doubled from September, 1989 to September, 1990 and contested proceedings are expected to continue to increase.

EXPLANATION OF BUDGET ISSUES AND ALTERNATIVES:

The agency anticipates approximate increased costs of \$8,000 in F.Y. 1992 and \$19,000 in F. Y. 1993 as a result of increased salary costs, Attorney General costs, new worker compensation premiums, and other inflationary increases for goods and services. These costs will have to be managed by reducing personnel costs, deferring or eliminating certain responsibilities, and encouraging boundary adjustment settlements. The agency is also recommending a statutory change to help meet increased costs.

A single person reduction in the present small staff would be a 25% loss, which would severely limit the ability to carry out the board's mission. Alternatively, the board would have to close the office for a day or 2 on a continuing basis. The result may be: more local government fighting instead of settling, possible loss of township or city objection opportunity, loss of development and jobs, pollution and health hazards, more expensive and inefficient delivery of services and potential increased costs to taxpayers, local government, and the state.

The Municipal Board has 1 program/activity, Municipal Boundary Creation. All activities of board members and staff are directed toward the board's 1 program/activity. There are, therefore, no other activities or programs to cut. If the Municipal Board does not exist, the Legislature will return to those times prior to 1959 when hometown Senators and Representatives were asked to say yes or no to disputes between their constituents in a battleground where there were no winners.

The board charges filing fees for boundary adjustments to help defray board costs and to discourage nuisance filings. Fees are set to assure access to the board's services. The board believes that a fee increase will result in a barrier to due process of law for its clients. Therefore, a fee increase is not recommended at this time. It should be noted that none of the surrounding states charge fees for boundary adjustments.

The Plan:

Savings from Joint Agreement	F.Y. 1992	(\$8,000)	F.Y. 1993	(\$19,000)
------------------------------	-----------	-----------	-----------	------------

1. The agency will continually allocate resources derived from savings by bringing parties together and carryover legislation to meet increased costs. Since settlements cannot be guaranteed, resultant savings cannot be accurately predicted. The money will come from the agency's only program, Municipal Boundary Creation, and specifically per diem, travel, and court reporter areas.
2. The agency requests legislative authority to carryover funds from the first fiscal year of each biennium to the next to allow for greater flexibility and efficiency in scheduling boundary adjustment proceedings. The carryover authority will permit the board to continue hearings and allow for possible settlement.

AGENCY: Minnesota Municipal Board
(Continuation)

1992-93 Biennial Budget

After each federal census, the board reviews townships with over 2,000 population and makes recommendations to the townships relating to growth or change taking place in the community.

3. The agency will defer or eliminate review of townships with over 2,000 population and request for additional staff to assist. Result: townships will be unaware of possible options that could benefit their area.

GOVERNOR'S RECOMMENDATION:

The Governor concurs with the agency's plan.

1992-1993 B I E N N I A L B U D G E T
(DOLLARS IN THOUSANDS)

AGENCY: MINN MUNICIPAL BOARD
PROGRAM: MUNICIP BOUND CREATE

				FY 1992			FY 1993		
			Est.	Adjusted	Agency	Governor	Adjusted	Agency	Governor
ACTIVITY RESOURCE ALLOCATION:	FY 1989	FY 1990	FY 1991	Base	Plan	Recomm.	Base	Plan	Recomm.
MUNIC BOUND CREATION	203	252	270	273	273	273	274	274	274
TOTAL EXPENDITURES BY ACTIVITY	203	252	270	273	273	273	274	274	274
DETAIL BY CATEGORY:									
STATE OPERATIONS	203	252	270	273	273	273	274	274	274
TOTAL EXPENDITURES BY CATEGORY	203	252	270	273	273	273	274	274	274
SOURCES OF FINANCING:									
DIRECT APPROPRIATIONS:									
GENERAL	203	252	270	273	273	273	274	274	274
STATUTORY APPROPRIATIONS:									
TOTAL FINANCING	203	252	270	273	273	273	274	274	274

BASE RECONCILIATION REPORT
for 1992-1993 Biennium

AGENCY: MINN MUNICIPAL BOARD

	ALL FUNDS		GENERAL FUND		OTHER STATE FUNDS		FEDERAL FUNDS	
	F.Y.92	F.Y.93	F.Y.92	F.Y.93	F.Y.92	F.Y.93	F.Y.92	F.Y.93
F.Y.91 FUNDING LEVEL	270	270	270	270				
SALARY ANNUALIZATION	2	2	2	2				
DOCUMENTED RENT/LEASE INCR.	1	2	1	2				
TOTAL	273	274	273	274				
BIENNIAL TOTAL		547		547				

MISSION:

The Military Order of the Purple Heart (MOPH) Claims and Service Office serves as an attorney-in-fact for veterans, their dependents, widows and orphans in securing funds and services to which they are entitled. The Order also seeks to increase awareness among the more than 500,000 veterans in Minnesota of the services available through the MOPH Claims and Service Office at Fort Snelling.

The office at Fort Snelling Veterans Administration Center has 2 employees: an accredited claims representative and a secretary. The MOPH also has unpaid volunteer representatives at the St. Cloud and Minneapolis Veterans Affairs Medical Centers. These representatives assist veterans and dependents in preparation of the required documentation and information necessary for securing benefits. The employee at the Fort Snelling office provides representation in appeal procedures when claims are initially denied by federal agencies. The MOPH also provides personnel for appeals at the Veterans Administration central office in Washington D.C. The clientele do not have to be members of the organization. Any veteran, dependent or orphan is eligible for services.

MAJOR POLICY DRIVERS:

The MOPH has power of attorney for 618 veterans and dependents. During the past 2 fiscal years MOPH reviewed 1,980 files; was responsible for 230 non power-of-attorneys; conducted 500 interviews; made 910 rating board appearances and filed 259 new claims. The monthly federal benefits received for veterans and dependents amounted to \$95,000 and for the period of 7-1-88 through 6-30-90, the benefits received amounted to \$2,539,012.

EXPLANATION OF BUDGET ISSUES AND ALTERNATIVES:

The agency will be able to maintain current levels of service with contributions from national headquarters in Washington. State BASE level funding will be used to supplement these resources.

GOVERNOR'S RECOMMENDATION:

The Governor concurs with the agency's plan.

1992-1993 BIENNIAL BUDGET
(DOLLARS IN THOUSANDS)

AGENCY: MIL. ORDER PURPLE HEART
PROGRAM: MIL. ORDER PURPLE HEART

				FY 1992			FY 1993		
			Est.						
ACTIVITY RESOURCE ALLOCATION:	FY 1989	FY 1990	FY 1991	Adjusted Base	Agency Plan	Governor Recomm.	Adjusted Base	Agency Plan	Governor Recomm.
=====	=====	=====	=====	=====	=====	=====	=====	=====	=====
MIL. ORDER PURPLE HEART	10	10	10	10	10	10	10	10	10
=====	=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL EXPENDITURES BY ACTIVITY	10	10	10	10	10	10	10	10	10
=====	=====	=====	=====	=====	=====	=====	=====	=====	=====
DETAIL BY CATEGORY:									
=====									
LOCAL ASSISTANCE	10	10	10	10	10	10	10	10	10
=====	=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL EXPENDITURES BY CATEGORY	10	10	10	10	10	10	10	10	10
=====	=====	=====	=====	=====	=====	=====	=====	=====	=====
SOURCES OF FINANCING:									
=====									
DIRECT APPROPRIATIONS:									
GENERAL	10	10	10	10	10	10	10	10	10
=====	=====	=====	=====	=====	=====	=====	=====	=====	=====
STATUTORY APPROPRIATIONS:									
=====	=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL FINANCING	10	10	10	10	10	10	10	10	10
=====	=====	=====	=====	=====	=====	=====	=====	=====	=====

MISSION:

The Veterans of Foreign Wars (VFW) Claims and Service offices serve as attorneys-in-fact for veterans, their dependents, widows and orphans in securing funds and services to which they are entitled. They also seek to increase awareness among veterans in Minnesota of the services available through the VFW Claims and Service offices at Fort Snelling and Fargo.

The office at Fort Snelling Veterans Administration Center employs 2 accredited claims representatives and 2 secretaries. The office in Fargo, serving 9 northwestern counties in Minnesota, employs a claims representative and a secretary. The VFW also provides hospital representatives at the V.A. medical centers in Minneapolis, St. Cloud and Fargo. These offices assist veterans and dependents in preparation of the required documentation and information necessary for securing benefits. They also provide representation in appeal procedures when claims are initially denied by federal agencies. VFW also provides personnel for appeals at the V.A. central office in Washington, D.C. Clientele is any veteran, dependent or orphan. Membership in the Veterans of Foreign Wars or Ladies Auxiliary is not required in order to be represented by VFW offices.

MAJOR POLICY DRIVERS:

The VFW provides power of attorney services to veterans and dependents. There are more than 500,000 veterans in Minnesota. As veterans age and experience increasing health and disability problems, demand for services increases. Services will be provided to an estimated 81,500 veterans and dependents annually in F.Y.s 1992-93, as compared to an estimated 80,900 annually in F.Y.s 1990-91. This will result in the receipt of an estimated \$16,300,000 in federal individual benefits each year.

EXPLANATION OF BUDGET ISSUES AND ALTERNATIVES:

It is anticipated that current program activities and requirements will increase in the next biennium. As aging veterans' disabilities become more severe, workloads rise. Budget requirements will also increase due to office automation and a new (1989) source of appeal for veterans claims, designated as the Court of Veterans Appeals. This new appeal is the next step after the Board of Veterans Appeals and is a review court, not a trial court. It reviews only Board of Veterans Affairs decisions.

Base state resources will be used to supplement a portion of the budget for salaries, which total \$120,948.

GOVERNOR'S RECOMMENDATION:

The Governor concurs with the agency's plan.

1992-1993 B I E N N I A L B U D G E T
(DOLLARS IN THOUSANDS)

AGENCY: VETERANS OF FOREIGN WARS
PROGRAM: VETERANS OF FOREIGN WARS

				FY 1992			FY 1993		
ACTIVITY RESOURCE ALLOCATION:	FY 1989	FY 1990	Est. FY 1991	Adjusted Base	Agency Plan	Governor Recomm.	Adjusted Base	Agency Plan	Governor Recomm.
VETERANS OF FOREIGN WARS	30	31	31	31	31	31	31	31	31
TOTAL EXPENDITURES BY ACTIVITY	30	31	31	31	31	31	31	31	31
DETAIL BY CATEGORY:									
LOCAL ASSISTANCE	30	31	31	31	31	31	31	31	31
TOTAL EXPENDITURES BY CATEGORY	30	31	31	31	31	31	31	31	31
SOURCES OF FINANCING:									
DIRECT APPROPRIATIONS:									
GENERAL	30	31	31	31	31	31	31	31	31
STATUTORY APPROPRIATIONS:									
TOTAL FINANCING	30	31	31	31	31	31	31	31	31

1992-93 BIENNIAL BUDGET

PROGRAM STRUCTURE

AGENCY: ARTS, BOARD OF

PROGRAM

PAGE

Operations and Services/Developing Programs

43

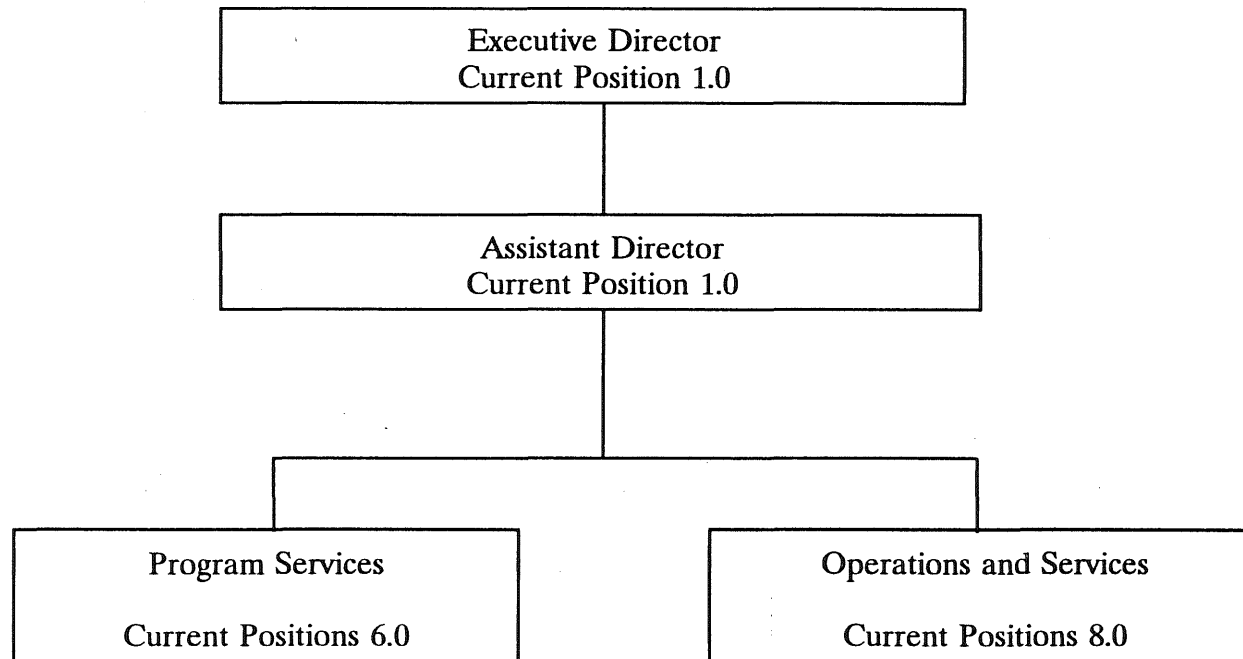
Grants Programs

46

Regional Arts Fiscal Agent

49

ARTS, BOARD OF
ORGANIZATION CHART 7-1-90



Arts, Board of

Position and Employee Status Information

Position Reconciliation:

Authority: Current
 F.Y. 1991

Legislative Complement: 13.0
 General Fund

 Federal 3.0

TOTAL Positions 16.0

Employee on 6-30-90 16.0

Employees by Employment Status:

6-30-90

Full-Time Unlimited 16.0

MISSION:

The Minnesota State Arts Board seeks to enhance the quality of life in Minnesota by supporting ongoing creative activity, encouraging new forms of artistic expression, and preserving our artistic heritage.

The Arts Board strives to fulfill its mission through a combination of granting activities, arts program development, preservation of traditional arts, and direct services to artists, educators, and arts organizations.

The Arts Board is divided into 3 program areas: Operations and Services, Grant Programs, and Regional Arts Fiscal Agent. Arts Board staff is directed to work toward achieving the following mission related goals adopted by the board.

To support the professional development and artistic growth of Minnesota's individual artists.

To encourage and promote the public's understanding of Minnesota's folk arts heritage.

To augment the funding base in Minnesota through partnerships with government, the public sector, and the private sector.

To participate in the leadership of state, regional, and national cultural organizations.

To make the arts available to all citizens by working in partnership with Minnesota's 11 Regional Arts Councils.

To foster two-way communication with the public and arts constituents.

To provide operating support to Minnesota's medium and large nonprofit arts organizations.

To demonstrate the value of art in public places projects to the citizens of Minnesota.

To nurture the arts in public educational settings.

To help make the arts geographically accessible to the public through touring programs and other incentives.

To operate an administrative office which is accountable to the citizens of Minnesota and other funding sources.

MAJOR POLICY DRIVERS:

Access. The Arts Board believes that all Minnesotans should have equal access to the arts. The board strives through its programs and services to support a wide variety of art forms and artistic resources. By supporting a broad range of artists, arts institutions, arts in education programs, and developmental programs the agency ensures that the arts climate in Minnesota is balanced and accessible to all. Within the last 2 years the Arts Board in partnership with the Northwest Area Foundation has developed a new touring program that assists major arts organizations in their efforts to tour within the boundaries of the state. It is expected that 42 rural communities across the state will benefit from this program in 1991.

Support of Individual Artists. Over 19,000 professional artists reside in the state of Minnesota. These individual artists together with over 800 arts organizations across the state, support an arts industry that is known internationally. The Arts Board awarded 94 grants to Minnesota artists in F.Y. 1990 totaling \$287,550. It is appropriate to note that the Arts Board received 751 applications

requesting a total of \$3,398,000 that same year. It is clear to see that the number of artists seeking assistance from the Arts Board substantially outweighs our ability to provide assistance. It is the intent of the Arts Board in the future to increase the amount of funding to individual artists and increase the number of grants made on an annual basis.

Rural Arts Development. Within the last 10 years the Arts Board has seen the development of a sophisticated network of Regional Arts Councils and rural arts development. In F.Y. 1990 a \$300,000 grant was received from the National Endowment for the Arts that was matched by \$348,000 state dollars and leveraged \$633,000 in matching support from local county and city governments across the state. This innovative program, jointly administered with Minnesota's 11 Regional Arts Councils, was responsible for local support of the arts for the first time in 22 communities across the state of Minnesota.

The Arts Board sees this rural arts movement as a catalyst for the revitalization of many communities in the state. The renovation of abandoned main street movie houses into active performing spaces in small communities such as Kiester, Minnesota shows that the arts have an important role in the economic redevelopment of cities.

As artists continue to populate small communities across the state the need to increase funding to arts organizations that provide performance and exhibition spaces, services to artists, and educational opportunities increases.

Support of Major Institutions. Major arts organizations are often defined by staff size, budget, and audience statistics. In Minnesota our major arts institutions are also defined by their status as cultural treasures of the people in the state. These cultural treasures offer our residents the highest quality of arts programming available. The Walker Art Center is known for its contemporary art collection and active development of international touring exhibitions, the Guthrie Theater stages classic theater in a manner that is rivaled by none, the St. Paul Chamber Orchestra and the Minnesota Orchestra are recognized world wide for their excellent musicianship. The support of major arts institutions is important for the cultural climate and quality of life in our community. The support of major arts institutions is also costly. Though institutions have within the last 10 years developed sophisticated methods of marketing and fund raising they are still in need of government funding to support their organizational health.

EXPLANATION OF BUDGET ISSUES AND ALTERNATIVES:

The Arts Board has determined that current programs, projected costs of goods, and services (including salaries) will result in funding demands which will exceed the agency's base funding by \$75,000 in F.Y. 1992 and \$76,000 in F.Y. 1993.

The Arts Board's Operations and Services activity depends heavily on both state and federal funding. Projections for F.Y. 1992 and F.Y. 1993 currently indicates that state funding (\$604,000) and federal funding (\$223,000) for this activity will stay constant. Projected increases of 4.5% for goods and services, and 5% for salaries in F.Y. 1992 and F.Y. 1993 have been calculated by the Department of Finance. To address this issue the Arts Board has decided to reduce current levels of operating and service expenditures in design and publications, purchased services, communications, and in and out state travel. In addition, different ways of funding a major regional partnership are being researched. This approach will reduce current Operations and Services by \$33,000 in F.Y. 1992 and \$34,000 in F.Y. 1993.

This action will cause considerable stress on the day to day Operations and Services of the Arts Board and will result in a loss of contact with a number of our constituents especially in rural Minnesota.

In addition, the board will reduce our Developmental Program and Grant Program funds by \$42,000. This reduction will impact all of the programs on a percentage basis. Though this is a modest reduction it comes at a time when the arts in Minnesota are in need of every dollar available. The Arts Board, in a spirit of solidarity with Minnesota's 11 Regional Arts Councils, urges the state of

AGENCY: Arts, Board of
(Continuation)

1992-93 Biennial Budget

Minnesota to not reduce the funding to the Regional Arts Fiscal Agent line entrusted through the Arts Board's budget. The Arts Board supports the unique decentralized funding system that Minnesota's 11 Regional Arts Councils represent, and wants to see these groups prosper in the future.

GOVERNOR'S RECOMMENDATION:

The Governor concurs with the agency's plan except for the following: a) the Governor recommends a general reduction of \$1,903,000 for the biennium to be allocated by the board among its various programs, and b) the Governor does not recommend a waiver of indirect cost payments for federal funds.

1992-1993 B I E N N I A L B U D G E T
(DOLLARS IN THOUSANDS)

AGENCY: ARTS BOARD

PROGRAM RESOURCE ALLOCATION:	FY 1989	FY 1990	Est. FY 1991	FY 1992			FY 1993		
				Adjusted Base	Agency Plan	Governor Recomm.	Adjusted Base	Agency Plan	Governor Recomm.
=====	=====	=====	=====	=====	=====	=====	=====	=====	=====
OPER & SERVICE/DEVELOPING PROGRAMS	816	898	1,111	931	969	969	930	968	968
GRANT PROGRAMS	2,662	3,212	3,372	2,475	2,437	2,437	2,475	2,437	2,437
REGION ARTS FISC AGENT	993	1,382	1,557	1,557	1,557	1,557	1,557	1,557	1,557
GENERAL REDUCTION						<900>			<1,003>
=====	=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL EXPENDITURES BY PROGRAM	4,471	5,492	6,040	4,963	4,963	4,063	4,962	4,962	3,959
SOURCES OF FINANCING:									
=====									
DIRECT APPROPRIATIONS:									
GENERAL	3,184	4,137	4,264	4,220	4,220	3,320	4,219	4,219	3,216
GIFTS AND DEPOSITS		2							
STATUTORY APPROPRIATIONS:									
FEDERAL	516	576	766	693	693	693	693	693	693
GIFTS AND DEPOSITS	771	777	1,010	50	50	50	50	50	50
=====	=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL FINANCING	4,471	5,492	6,040	4,963	4,963	4,063	4,962	4,962	3,959

BASE RECONCILIATION REPORT
for 1992-1993 Biennium

AGENCY: ARTS BOARD

	ALL FUNDS		GENERAL FUND		OTHER STATE FUNDS		FEDERAL FUNDS	
	F.Y.92	F.Y.93	F.Y.92	F.Y.93	F.Y.92	F.Y.93	F.Y.92	F.Y.93
F.Y.91 FUNDING LEVEL	6,040	6,040	4,264	4,264	1,010	1,010	766	766
APPROPRIATIONS CARRIED FWD	<85>	<85>	<70>	<70>			<15>	<15>
SALARY ANNUALIZATION	7	6	7	6				
DOCUMENTED RENT/LEASE INCR.	19	19	19	19				
DEDICATED RECEIPTS AND FUNDS	<960>	<960>			<960>	<960>		
FEDERAL RECEIPTS	<58>	<58>					<58>	<58>
TOTAL	4,963	4,962	4,220	4,219	50	50	693	693
BIENNIAL TOTAL		9,925		8,439		100		1,386

ACTIVITY:
PROJECT: M: Agency Wide Decision
AGENCY: Y: Arts, Board of

1992-93 Biennial Budget

DECISION ITEM: Financing Inflationary Costs - Informational

AGENCY REQUEST:	Dollars in Thousands			
	F.Y. 1992	F.Y. 1993	F.Y. 1994	F.Y. 1995
Expenditures				
General Fund - Inflation	\$ 42	\$ 42	\$ 42	\$ 42
General Fund - Reallocation	(42)	(42)	(42)	(42)
Agency Totals	\$ -0-	\$ -0-	\$ -0-	\$ -0-

Requires statutory change: _____ Yes ☒ No
Statutes Affected:

ITEM SUMMARY:

The Arts Board has determined that current programs, projected costs of goods, and services (including salaries) will result in funding demands which will exceed the agency's base funding from both state and federal sources by \$75,000 in F.Y. 1992 and \$76,000 in F.Y. 1993.

The Arts Board Operations and Services activity depends heavily on both state and federal funding. Projections for F.Y. 1992 and F.Y. 1993 currently indicates that state funding (\$604,000) and federal funding (\$223,000) for this activity will stay constant. Projected increases of 4.5% for goods and services, and 5% for salaries in F.Y. 1992 and F.Y. 1993 have been calculated by the Department of Finance. To address this issue the Arts Board has decided to reduce current levels of operating and service expenditures in design and publications, purchased services, communications, and in and out of state travel. In addition, different ways of funding a major regional partnership are being researched. This approach will reduce current Operations and Services by \$33,000 in F.Y. 1992 and \$34,000 in F.Y. 1993.

In addition, the board will reduce our Developmental Program and Grant Program funds by \$42,000. This reduction will impact all of the programs on a percentage basis. Though this is a modest reduction it comes at a time when the arts in Minnesota are in need of every dollar available. The Arts Board, in a spirit of solidarity with Minnesota's 11 Regional Arts Councils, urges the state of Minnesota to not reduce the funding to the Regional Arts Fiscal Agent line entrusted through the Arts Board's budget. The Arts Board supports the unique decentralized funding system that Minnesota's 11 Regional Arts Councils represent, and wants to see these groups prosper in the future.

In accordance with the request by the Department of Finance, the agency will work within its BASE level. Due to increased costs of goods and services (including salaries) the agency will reduce some areas of its Operations and Services line by a total of \$33,000. The agency believes that this reduction should be manageable but will have a severe impact on its ability to provide information and services at the level it has in the past. This reduction will impact our agency's ability to keep up with the growth of the field.

For the Arts Board to offer a balanced budget within the 1991 BASE level, minor adjustments of \$38,000 to the grants program have been approved by the board. Developmental programs were reduced by \$4,000. These adjustments do not represent significant changes in policies or agency operations.

Reductions will be made to grants in Operating Support \$29,000, Presenting and Marketing \$2,000, Artists in Education \$3,000, and Artist Assistance \$4,000. The level of each reduction is on an across the board percentage.

The Arts Board recognizes that even a minor reduction of \$42,000 will have a significant impact on the arts industry of this state.

GOVERNOR'S RECOMMENDATION:

The Governor concurs with the agency's plan.

ACTIVITY:
PROGRAM: Agency Wide Decision
AGENCY: Arts, Board of

1992-93 Biennial Budget

DECISION ITEM: General Reduction

	<u>Dollars in Thousands</u>			
	<u>F.Y. 1992</u>	<u>F.Y. 1993</u>	<u>F.Y. 1994</u>	<u>F.Y. 1995</u>

GOVERNOR'S RECOMMENDATION:

Expenditures				
General Fund	\$ (900)	\$ (1,003)	\$ (1,003)	\$ (1,003)

Requires statutory change: _____ Yes X No
Statutes Affected:

ITEM SUMMARY:

This reduction will return the board's General Fund appropriation to its F.Y. 1989 funding levels.

BACKGROUND:

Approximately 85% of the board's General Fund appropriation is returned to the arts community in the form of various grants and assistance. The board's budget plan proposes to distribute these funds as follows:

	<u>F.Y. 1992</u>	<u>F.Y. 1993</u>	<u>Total</u>	<u>Percent</u>
Operations	\$ 604	\$ 603	\$ 1,207	14.3%
Operating Support Grants	1,728	1,728	3,456	41.0%
Other Grant Programs	431	431	862	10.2%
Regional Arts Councils Grants	<u>1,457</u>	<u>1,457</u>	<u>2,914</u>	<u>34.5%</u>
Total	\$ 4,220	\$ 4,219	\$ 8,439	100.0%

RATIONALE:

The State Arts Board's General Fund appropriation has nearly tripled since 1983, increasing from \$1.5 million in 1983 to \$4.2 million in 1991. The board received an annual increase of \$1,003,000 (31%) over its F.Y. 1989 BASE alone. Of this amount, \$103,000 was appropriated to match 3 specific grants over a 3-year period. Since these matching funds are needed through F.Y. 1992, funding has not been decreased for this item until F.Y. 1993. Because the state is now facing a major budget shortfall, it can no longer fund these arts programs at current levels.

GOVERNOR'S RECOMMENDATION:

The Governor recommends a general reduction of \$1,903,000 for the biennium. The Governor recommends that the Arts Board be given the flexibility to distribute this reduction to their various programs, including the Regional Arts Councils, as they deem appropriate. This discretion will allow the board to distribute its resources in the areas they determine to have the greatest need.

PROGRAM PURPOSE:

This program allows the agency to administer its grant programs and other services to the state of Minnesota. The agency is governed by an 11 member board appointed by the Governor and is staffed by 15 professional and clerical employees.

The governing board is responsible for establishing policy, adopting plans and budgets, awarding grants, debating important arts issues, serving as advocates for the arts, and ensuring that the agency is fulfilling its mission in the most effective manner. The staff assists the board by providing executive management, fiscal accountability, dissemination of public information, grants management, programming, and prudent expenditure of public tax dollars. The staff is comprised of well-trained professionals who make every effort to contain costs and provide efficient and effective program administration and services to the field.

The Operations and Services program of the agency has 2 components:

1. General Operations and Services
2. Developmental Programs

The following objectives are used to direct the administration of the operations and services of the agency.

To lease the facility and maintain an office at 432 Summit Avenue, St. Paul, to serve as the agency's primary place of business.

To conduct no fewer than 7 business meetings and eight board committee meetings annually, with at least 1 business meeting to be held outside of the seven-county metro area.

To recruit, orient, and maintain no fewer than 19 advisory panels.

To comply fully with all contracts, preliminary and final reports as required by the public and private funding sources of the Minnesota State Arts Board.

To maintain a financial accounting system in full compliance with state of Minnesota standards and Generally Accepted Accounting Principles.

To conduct a general Twin City constituency meeting and a series of Regional constituency meetings regarding the F.Y. 1994-95 biennial plan and budget in cooperation with the Minnesota Citizens for the Arts and the Regional Arts Councils.

To evaluate all grants, programs, and services of the agency.

To complete the agency's Strategic Information Plan and Tactical Plan.

To produce a cost-containment report for review by the Arts Board.

The following objectives are used to direct the Developmental Programs of the agency.

To develop a statewide celebration of craft artists during "1993 Year of American Crafts."

To work with the Minnesota Historical Society to continue the album/essay series documenting Minnesota Folk Music.

To continue to promote the folk arts through the electronic or print media. To assist in

programming a folk arts event at the Minnesota State Fair.

To continue to present a workshop for training Minnesota teachers in Folk Arts documentation techniques.

To develop a folk arts study guide to be used by students and teachers.

To develop a series of Minnesota folk music radio shows.

To continue the Folk Arts Sponsorship funding program.

PERFORMANCE:

Service to the arts constituency and the citizens of Minnesota is foremost in the activities of the Arts Board. The Operations and Services program provides the agency with the resources necessary to operate an office and administer a variety of grant programs and services for the arts in Minnesota. The agency has both fixed and variable costs that contribute to its operating budget. Fixed costs constitute 78.8% of the budget and variable costs are 21.2%. The agency has limited options over fixed costs and has been prudent in its budgeting for variable costs. In F.Y. 1991 the agency's Operations and Services budget was 14.3% of its total budget and is projected to be 16.7% in F.Y. 1992 and 1993. This percentage growth is due primarily to a loss of receipts of \$750,000 in McKnight Foundation regrants dollars.

The agency's Operations and Services budget has not increased significantly in the past years though our granting programs and requests for technical assistance have seen a highly significant rate of growth. In F.Y. 1984, 667 applications were processed by the agency compared to 1,774 processed in F.Y. 1990. It is our estimation that these numbers will continue to grow. Technical assistance to the field provided by the agency represents a large expenditure of time and funds. By offering technical assistance the Arts Board ensures that all regions of the state and all disciplines of artists have equal access to information that will aid them in their work. Technical assistance is often as valuable to our constituents as financial aid, and often such assistance will have a more lasting effect than a grant. The Operations and Services program bears the weight of all the granting programs that the agency administers.

Developmental programs of the agency support new and emerging areas of need as identified by the board and our constituents.

Over the past 4 years the Minnesota State Arts Board has sponsored the American Craft Expo, a major craft festival that has brought attention to many of Minnesota's finest craft artists. Over 18,000 individuals attended the festival in 1990 where over \$2,000,000 in sales both retail and wholesale were recorded. In F.Y. 1992 and 1993 the Arts Board will redirect its focus on crafts toward assisting the Minnesota Crafts Council and the Northern Clay Center to organize a nationally sponsored year long festival titled "1993 Year of American Crafts." In partnership with craft associations across the nation, the Arts Board will direct some energy toward the promotion of Minnesota's craft artists and craft organizations.

The folk arts continue as a developmental priority of the agency. The board is aware that many of our historic and traditional art forms exist in a very fragile environment. The traditions are held by master artisans and craftspeople, many being elderly and living in very rural areas of the state. Unless systems are developed to enable these individuals to pass on their skills and traditions we will lose a very valuable part of Minnesota culture. The agency is pleased with the results that have been achieved so far and looks forward to supporting the development and preservation of the folk arts.

PROGRAM: Operations and Services
(Continuation)
Agency: Arts, Board of

1992-93 Biennial Budget

PROSPECTS:

The Arts Board is continuing to expand its programs and services into rural areas of the state. This expansion into Greater Minnesota combined with the board's efforts to develop programs that serve Minnesota's diverse cultural population will require an additional workload which will impact the Operations and Services of the agency.

Individuals and organizations that do not have a solid background in grantsmanship and have not had experience working with a state agency will need programs of technical assistance. Technical assistance and workshops developed and provided by the agency are needed to serve rural artists and arts organizations.

In addition, there is a trend nationally to track applications, funding, and statistics for all of our granting programs. Participation in the National Standard for Arts Information Exchange will allow our staff to compare Minnesota statistics against similar information on a national basis. As the programs of the Arts Board grow so does the need for solid administrative support in acquiring and processing this information.

PLAN:

In accordance with the request by the Department of Finance, the agency will work within its BASE level. Due to increased costs of goods and services (including salaries) the agency will reduce some areas of its Operations and Services line by a total of \$33,000. The agency believes that this reduction should be manageable but will have a severe impact on its ability to provide information and services at the level it has in the past. This reduction will impact our agency's ability to keep up with the growth of the field.

The Arts Board plans to request 2 statutory changes in F.Y. 1992-93.

It is the agency's intent to ask for additional contracting authority. It has been strongly recommended by the Attorney General's Office that our agency have this enhanced contracting authority, because many of our private and federal grants are being redirected to sub-contractors (such as the 11 Regional Arts Councils) and not in the format of grant-maker to applicants. The agency sees this additional authority also as one way to reduce indirect charges on our administrative budget, which is currently a burden on the Arts Board.

The second statutory request the agency will make is to be released from indirect costs as they relate to federal grants. Currently the agency receives \$693,000 in federal funds. These funds often relate to a number of small projects for which there is no additional money allotted to pay indirect costs. The tight financial margins on most federal grants simply do not allow the Arts Board to shoulder indirect cost reductions from these grants.

GOVERNOR'S RECOMMENDATION:

The Governor concurs with the board's reallocation plan, but does not recommend the waiver of indirect cost payments of federal funds. Also, the Governor makes no specific recommendations on the funding levels for this program. Instead, the Governor recommends a general reduction at the agency level of \$1,903,000 for the biennium to be distributed by the board to its various programs. (See the "General Reduction Decision Item" following the agency narrative page.)

1992-1993 B I E N N I A L B U D G E T
(DOLLARS IN THOUSANDS)

AGENCY: ARTS BOARD
PROGRAM: OPER & SERVICE/DEVELOPING PROGRAMS

ACTIVITY RESOURCE ALLOCATION:	FY 1989	FY 1990	Est. FY 1991	FY 1992			FY 1993		
				Adjusted Base	Agency Plan	Governor Recomm.	Adjusted Base	Agency Plan	Governor Recomm.
=====	=====	=====	=====	=====	=====	=====	=====	=====	=====
OPERATIONS & SERVICES	763	789	860	785	827	827	784	826	826
DEVELOPMENTAL PROGRAMS	53	109	251	146	142	142	146	142	142
=====	=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL EXPENDITURES BY ACTIVITY	816	898	1,111	931	969	969	930	968	968
DETAIL BY CATEGORY:									
=====									
STATE OPERATIONS	773	808	868	785	827	827	784	826	826
LOCAL ASSISTANCE	10	61	234	146	142	142	146	142	142
AID TO INDIVIDUALS	33	29	9						
=====	=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL EXPENDITURES BY CATEGORY	816	898	1,111	931	969	969	930	968	968
SOURCES OF FINANCING:									
=====									
DIRECT APPROPRIATIONS:									
GENERAL	524	585	702	658	696	696	657	695	695
GIFTS AND DEPOSITS		2							
STATUTORY APPROPRIATIONS:									
FEDERAL	245	257	288	273	273	273	273	273	273
GIFTS AND DEPOSITS	47	54	121						
=====	=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL FINANCING	816	898	1,111	931	969	969	930	968	968

PROGRAM PURPOSE:

This program reflects the primary function of the agency; providing financial and technical assistance to artists and arts organizations throughout the state who can demonstrate high levels of existence within the established standards of review. The agency has developed 5 distinct program categories that assist the arts community in making programs accessible to the public. The program categories include:

1. Operating Support grants
2. Presenter and Touring Assistance grants
3. Artists in Education grants
4. Artist Assistance grants
5. Folk Arts grants

Program grants exist to assist the Minnesota arts community in delivering accessible programs, performances, exhibitions, and educational opportunities to the citizens of the state. In addition, state funds provide for the stabilization of an arts industry that annually generates over \$392,000,000 in economic activity for the Twin Cities alone.

The following goals and objectives relate to the grant programs of the agency.

Operating Support Grants: To provide operating support to Minnesota's medium and large, nonprofit arts institutions.

1. To award unrestricted Operating Support grants to Minnesota's medium and large arts organizations that serve as cultural resources to the citizens of the state.
2. To make at least 1 site visit to each grantee during the year.

Presenter and Touring Assistance Grants: To help make the arts geographically accessible to the public through touring programs and other incentives.

1. To administer the Series Presenters program to fund organizations that provide a series in the performing, visual, and literary arts.
2. To administer the Minnesota Touring Arts program and provide funds to support in-state touring activities and technical assistance. This valuable program ensures that all the citizens of the state have access to the highest quality performing arts available.
3. To work with the National Endowment for the Arts to develop a program that promotes the presentation of high quality national and international dance in Minnesota.

Artists in Education Grants: To nurture the arts in public educational settings.

1. To support a minimum of 500 weeks of artist residencies in K-12 schools throughout Minnesota through School Support and Organizational Support grants.
2. To administer the Arts Curriculum Expertise program with the cooperation of the Minnesota Department of Education, the Minnesota Alliance for Arts in Education, and the Minnesota Center for Arts Education.
3. To present opportunities for teacher and artist professional development.

4. To co-manage the Comprehensive Arts Planning Program (CAPP) with the Minnesota Department of Education, the Minnesota Alliance for Arts in Education, and the Minnesota Center for Arts Education.

5. To select the F.Y. 1993-1994 Artist Roster, a guide to qualified artists that can effectively work within the K-12 classroom, to develop further the visual, literary, and performing arts education programs offered in the state.

6. To provide technical assistance to a minimum of 50 educators and 30 artists through individual consultations, workshops, and meetings.

Artist Assistance Grants: To support the professional development and artistic growth of Minnesota's individual artists.

1. To administer an Artist Assistance Fellowship program which will provide grants to individual artists.
2. To administer a Career Opportunity Grant program that will enable all disciplines of artists to take advantage of major opportunities that may arise in their professional careers.
3. To provide technical assistance contacts with individual artists across the state.
4. To evaluate the effectiveness of applicable agency programs in reaction to artist's expressed needs and priorities.
5. To administer a grant program that places 3 artists in a 3 month studio residence program.
6. To increase visibility and promote the work of fellowship grantees.
7. To develop a design arts program through application to the National Endowment for the Arts.
8. To develop a new program of support within the Fellowship program that will address "new genres," including performance and interdisciplinary artists.
9. To develop a program for "Minnesota's Living Artist Treasures." A program that will identify and reward the elderly artist treasures that exist in our state.

Folk Arts Grants: To encourage and promote the public's understanding of Minnesota's folk arts heritage.

1. To continue an Apprenticeship program.
2. To publish and distribute the fourth and fifth editions of a juried Folk Arts Directory.

PERFORMANCE:

The Arts Board believes that the arts are the foundation of a healthy community. The arts reflect the diversity of a population and offer insights and interpretations of everyday events. In our society we often look toward the arts for guidance on issues that may be too broad or large, to focus upon using traditional methods of analysis and interpretation.

The Arts Board believes the following programmatic strategies can be used to identify the results that relate to the above goals and objectives.

PROGRAM: Grant Program
(Continuation)
Agency: Arts, Board of

1992-93 Biennial Budget

Within the **Operating Support** program, staff will attend a minimum of 3 statewide meetings of professional arts associations to become more informed about issues affecting the field; will identify new applicants to the program; will consider streamlining the application process in the areas of panel size, allocation process, and application deadline frequency; conduct site visits to all grantees for both administrative and artistic review; and continue to review the entire program for restructure if needed.

In the **Presenting and Touring** program, staff will continue to meet with current and potential applicants of the program; attend the Midwest/MidAmerica presenters conference; refine and continue a program that supports technical assistance to the field; develop a program that supports dance touring in Minnesota; and assist with the development of a program that supports the national "1993 Year of American Crafts."

The **Artists in Education** program staff member will continue to meet with all current and potential school and organizational applicants to the program; continue to administer the Arts Curriculum Expertise program with 20 additional schools across the state; work with roster artists on developing their educational skills; continue to work with the Department of Education, the Minnesota Alliance for Arts in Education, and the Center for Arts Education on the Comprehensive Arts Planning Program; and expand the artists roster to include additional rural and multi-cultural artists.

The **Artist Assistance** program staff will be involved in streamlining application materials to conserve costs; continue to work with board members to review Career Opportunity Grants; conduct regional workshops to increase the number of rural applicants to the program; conduct workshops directed at cultural groups in an effort to expand the awareness of the program and increase applications from diverse groups of Minnesotans; meet with representatives of foundations that fund individual artists to exchange information and develop partnerships; highlight the successes of individual artist grantees through agency publications and materials, continue to seek funding and establish programs for "Living Artist Treasures" and "New Genres;" and to work towards the eventual development of a program in the Design Arts through meetings with professionals in the design field.

In the area of the **Folk Art** our staff will conduct at least 50 person to person briefings across the state with folk artists, publicize the program through articles in at least 3 folk arts newsletters, and publish and distribute an expanded juried Folk Arts Directory that represents a cross section of Minnesota cultures and art forms.

PROSPECTS:

As the Arts Board strives to be more attentive to the needs of Greater Minnesota and the variety of cultures that exist in both the metropolitan and rural areas of the state, the need for direct technical assistance by staff members increases. This increase in technical assistance involves a rise in costs in the Operations and Services budget line and is not reflected in the Grant Program budget line.

The Arts Board is aware of a trend by many national, regional, and statewide foundations and corporations to lessen their funding to the arts and increase their support of social needs. Due to substantial cuts by the federal government in many social service areas there has been a need for the private sector to step in and support these social concerns. The arts suffer when this private focus shifts. The resources of the Arts Board will need to serve more individuals and organizations at a greater level than before due to this shift in foundation and corporate funding.

In addition, the Arts Board sees a need to increase payments to individual artists working within the Artists in Education program due to inflation and the cost of doing business in today's marketplace.

A modest increase will ensure that artists of the highest quality will be working with Minnesota youth but at the same time lessen the number of contact hours these artists will have with our youth due to our static budget.

PLAN:

For the Arts Board to offer a balanced budget within the 1991 base level, minor adjustments of \$38,000 to the grants program have been approved by the Board. These adjustments do not represent significant changes in policies or Agency operations.

Reductions will be made to grants in Operating Support \$29,000, Presenting and Touring \$2,000, Artists in Education \$3,000, and Artist Assistance \$4,000. The level of each reduction is on an across the board percentage.

The Arts Board recognizes that even a minor reduction of \$38,000 will have a significant impact on the arts industry of this state.

GOVERNOR'S RECOMMENDATION:

The Governor concurs with the agency's reallocation plan, but makes no specific recommendations on the funding levels for this program. Instead, the Governor recommends a general reduction at the agency level of \$1,903,000 for the biennium to be distributed by the board to its various programs. (See the "General Reduction Decision Item" following the agency narrative page.)

1992-1993 BIENNIAL BUDGET
(DOLLARS IN THOUSANDS)

AGENCY: ARTS BOARD
PROGRAM: GRANT PROGRAMS

ACTIVITY RESOURCE ALLOCATION:	FY 1989	FY 1990	Est. FY 1991	FY 1992			FY 1993		
				Adjusted Base	Agency Plan	Governor Recomm.	Adjusted Base	Agency Plan	Governor Recomm.
=====	=====	=====	=====	=====	=====	=====	=====	=====	=====
OPERATING SUPPORT ONE	1,472	1,815	1,775	1,442	1,419	1,419	1,442	1,419	1,419
OPERATING SUPPORT TWO	621	695	690	342	337	337	342	337	337
OPERATING SUPPORT COMMUNITY	110	125	124	73	72	72	73	72	72
PRESENTER ASSISTANCE	69	82	234	149	147	147	149	147	147
ARTISTS IN EDUCATION	181	212	269	211	208	208	211	208	208
INDIVIDUAL ARTISTS	191	256	260	238	234	234	238	234	234
FOLK ARTS GRANTS	18	27	20	20	20	20	20	20	20
=====	=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL EXPENDITURES BY ACTIVITY	2,662	3,212	3,372	2,475	2,437	2,437	2,475	2,437	2,437
=====	=====	=====	=====	=====	=====	=====	=====	=====	=====
DETAIL BY CATEGORY:									
=====	=====	=====	=====	=====	=====	=====	=====	=====	=====
LOCAL ASSISTANCE	2,454	2,936	3,092	2,217	2,183	2,183	2,217	2,183	2,183
AID TO INDIVIDUALS	208	276	280	258	254	254	258	254	254
=====	=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL EXPENDITURES BY CATEGORY	2,662	3,212	3,372	2,475	2,437	2,437	2,475	2,437	2,437
=====	=====	=====	=====	=====	=====	=====	=====	=====	=====
SOURCES OF FINANCING:									
=====	=====	=====	=====	=====	=====	=====	=====	=====	=====
DIRECT APPROPRIATIONS:									
GENERAL	1,667	2,170	2,105	2,105	2,067	2,067	2,105	2,067	2,067
STATUTORY APPROPRIATIONS:									
FEDERAL	271	319	378	320	320	320	320	320	320
GIFTS AND DEPOSITS	724	723	889	50	50	50	50	50	50
=====	=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL FINANCING	2,662	3,212	3,372	2,475	2,437	2,437	2,475	2,437	2,437

PROGRAM PURPOSE:

The Regional Arts Councils were established by the legislature to decentralize the state's art appropriation so that Greater Minnesota is better served. Eleven Regional Arts Councils provide funds for grants and support services to sustain and encourage a diverse range of local arts activities, according to the individual needs of each of the 13 development regions in the state.

The mission of the Regional Arts Councils is to promote, stimulate, and support arts activities at the local/regional level. The Regional Arts Councils strive to achieve this mission through programs that:

1. increase the support and quality of local arts productions and regional touring activities initiated at the community level throughout the state;
2. provide on-site professional services to individuals and organizations in developing local arts activities;
3. generate increased private and public funding for the arts at the regional and community level; and
4. initiate and continue special programs that respond to the needs of local arts communities and promote cultural diversity.

The Regional Arts Councils provide services and programs to assist the planning and development of local arts activities which address the unique needs of the regional arts communities and serves regional arts audiences.

The Regional Arts Councils provide the following services and programs to realize their broader objectives:

- a. Review and fund grant applications from local arts-producing, nonprofit organizations for theater, concerts, exhibits, workshops, and other arts activities. (Serves Objective 1)
- b. Review and fund applications from local arts-sponsoring, nonprofit organizations for performances, residencies, and touring exhibitions representing groups and/or individuals. (Serves Objective 1)
- c. Provide services for groups and individuals that will develop the arts and promote cultural diversity in local communities. These services include one to one technical assistance including grants writing, fund raising, audience development, and organizing as a nonprofit. The Councils also provide services to independent artists, workshops, and act as a central information clearinghouse for groups and individuals. (Serves Objective 2)
- d. Develop local support from corporations, individuals, and local government through such vehicles as membership and revenue sharing. They also act as the granting agencies for statewide foundation support from sources such as The McKnight Foundation. (Serves Objective 3)
- e. Plan, develop, and carry out special programs that are responsive to local arts needs in such diverse areas as united fund drives, regional exhibition programs, and competitions, skills building workshops and conferences for community and small professional arts organizations. (Serves Objective 4)

The Regional Arts Councils fund schools, governmental units and Minnesota nonprofit tax exempt organizations as described in Section 501 (c) 3 of the IR code and individual artists.

The Regional Arts Council services are available to arts organizations and individual artists throughout the state.

There are 27 different program categories provided by the regions to assist local arts activities grow and flourish in the state of Minnesota. Individual region needs dictate the design of programs within those categories.

Providing funding for arts activities continues to be the highest priority activity for all regions. Collectively, 65% of the regions' state appropriation is allocated to re-granting programs, 23% to services, and 15% to administration. In the 1989-90 biennium, the RACs saw a 38% increase in applications from 1988, which was 23% more applications than we predicted in 1988. The total number of applications funded increased by 44% from the total in F.Y. 1988. While RACs funded 194 new organizations in the 4 fiscal years of 1985-88, they funded 172 in just the 2 years of the 1989-90 biennium. This reflects a significant increase in the growth of field and outreach efforts of the councils. Though 72% of the applications were funded, only 58% of the dollar requests were funded. It should be noted, however, that in several of the most populous regions, the percentage of applications funded was significantly lower - e.g., 46% in the Metro region. Because of the modest levels of funding, the RACs have had to put artificial limits on their funding programs, with ceilings on the amounts funded, and on eligibility requirements for applicants. Many RACs are now beginning to loosen those restrictions as part of their efforts to increase accessibility to underserved constituencies.

In F.Y. 1989-90 the RACs expanded their provision of such services as technical assistance, one-on-one counseling and referral, directories and newsletters and other special programs to targeted underserved constituencies including small rural towns with no arts activities, suburbs and small towns in the Twin Cities metro region, individual artists and minority artists and communities across the state. As a result, the number of arts organizations and individuals provided services increased 240% to 44,798 from 13,156 in 1988-89.

In F.Y. 1989-90 the RACs successfully secured \$300,000 from the NEA Locals grant program in partnership with MSAB to leverage an additional \$633,000 from local governments and the state of Minnesota to support local arts development in 22 communities across the state of Minnesota. This is the largest and most comprehensive locals grant that the NEA has ever made. They also continue their partnership with The McKnight Foundation and re-granted \$294,180 in F.Y. 1990. Due to the RAC policy of making matching grants, we are also providing incentive to grantees to leverage other private and public funds of 50% or more of the size of their grants. This means an additional \$1,000,000+ was generated by RAC grantees for arts activities in the last biennium.

PROSPECTS:

Trends must be somewhat generalized to account for the clear differences between regional strategies identified through regional surveys throughout the state. Providing financial stimulus to the many touring organizations in the Metro region may be comparable in strategic impact to providing organizational development support to community-based arts sponsoring organizations in another region. There is no overlap in territory and there are no corresponding services by any other agency in the state. General trends are:

1. Local arts producing and sponsoring organizations have increased in size and numbers. A projection of as many as 1,880 applications are foreseen over the next 2 years, an increase of 60% due to a broadening and growing field. Demand for small grants to help provide support for small organizations will continue to grow. Many rural and smaller metro growing organizations will continue to find it difficult to attract major foundation and corporate support due to inherent funding bias of that support. This increases pressure on regional arts councils to continue support. In some regions, stable organizations with smaller budgets than those able to reach major categories of MSAB support need program or operational support. Alternative strategies: develop increased methods of reaching private funds for increased needs.
2. Corresponding service needs are also increasing. Service requests constitute one of the most economically rewarding aspects of performance, since they enable fiscal and organizational growth

PROGRAM: Region Arts Fiscal Agent
(Continuation)
Agency: Arts, Board of

1992-93 Biennial Budget

GOVERNOR'S RECOMMENDATION:

The Governor makes no specific recommendation on the funding levels for this program. (See the "General Reduction Decision Item" following the agency's narrative page.

among those served. Regional technical services budgets do not foresee increase along with the demand for informational and referral services. However, there is an expanded strategy of increased workshops for identified goals. The task of administering the RAC/MSAB locals "Arts Partners of Minnesota" Program for 22 organizations statewide continues to be a service-intensive task as those organizations grow in structure and purpose. Alternative strategies: increased sharing of information and cross-regional services will help to maintain costs.

3. Design of partnership programs between local organizations and other state and national organizations, such as the NEA Rural Special Projects Program become a greater priority for many regions. Partnerships such as the RAC/MSAB/Locals "Arts Partners of Minnesota" Program, and support from foundations such as The McKnight Foundation, Otto Bremer Foundation, the Blandin Foundation, and between state agencies and local organizations will continue to be desirable. Special programs such as the Challenge Grant (matching funds with increased membership) in Region 7W (Central Minnesota Arts Council) need to continue to involve local developmental revenue for arts producing groups. The costs of coordinating such programs are growing. Alternative strategies: some identification of "matched partners," or increased leveraging may reduce the costs to the regions.
4. Programs for special purposes, mostly matched with private funding and often provided solely as a result of partnerships, are needed as surveys dictate in individual regions. Programs such as the Arts and Aging, designed by SMAHC in conjunction with the Otto Bremer Foundation which in 1990 provided 107 nursing homes and senior centers with workshops, residencies and performances, or demand in many regions for Artists in Education programs which bring local artists, community members and educational institutions together for long-term relationships, Emerging Artist programs in regions which lack support and incentive programs for those artists, Artist/Mentor programs linking talented children with area master artists show high levels of demand and participation. Expanding resources from private funds must be solicited for these special programs. There are no additional alternative strategies.

PLAN:

The four outlined areas of Regional Arts Council activities including grant support, services, partnerships and special programs, all clearly show growth of the arts throughout the entire state of Minnesota. Artificial constraints on that growth continue to be prioritized to reward those institutions and individuals most qualified for that support. At the same time, initiatives for encouragement of the smallest and least able must allow for access into a fast-changing arts environment.

One of the clearest strategies for maintaining controlled growth of this field is to continue aggressive pursuit of a wider base of funding sources for organizations, especially those presently able to compete equitably in regard to those funding sources. Along with that difficult strategy, efforts must be made to ensure that other state agencies with arts-related projects, such as the Departments of Tourism and Education, find ways to consider partnerships available in regard to local institutions.

Since all four aspects of our mission remain clearly necessary to achieve these goals, individual regional strategies are identified at the regional level and priorities set there reveal little overall shifting over the next biennium.

BASE level should remain as it is, with an internal administrative shift to cover RAC/MSAB/Locals "Arts Partners of Minnesota" management and increased costs of seeking private support. The formula for regional distribution should remain intact. Individual regional budgets are developed along similar guidelines to the past biennium.

1992-1993 B I E N N I A L B U D G E T
(DOLLARS IN THOUSANDS)

AGENCY: ARTS BOARD
PROGRAM: REGION ARTS FISC AGENT

				FY 1992			FY 1993		
ACTIVITY RESOURCE ALLOCATION:	FY 1989	FY 1990	Est. FY 1991	Adjusted Base	Agency Plan	Governor Recomm.	Adjusted Base	Agency Plan	Governor Recomm.
=====	=====	=====	=====	=====	=====	=====	=====	=====	=====
REGION GRNTS-PROG-SERV	993	1,382	1,341	1,341	1,341	1,341	1,341	1,341	1,341
LOCALS GRANT PROGRAM			216	216	216	216	216	216	216
=====	=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL EXPENDITURES BY ACTIVITY	993	1,382	1,557	1,557	1,557	1,557	1,557	1,557	1,557
DETAIL BY CATEGORY:									

LOCAL ASSISTANCE	993	1,382	1,557	1,557	1,557	1,557	1,557	1,557	1,557
=====	=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL EXPENDITURES BY CATEGORY	993	1,382	1,557	1,557	1,557	1,557	1,557	1,557	1,557
SOURCES OF FINANCING:									

DIRECT APPROPRIATIONS:									
GENERAL	993	1,382	1,457	1,457	1,457	1,457	1,457	1,457	1,457
STATUTORY APPROPRIATIONS:									
FEDERAL			100	100	100	100	100	100	100
=====	=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL FINANCING	993	1,382	1,557	1,557	1,557	1,557	1,557	1,557	1,557

PROGRAM STRUCTUREAGENCY: MINNESOTA HISTORICAL SOCIETYPROGRAMPAGE

Public Programs and Operations

61

Library
 State Archives
 Oral History
 Museums
 Exhibits
 Publications
 Historic Sites
 Institutional Support

Statewide Outreach

74

Field Support
 Educational Services
 Grant-In-Aid
 State Historic Preservation Office
 Saint Anthony Falls Heritage Interpretive Zone

Repair and Replacement

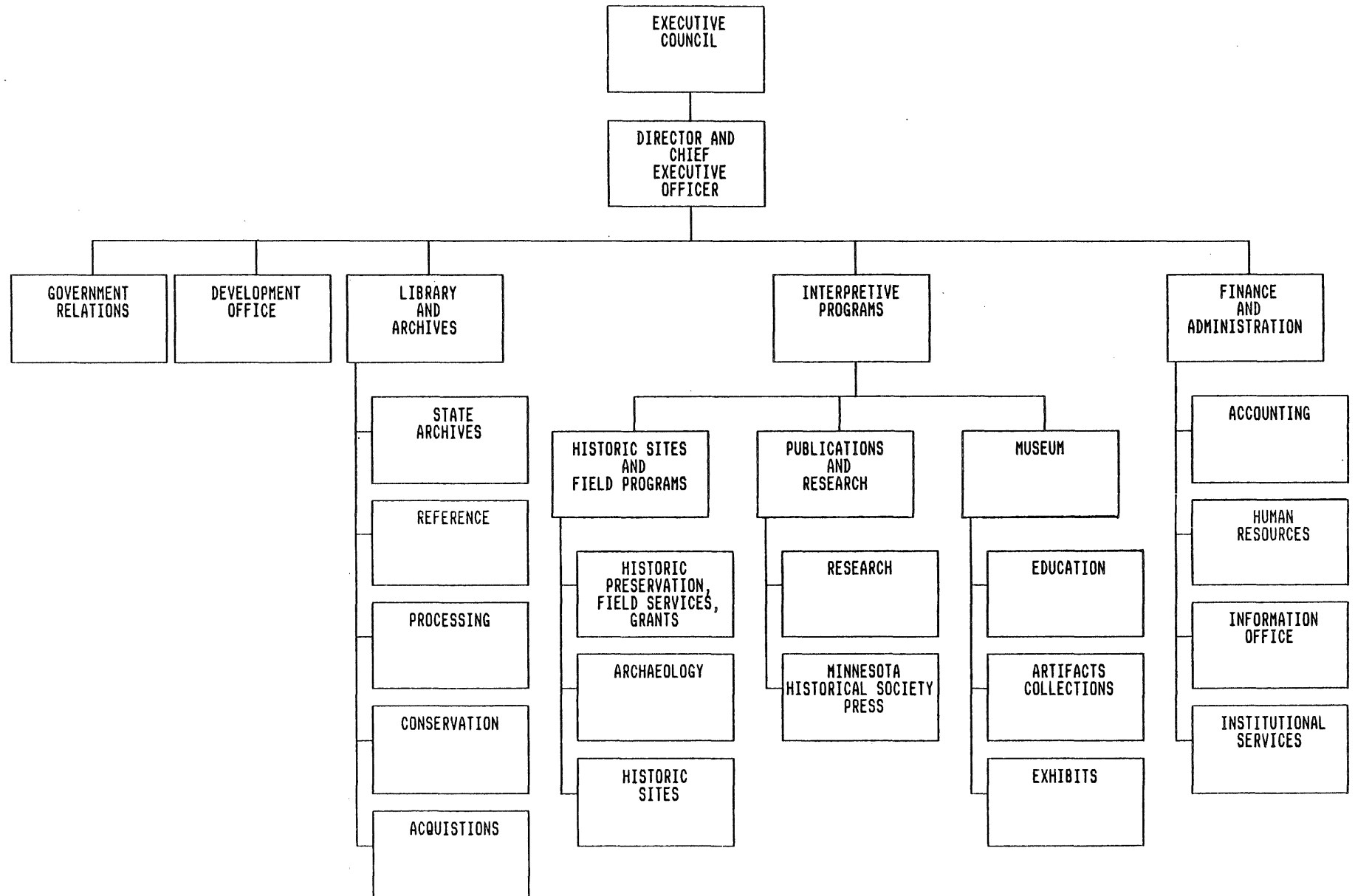
80

Fiscal Agencies

83

Sibley House
 Minnesota Humanities Commission
 Minnesota International Center
 Minnesota Military Museum
 Minnesota Air National Guard Museum
 Project 120

MINNESOTA HISTORICAL SOCIETY
Organization Chart - July 1, 1990



Note: See following page for positions by program.

Minnesota Historical Society

Position and Employee Status Information

Position Reconciliation:

Authority:	Current F.Y. 1991	Requested For 6-30-93
Legislative Complement:		
General Fund	210.90	208.70
LCMR	7.00	-0-
Federal	5.20	5.20
	<hr/>	<hr/>
TOTAL Positions	223.10	213.90

Employees
on 6-30-90

Employees by Employment Status:

	<u>6-30-90</u>
Full-Time	187
Seasonal	143
Part-Time	53
	<hr/>
TOTAL	383

Positions by Program 7/1/90:

Public Programs and Operations	208.50
Statewide Outreach	11.60
Repair and Replacement	<u>3.00</u>
TOTAL	223.10

MISSION:

The Minnesota Historical Society (MHS) is the oldest educational institution in the state, having been chartered by the first legislature of Minnesota Territory in 1849. Its mission is as follows:

To foster a knowledge of and appreciation for the history of Minnesota, thus enriching the state's cultural environment and enabling people everywhere to draw strength and perspective from the past and impart purpose to the future.

In realizing this mission, the Society collects and preserves the materials and records of human culture relating to Minnesota and Minnesotans. It makes these collections accessible by serving as an information center on and for the state, and, through research, publishing, museum displays, and other media, illuminates the human as well as the Minnesota story. It also counsels and assists organizations, institutions, units of government, and individuals in identifying, preserving, and interpreting the cultural resources of Minnesota.

Among the official state historical functions accepted by the Society and defined by statute are those of serving as a free public research library, overseeing the preservation of the State Capitol, and administering the state's Historic Site Act, St. Anthony Falls Heritage Interpretive Zone Act, State Archive and public records disposition, assistance to county historical organizations, archaeology, and folklife programs.

In carrying out its mission, the Society brings significant benefits to the state. It contributes to the Minnesota quality of life through helping to develop a citizenry with a sense of themselves, of the place in which they live, and of their role in the unfolding of human history. Assisting in the preservation of historic buildings and districts, it gives Minnesota communities a sense of dignity and continuity in a world of bewildering change. It brings tourists to the state and provides them with experiences that evoke the past in vivid and memorable ways, and thus has a significant impact on the state's economy. It supports education through a variety of publications and nationally acclaimed school materials.

All of the Society's programs/activities fall within the four major functions listed in the mission statement. They are:

Collecting and preserving the materials and records of Minnesota's past

- Library
- Oral History
- State Archives
- Museums

Making the collections accessible and serving as an information center

- Library
- State Archives
- Museums

Illuminating the human and the Minnesota story

- Exhibits--State History Center
- Museums
 - School Programs
 - Public Programs
- Historic Sites
- Publications

Counseling and assisting other organizations, institutions, and units of government
State Historic Preservation Office

Educational Services

Grant-In-Aid

- MHS grants program
- County and local projects
- State Archaeologist
- St. Anthony Falls Heritage Zone
- Field Support

Supporting all of the above functions and programs are:

- Institutional Support
 - Management and development
 - Finance and administration
- Repair and Replacement

By law the Society also serves as fiscal agent for certain other organizations and institutions, acting as a conduit in disbursing state funds to these organizations. They are:

- Sibley House Association
- Minnesota Humanities Commission
- Minnesota International Center
- Minnesota Military Museum
- Minnesota Air National Guard Museum
- Project 120

The Society's mission leads it to work in one way or another with all agencies of the State, but it cooperates extensively with certain ones as follows:

Department of Trade and Economic Development, Office of Tourism, to inform visitors to the state of museums, historic sites, and public programs. It also works with the department's **Main Street Program** to identify, restore, and find viable uses for buildings worthy of preservation.

Department of Natural Resources , Division of State Parks, to create a meaningful experience for the public in parks where historic sites or buildings are located, to conduct environmental reviews and archaeological study in state parks, and to cooperate in the preservation of a variety of cultural resources. It also cooperates with the **Division of Trails and Waterways** in conducting archaeological research.

Department of Transportation to preserve cultural resources threatened by highway construction.

Department of Education to stimulate and strengthen the teaching of state and local history in Minnesota schools through teacher workshops and curriculum materials.

Department of Administration, Information Policy Office, Data Practices Office, and InterTech to cooperate in the preservation and classification of public records.

Department of Public Safety in protecting the state's historical resources.

The Society also works with the interagency **Records Disposition Panel**, created by statute.

MAJOR POLICY DRIVERS:

There are five major drivers of MHS policy:

- 1) Threats to Minnesota's vital historic resources
- 2) Demand for public services
- 3) Services required by state law
- 4) Need for education in Minnesota history
- 5) Recognition that history is a vital state economic resource

Threats The first driver is a function of both time and change. Nearly all material evidence of the past--written, printed, pictorial, and artifactual--becomes more fragile with the passage of time. Its preservation becomes more critical and also more difficult. The Society is responsible for one of the richest collections of state historical data to be found anywhere in the country, including, for example:

- More than 5,000 newspaper titles
- 500,000 bound volumes
- 35,000 historic maps
- 200,000 photographs
- 37,000 cubic feet of manuscripts
- 41,000 cubic feet of government records
- 125,000 museum artifacts
- 500,000 archaeological items

As custodian of these precious resources, which increase each year as the present becomes the past, the Society inevitably faces an expanding need for staff and budget. Moreover, rapid growth and development throughout both rural and urban areas of the state pose an ever-increasing threat to the records of the past that lie hidden in the ground and to buildings, bridges, and landscape features that bear silent testimony to the life and culture of former generations. For these also the Society bears responsibility in its function as home to the State Historic Preservation Office (SHPO).

Public Demands The second driver is a function of increasing population and of growing public demand for knowledge and first-hand experience of the past. During the last three decades the American public, hungry to make sense of a rapidly changing world, has flocked in unprecedented numbers to museums, archives, historic sites, genealogical libraries, monuments, and restorations. The demands upon the Society have reflected this pattern.

Related to this trend is the growth of smaller historical organizations throughout the state and their reliance upon the state society for advice, expertise, and assistance in collecting, preserving, and interpreting the story of local areas and special groups. The number of such organizations, fewer than 200 in 1970, is now more than 450 and still increasing.

Required Services The third driver lies in responsibilities placed upon the Society by the state. These also have increased steadily over the years, as when the Society became the repository for the state's archives and was charged with supervising the disposition of state and local government records, when administration of the State Historic Preservation Office was placed under it, and when it was entrusted with caring for the public areas of the State Capitol.

Education The fourth driver is responding to the needs of the state's schools, institutions of higher education, and continuing education programs. It also encompasses the need of emerging groups for updated materials relating to their history in the state. These include American Indian people and other minorities, ethnic groups, laboring people, and women whose place in the development of Minnesota was formerly misinterpreted or ignored. As part of its mission to serve all the people, the Society attempts to meet these needs through research, publications, workshops, public programs, and school materials.

Economic The fifth driver is the growing recognition throughout Minnesota that history is a vital resource to the economy. In particular, MHS' historic sites contribute directly to Minnesota's tourism industry. The Minnesota Historical Society's publishing activities are also an important economic activity.

EXPLANATION OF BUDGET ISSUES AND ALTERNATIVES:

This biennial budget request comes at a time when the Minnesota Historical Society faces the impact of the largest workload, and program growth in its 140 year history. The use of its existing programs is constantly growing. The state historic site system, although not fully developed, attracts over 700,000 individuals annually - many of whom are school children and tourists. The State History Center, initiated in 1985 by a design competition process, will provide a proper home for the Society's rich historical collections, and for the first time a facility which could serve as a state museum. As shown in our program purpose section of this budget request, the Minnesota Historical Society consists of many history businesses within one major institution - Library, Archives, Museum, Historic Sites, Archaeology, and Publications. All very important and dynamic activities.

During the 1980's, inflationary costs continued to erode budgets, as did lack of funding to fully finance the State pay plan. These budgetary pressures have now reached a crisis level.

During the 1980's budget reductions also seriously eroded the funding base of our historic sites system. Some sites which were open for public use in 1982 are still closed. The Grant-In-Aid Program for historical preservation needs of county and local historical organizations is still \$300,000 under its 1980 level, even with today's increased demands. Therefore, the Minnesota Historical Society faces the need for added funding due to the needs relative to the State History Center, as well as trying to stabilize operations still under pressure because of past reductions of state resources.

The planning of the State History Center was not done with the expectation that the other program areas of the Society such as historic sites or state archives would have to be reduced or eliminated to support the History Center. With only base level funding available it is not possible to meet the critical needs of the coming two years. The Society will attempt to meet as many needs as possible within the budget guidelines as issued by the Department of Finance. However, it is hoped the Governor and Legislature will recognize the need for added support in two areas - pay plan and the State History Center in order to keep the State's history program intact.

In summary, the Society finds reallocation within its base funding hampered by several factors:

1. **Pay Plan.** History is a labor-intensive public service organization. Salaries represent slightly over 71% of the Society's budget, and as a matter of policy the Society does not curtail public services by allowing positions to remain vacant. Base level funding will not allow the Society to provide salary adjustments without major layoffs (32-35 people). Such layoffs would destroy the fabric of a great institution, and carry the longer term burden of significant unemployment compensation costs. Such reductions would directly affect programs because the Society has only a small number of employees in each program/activity. Therefore, rather than close and terminate such activities as historic sites, library, or archives, the Society intends to seek funding support from the Governor and legislature for this need.
2. **History Center.** The 1992-93 biennium will see the completion of the History Center. This magnificent building embodies a long-term commitment on the part of the State to preserving its historic heritage and to making that heritage available to the public on a scale that has hitherto been impossible. For the Society relocation to the new building, expected to occur in mid-1992, means moving its massive collections while at the same time keeping them as accessible as possible in order to avoid a lengthy interruption of public service. It means stepping to a more efficient level of reference service, fully automated and consolidating in one place access by researchers to all of its various collections. It means creating exhibits for a museum approximately six times the size of the galleries in the old building. It means providing gallery demonstrators, guides, teachers, and lecturers on special topics to bring history to life for visitors. It also means managing large public areas and services, including an auditorium/theater, food service, and a gift shop offering MHS publications and other items to enhance visitors' understanding and enjoyment.

One-time costs entailed in moving to the History Center in fiscal year 1992 and opening it to the public in fiscal year 1993 are being submitted separately in a request for capital funds. However, the expanded level of service and operations in the new building will demand significant ongoing

increases in staff and funding. Although there will be some minor economies resulting from centralization and greater storage space, these will not offset the costs of service to greater numbers of people than the Society has ever served in its 140 year history, and increased building operational costs. Specific functions affected by the History Center and the increases needed are indicated in the program narratives.

3. Historic Sites. Tourism is one of the State's largest businesses. Historic sites are now being recognized as a major asset to that segment of the State's economy. In a recent survey in California by the National Trust for Historic Preservation, four out of every ten visitors used or visited historic sites in that state. Similar studies in the midwest have indicated the same demand and use of historical resources. Providing adequate funding for historic sites now available for public use in Minnesota is critical. Base level funding will not permit opening developed sites for public use during 1992 or 1993.
4. Inflation. Inflation over the past six years has seriously eroded the Society's budget to the point that consumable supplies and services utilized by the public, and by employees, as a basic part of their job duties, are not available. Base level funding must address this need for existing programs.
5. Federal Funds. A small but significant share of the budget is supplied by federal funds. However, the extent of availability of these funds during the 1992-93 biennium is at present unknown. The primary areas in which the Society has traditionally received federal funds include the State Historic Preservation Office (SHPO), the microfilming of manuscripts and public records through grants from the National Historic Publications and Records Commission (NHPRC), microfilming and cataloging the State's newspapers through a grant from the National Endowment for the Humanities (NEH), and the National Endowment for the Arts (NEA). The continued availability of such funding is not at all assured. While the Society uses its very best efforts to maximize its federal funding, we cannot be sure of any particular level of grant funds.

Proposed Budget Allocation. The Society will be proposing several strategies to increase its funding from nonstate sources and will seek legislation that will expand the state match needed to attract federal funding for historic preservation grants and other preservation work without increasing state expenditures. These initiatives are detailed in later sections of this document, as are the potential negative impacts of base level funding upon the Society's programs. However, the Society does ask the Governor and Legislature to provide added support for the pay plan and History Center needs in order to enable the State's history program to meet its basic needs during the forthcoming biennium.

GOVERNOR'S RECOMMENDATION:

The Governor concurs with the Society's plan except for the following: a) added funding for 1992-93 pay plan increases is not recommended. The Society must fund this item by reallocating from existing resources; b) an increase of \$300,000 is recommended for F.Y. 1993 for State History Center programs and exhibit gallery staff provided the Society initiate admission and parking fees when the Center opens to support this increased cost; c) a biennial reduction of \$544,000 and 2 positions from the historic preservation grant-in-aid activity; and d) recognizing the authority of the LCMR to make budget recommendations for projects funded by the Minnesota Future Resources Fund, the Governor makes no specific recommendations on these projects.

1992-1993 B I E N N I A L B U D G E T
(DOLLARS IN THOUSANDS)

AGENCY: HISTORICAL SOCIETY

PROGRAM RESOURCE ALLOCATION:	FY 1989	FY 1990	Est. FY 1991	FY 1992			FY 1993		
				Adjusted Base	Agency Plan	Governor Recomm.	Adjusted Base	Agency Plan	Governor Recomm.
PUBLIC PROGRAMS AND OPERATIONS-MHS	11,697	13,824	15,034	14,811	15,666	15,666	14,816	15,241	15,541
STATEWIDE OUTREACH-MHS	1,098	1,346	1,388	1,291	1,391	1,118	1,291	1,291	1,018
REPAIR AND REPLACEMENT-MHS	567	521	524	525	525	525	525	525	525
FISCAL AGENCIES-MHS	232	437	372	397	397	397	347	347	347
TOTAL EXPENDITURES BY PROGRAM	13,594	16,128	17,318	17,024	17,979	17,706	16,979	17,404	17,431
SOURCES OF FINANCING:									

DIRECT APPROPRIATIONS:									
GENERAL	10,411	11,927	12,666	12,843	12,843	12,570	12,798	12,798	12,825
MN RESOURCES	255	181	513		530	530			
STATUTORY APPROPRIATIONS:									
SPECIAL REVENUE	107	112	184	136	502	502	136	502	502
FEDERAL	382	771	818	845	845	845	874	874	874
GIFTS AND DEPOSITS	2,439	3,137	3,137	3,200	3,259	3,259	3,171	3,230	3,230
TOTAL FINANCING	13,594	16,128	17,318	17,024	17,979	17,706	16,979	17,404	17,431

BASE RECONCILIATION REPORT
for 1992-1993 Biennium

AGENCY: HISTORICAL SOCIETY

	ALL FUNDS		GENERAL FUND		OTHER STATE FUNDS		FEDERAL FUNDS	
	F.Y.92	F.Y.93	F.Y.92	F.Y.93	F.Y.92	F.Y.93	F.Y.92	F.Y.93
F.Y.91 FUNDING LEVEL	17,318	17,318	12,666	12,666	3,834	3,834	818	818
ONE-TIME APPROPRIATIONS	<25>	<25>	<25>	<25>				
BIENNIAL APPROPRIATIONS	50		50					
SALARY ANNUALIZATION	79	79	79	79				
DOCUMENTED RENT/LEASE INCR.	73	78	73	78				
LCMR FUNDED PROJECTS	<513>	<513>			<513>	<513>		
DEDICATED RECEIPTS AND FUNDS	42	42			15	<14>	27	56
TOTAL	17,024	16,979	12,843	12,798	3,336	3,307	845	874
BIENNIAL TOTAL		34,003		25,641		6,643		1,719

ACTIVITY: Various Activities
PROGRAM: Public Programs and Operations/Statewide Outreach
AGENCY: Minnesota Historical Society

1992-93 Biennial Budget

DECISION ITEM: Legislative Commission on Minnesota Resources
(LCMR) Projects

	Dollars in Thousands			
	<u>F.Y. 1992</u>	<u>F.Y. 1993</u>	<u>F.Y. 1994</u>	<u>F.Y. 1995</u>

AGENCY PLAN:

Expenditures				
LCMR	\$ 530	\$ -0-	\$ -0-	\$ -0-

GOVERNOR'S RECOMMENDATION:

Expenditures				
LCMR	\$ 530	\$ -0-	\$ -0-	\$ -0-

Requires statutory change: _____ Yes X No
Statutes Affected:

ITEM SUMMARY:

This decision category relates to projects of the Legislative Commission for Minnesota Resources that have been approved by the commission and are recommended for funding during the 1992-1993 biennium.

RATIONALE:

The Legislative Commission on Minnesota Resources have recommended their projects for funding under this program. They are as follows:

1. Preservation of Historic Shipwrecks \$100,000

This project will compile information on the historic context of the Great Lakes shipping industry with an emphasis on developing specific data and historical registration guidelines for the various types of vessels that have been used in this industry. The project will involve a complete and thorough literature search of data on known Lake Superior wrecks located on Minnesota's North Shore; development of individual inventory files on each wreck to be integrated into the state historic inventory files, and evaluation of known wrecks based on the context information and initiate documentation for nomination to the National Register of Historic Places. A preservation plan will be developed to help carry out the requirements of the Federal Abandoned Shipwrecks Act.

2. Fur Trade Research and Planning \$250,000

The North West Company Fur Post is reconstructed on the original location excavated by the Minnesota Historical Society in the 1960s. It is the only winter trading post extant and interpreted for the public in the state. While other major sites in our system have fine interpretive center and visitor services, this site has no center and offers no services. The request is for funds to plan a visitors' center and appropriate landscaping, parking, exhibit, etc.

3. Historic Records Data Base \$180,000

The Minnesota Historical Society has installed a computerized catalog of its research collections with the previous support of the Legislative Commission on Minnesota Resources. This catalog is part of the Minnesota State University System's Project for Library Automation (PALS) network. The PALS system requires catalog records to be a standard library electronic format known as MARC. The Historical Society has created records in this format for all new library materials acquired since 1977. Information on catalog cards for manuscripts and older library books and periodicals must be converted into this form to be usable in the computer catalog. The online catalog provides direct access to the Society's library, manuscripts and state archives collections both in the Society's reading rooms and at all 50 participating PALS member libraries in Minnesota and North Dakota. This system makes the Society's resources more accessible to all Minnesotans that was formerly possible when the only access was through a series of card catalogs in St. Paul. Significant portions of the collections await conversion into electronic format. This project will complete the addition of catalog records for the remaining library books and periodicals and the manuscript collections into the PALS system.

GOVERNOR'S RECOMMENDATION:

Recognizing the authority of the LCMR to make budget recommendations for projects funded by the Minnesota Future Resources Fund, the Governor makes no specific recommendations.

PROGRAM PURPOSE:

Like the mission of the Minnesota Historical Society (MHS), the purpose of this program is to foster knowledge and appreciation of the history of Minnesota by collecting and preserving the records of the State's past, by making those resources available to researchers, and by illuminating the Minnesota story for the general public. It accomplishes this purpose through a number of distinct activities:

1. Library. This division collects, organizes, preserves and makes accessible the written, visual, and oral materials relating to Minnesota's past.
2. State Archives. This department carries out the Society's responsibility, imposed by state law, for evaluating the historical importance of all Minnesota's governmental records and arranging for their permanent preservation or disposal. Current laws mandate a constant input of public records into state archives. Such records are increasingly more complex and vary in their form. This area of activity has constant growth.
3. Oral History. This activity, carried on through a series of specially funded projects, collects and preserves the recollections of Minnesotans on audio and video tape, on film, on records, and in transcripts of interviews.
4. Museums. The Museum Division collects, organizes, preserves, and makes available the 3-dimensional objects that document the State's material culture, including archaeological remains. It has the additional responsibility of developing exhibits in all MHS historic sites and museum galleries and enhancing public appreciation and enjoyment of these displays through conducting school lessons, lectures, and a variety of public programs.
5. Exhibits--State History Center. This activity, related to the museum, shoulders responsibility for planning, creating, installing, and managing exhibits that will comprise a major museum of Minnesota history in the new History Center.
6. Publications and Research. This activity researches and, under the imprint of the Minnesota Historical Society Press, publishes and markets books, a magazine, art reproductions, tapes, records, and maps that illuminate the story of Minnesota's history for scholars and the general public.
7. Historic Sites. The Historic Sites Department administers the 31 major sites that have been entrusted to the society's care by the State of Minnesota. Its responsibilities include preservation, restoration, maintenance, and the development of public visitor centers and interpretive programs.
8. Institutional Support. Including the functions of Finance and Administration, Management, and Development, this activity provides the core of business and management support for all of the Society's programs and operations.

PERFORMANCE:

The Minnesota Historical Society is considered the premier institution of its type in the nation. It serves well over 1.2 million individuals annually from all walks of life - almost as much as the Science Museum of Minnesota and the Minnesota Zoo combined. The Society as an educational institution through its library, archives, historic sites, publication, and research activities, serves Minnesotans in many educational capacities, making it the largest educational institution in the state.

Approximately 75% of the Society's support comes from the State. The balance of support is the

result of the constant and never ending pursuit of nonstate resources. Some recent examples of that effort are:

1. \$1,000,000 granted by the National Endowment for the Humanities (NEH) to assist with the construction of the State History Center;
2. \$845,000 grant from the National Endowment for the Humanities to preserve the state's newspaper collection;
3. Funding provided by the Blandin Foundation to assist in producing Northern Lights, a long needed text with teacher's guide on Minnesota history targeted at the 4th through 6th grades (its initial print run of 20,000 is already sold out). This is a publication that is now being used statewide. It has received the Award of Merit, the highest distinction available from the American Association of State and Local History;
4. Society board members have pledged or contributed over 1.7 million dollars of their own money to assist with the State History Center construction;
5. \$1,000,000 challenge grant from the 3M company for the State History Center; and
6. Over 75% of all the rich historical collections held by the Society have been donated to the Society, rather than purchased.

These resources have come to the Society as a direct result of the strong efforts made by MHS staff, board members, and volunteers, and the excellent acceptance by Minnesotans that the Minnesota Historical Society is an appropriate, and proper custodian of the State's history.

Activity statistics are maintained by the Society to identify key productivity units for management and control purposes. Those activities and their performance indices are shown as follows:

	F.Y. 1990	F.Y. 1991	F.Y. 1992	F.Y. 1993
<u>Library</u>				
Library - Acquisitions and Curatorial:				
Library books and other items acquired	1,988	1,800	1,800	1,800
Photographs acquired	2,090	2,500	2,500	2,500
Works of art acquired	47	50	50	50
Library - Conservation:				
Manuscripts and documents treated (newspaper leaves, maps, posters)	5,061	4,000	4,000	4,000
Microfilm rolls produced	13,754	23,228*	14,000	14,000
Black and white prints	10,435	10,000	10,000	10,000
Books repaired/rebound	542	400	400	400
* Includes National Endowment for the Humanities newspaper microfilming				
Library - Processing:				
Published materials cataloged	7,145	7,000	7,000	7,000
Manuscripts processed (cubic feet)	1,287	1,200	1,200	1,200
Photographs/artwork processed	6,148	5,500	5,500	5,500
Library - Reference:				
In-person patrons served	26,068	27,000	27,000	27,000
Phone and correspondence inquiries	24,836	25,000	25,000	25,000
Collections used by public	100,633	100,000	100,000	100,000
Inter-library loans	6,047	8,000	8,000	8,000

PROGRAM: Public Programs and Operations
(Continuation)
Agency: Minnesota Historical Society

1992-93 Biennial Budget

	<u>F.Y. 1990</u>	<u>F.Y. 1991</u>	<u>F.Y. 1992</u>	<u>F.Y. 1993</u>
<u>State Archives</u>				
Records acquired (cubic feet)	1,380	1,800	1,800	1,800
Records destroyed (cubic feet)	20,358	20,000	20,000	20,000
Number of field visits	189	200	200	200
<u>Oral History</u>				
Transcription Units	1,301	1,772	2,000	2,000
Workshops	32	27	30	30
Hours of Interviews (Annual)	55	92	75	75
Hours of Interviews in Collections	2,391	2,483	2,558	2,633
<u>Museums</u>				
Museums - Collections:				
Museum acquisitions	2,985	2,000	2,000	2,000
Archaeological acquisitions	18,515	15,000	15,000	15,000
Museum artifacts photographed	3,534	3,000	3,000	3,000
Reference questions answered	1,299	1,300	1,300	1,300
Artifacts in use in exhibits or research	19,282	19,824	19,824	19,824
Museums - Exhibits:				
Traveling exhibits in use/loaned out	111	117	119	119
Traveling exhibits audience	527,483	550,000	600,000	600,000
Museums - Education:				
Students attending museum lessons	6,300	6,900	6,900	20,000
Catalogs and flyers distribution	18,000	34,500	34,500	34,500
Roots magazine distribution	25,300	21,500	22,500	23,000
Student information packet distributed	5,000	5,000	5,000	5,000
<u>Exhibits - State History Center (opening in October, 1992)</u>				
Exhibits - square feet				20,000
Audience - State History Center				250,000
<u>Publications</u>				
New titles published	7	9	10	11
Units sold	131,925	143,500	125,000	124,000
State history curriculum units sold	24,360	38,000	12,000	8,000
Copies of MN History distributed	33,400	33,400	33,600	33,600
Manuscripts/proposals reviewed	95	102	110	115
Backlist titles reprinted	17	18	15	15
<u>Historic Sites</u>				
Number of sites	31	31	31	31
Sites managed by Minnesota Historical Society	25	25	25	25

	<u>F.Y. 1990</u>	<u>F.Y. 1991</u>	<u>F.Y. 1992</u>	<u>F.Y. 1993</u>
Sites managed by others	6	6	6	6
Sites requiring development	24	24	24	24
Sites closed to public	5	5	5	5
Total site attendance	693,981	700,000	710,000	730,000

Institutional Support

Personnel - FTE	200.9	223.1	216.1	216.1
Disbursement transactions	20,750	21,995	22,000	22,000

PROSPECTS:

Virtually all MHS activities will be impacted in significant ways during the next biennium, not only by our move into the new History Center in mid 1992 but also due to the continued growth in demand for all of the Society's programs. As stated in the beginning of the budget document, there are five major policy drivers that impact the Society and what it does. Those policy drivers are:

- 1) Threats to Minnesota's vital historic resources
- 2) Demand for public services
- 3) Services required by state law
- 4) Need for education in Minnesota history
- 5) The recognition that history is a vital state economic resource

As we move into the decade of the 1990's, a need to maintain a strong and vital history program will become more critical with the increasing demand on the state's public and private financial resources. During Fiscal Years 1992-1993 certain issues relating to the operation of MHS must be addressed. These issues are:

Inflationary Erosion of Resources

Inflationary costs over the past 6 years have eroded the Society's supply and expenses budget. There is an imbalance between consumable supplies and available staffing needs to the extent that the proper maintenance and care of collections as well as service to the public cannot be maintained.

Library/Archives

Due to increased use of the Library, and the impact of inflation on its financial resources, increased funding in such areas as supply and expense, automation services, part-time student help, and oral history are critical to its continued ability to operate.

Historic Sites

Public acceptance of the MHS historic sites program has been excellent as demonstrated by our site attendance statistics. However, such attendance has and continues to be limited because of the lack of development of many of our sites. As shown on the accompanying map and chart, we have not been able to fully develop and open to the public many important historic sites because of limited funding available for this activity. The historic sites program, activated by state law in 1965, assumed the complete development of such a system. Funding has not been provided to accomplish that goal, so over 50% of the State's historic sites are only partially developed or undeveloped for public use. The State's historic sites system has no dedicated source of state support, other than direct appropriations, and admission income at sites which are available for public use. The admission fees structured for historic sites has been established at a level that would permit individuals from all walks of life and not only the well to do to visit and utilize such sites. In this budget request, the Society proposes to revise the admission fee structure to provide added funding for the 92/93 period. By raising the adult admission fee from \$2.00 to \$3.00 per adult, this is a significant increase, but one which is warranted at certain selected sites which are more fully developed for public use than

others. The Society is also proposing to reallocate some historical site funding by modifying operations to meet some of the demands of increased operating costs and needs in the historic site system. The Society chose to allocate the base funding available for use by historic sites which are now open and available for public use. The Meighen Store did not meet that criteria. Therefore, with the limitation in base funding available, the Society chose not to open any new historic sites at this time.

The purposes for which the funding would be used at existing sites relates to such basic needs as guide dress time, handling May school tours, Fort Snelling staffing of the school and officers quarters, admissions handling costs at Split Rock Lighthouse, and to provide support staff for safety and security purposes at sites that now have only one person. These fee adjustments will cover both 1992 and 1993, and provide critically needed funds necessary for historic sites, as well as other MHS operations. This will enable sites currently open to the public to continue to be available for public use.

State Archives

Increasingly the State and other public bodies are keeping many records only in machine-readable form. Computer data banks have replaced the filing cabinet. For speed and efficiency this can be a boon, but for history it threatens to be a disaster. Not only is information easily erased, but the accelerating pace of change in electronic technology makes older forms of storage inaccessible within a few years as compatible equipment becomes obsolete. There is a need to keep pace with this ever changing technology. To meet this growing demand requires an additional investment of \$40,000 annually. A specialist would examine the electronic technology growth and its near- and long-term effect on state archives.

Oral History

Oral history is vital to the documentation of the 20th century. Written sources such as books and manuscripts are no longer sufficient in a world where the telephone has replaced letters for most private communication and where personal diaries or journals are seldom kept. There are many requests for oral history interviews with no staff to undertake them. Last year, with LCMR funding, more than 20 workshops were conducted by the oral history office, and the demand continues; there is great public interest in this type of historical resource.

State History Center

With the opening of the new State History Center in mid 1992, increased demands will be placed on that segment of the Society's operations. There is 40,000 square feet of exhibit gallery space in the new History Center, and developing exhibits to use such space is a major challenge. Both core and temporary exhibits will be developed with annual changes needed both to attract return visits by our public for fresh exploration as well as to ensure proper conservation of exhibited artifacts. Additional new resources will be required to maintain the new and varied museum activities which will occur.

PLAN:

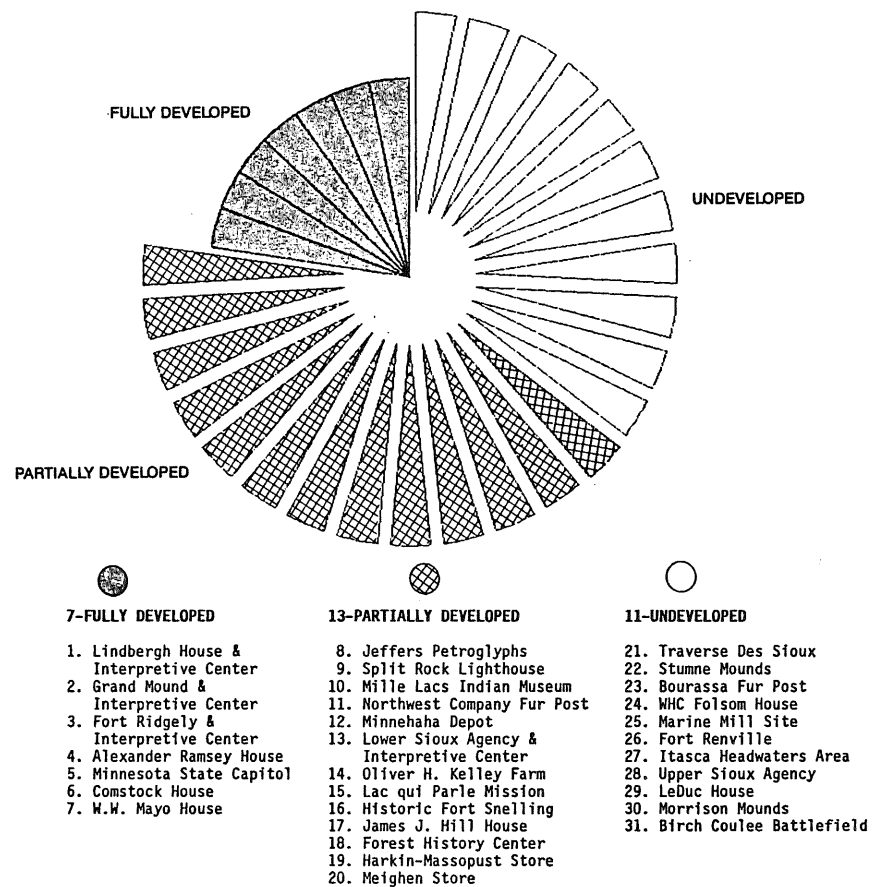
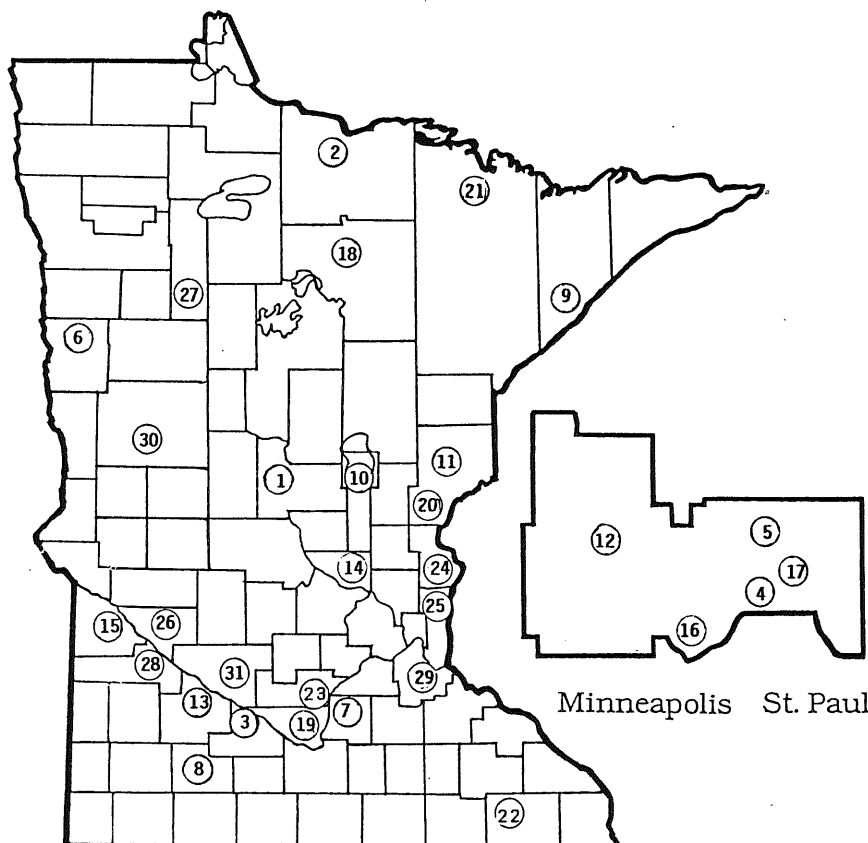
As indicated in the preceding information in this budget document, this program of the Minnesota Historical Society needs additional financial resources to accomplish certain critical needs. Those needs, including the base level funding availability is as follows:

	F.Y. 1992	F.Y. 1993
<u>Base Level Funding</u>		
State Appropriation	\$11,408.0	\$11,413.0
Special Revenue Funds	136.0	136.0
Federal Funds	405.0	405.0
Total Base	\$11,949.0	\$11,954.0
<u>Increased Needs Beyond the Base Level of Funding</u>		
Supply and Expense Inflation Adjustments	\$ 125.0	\$ 125.0
Library/Archives	95.5	95.5
Historic Site Interpretation/Operations	204.5	200.5
Site Operations	7.3	7.3
State Capitol Staffing Support	30.0	30.0
Pay Plan	415.0	849.0
State History Center	0.0	391.7
State Archives	40.0	40.0
Women's History Specialist	50.0	50.0
Meighen Historic Site	30.0	75.0
LeDuc/Simmons Historic Site	30.0	30.0
Program Shortfall Total	\$1,027.3	\$1,894.0
Funding Shortfall	(\$1,027.3)	(\$1,894.0)

Planning Priorities and Objectives:

This biennial budget request has been limited to base funding, certain special revenue adjustments and some reallocation as approved by the Department of Finance. The Society, of course, faces major program growth due to the new State History Center opening in 1992, and the continued growth of public demand and use for programs that are now in place. Recognizing the five major policy drivers behind our programs, the Society established objectives in arriving at base allocation decisions. These objectives are as follows:

1. To provide additional funding for critical areas of the Society's operations to offset the erosion of purchased goods and services caused by inflation the past six years. Consumable supplies and services for employee and public use must be maintained at the appropriate level to ensure satisfactory employee productivity, and proper delivery of services to the public.
2. To continue to operate for public use those historical sites which are now open to the public.
3. To implement fee adjustments as well as other funding modifications to supplement base state appropriations.
4. To seek added state support in two specific areas:
 - 1) salary compensation costs, and
 - 2) costs relating to the operations of the new State History Center.
5. That funding decisions on the new State History Center should not jeopardize existing public programs and operations.
6. That critical deadlines relating to the operations of the new State History Center will approximate the following schedule:



PROGR/ Public Programs and Operations
(C. uation)
Agency: Minnesota Historical Society

1992-93 Biennial Budget

Apply to Public Program Expense

Based on 150,000 cars per year at \$1/car, less collection costs.

- A. The building will be turned over to the Society in December 1991, with occupancy beginning on or about February 1, 1992.
- B. Operations at 690 Cedar Street, 222 Plato, Fort Snelling and Hill House will begin to move to the Center on or about May 1, 1992. Such moves should be completed by September 1, 1992.
- C. The installation of the first phase of the State History Center exhibits will occur prior to October 1, 1992.
- D. The move of the museum collections and related functions will occur gradually over several months in late 1992 and early 1993.
- E. The State History Center will open to the public on October 1, 1992.

Financial Resource/Income Adjustments

With these planning objectives in place the Society then proceeded to examine existing resources, special revenue options, and reallocations. The result of that process yielded the following list of income adjustments will be applied to reduce the funding shortfall. For this program they are as follows:

A. Special Revenue Funds:

\$3 Adult Admission Fees - Existing Sites	\$125,000
\$3 Adult Admission Fees - Split Rock	300,000
Annual Total	\$425,000

This is new revenue as a result of increasing adult admission fees from \$2 to \$3.

Public visitor use and visitation of 200,000 annually at Split Rock Historic Site now warrants the implementation of admission fees. Because access to the historic site is by a separate road from that used in the state park camping area, visitors who are using the state park camping facilities can be readily sorted from visitors who choose to visit the historic site. The Society proposes that people using the state park camping facility should, of course, continue to be charged the state park daily fee or have a state park sticker. The over 200,000 visitors using the historic site would be charged at the Society's admission fee schedules. Similar situations exist at Fort Snelling State Park and Lindbergh State Park and the fee sort by public use as proposed at Split Rock works very well. Because the public use of the historic site (over 200,000) is far above the use of the camping area, the Society would propose that its staff collect those fees, relieving the D.N.R. of that cost burden. Proper accounting procedures would assure appropriate deposit of all fees collected in the state treasury. The appropriate legal authority is in place to accomplish this recommendation.

B. Reallocation of existing program funds:

State Capitol - Modification of operating hours	\$ 19,300
Ramsey House operating season reduction	18,000
Reallocation Total	\$ 37,300

A and B Total \$462,300 *

* Applies to both F.Y. 1992 and 1993

C. State History Center Parking \$100,000 **

** Projected income for each year (F.Y. 1994 and 1995)

Funding Decisions

Following the planning objectives that were established, the Society proceeded to prioritize program funding needs. As a result of that process the following needs were funded either from increased fees or reallocations of existing base level funds. (Note: In the case of inflationary adjustments, because of the critical need to maximize the use of all available funds, across the board adjustments in all activities were not made. Only selective adjustments were made in specific activities.)

	1992	1993	Funding Plan Source
<u>Special Revenue Fund Allocations</u>			
A. Supply and Expense Inflation Adjustments			
01-07 - General Support	\$ 50,000	\$ 50,000	Fees
01-10 - Library/Archives Supplies	15,000	15,000	Fees
01-16 - Historic Sites	30,000	30,000	Fees
01-10 - Library: Acqs/Serials/Docu/Subs	30,000	30,000	Fees
Total	\$125,000	\$125,000	
B. Library/Archives			
01-10 - Automation Expenses	\$ 28,500	\$ 32,500	Fees
01-12 - Oral History Program	42,000	42,000	Fees
01-10 - Student Workers	25,000	25,000	Fees
Total	\$ 95,500	\$ 99,500	
C. Historic Sites			
01-16 - Site Interpretation/Operations	\$151,800	\$167,800	Fees
01-16 - Staff Training	12,700	12,700	Fees
01-16 - Site Maintenance	20,000	20,000	Fees
01-16 - Historic Site Equipment	20,000	0	Fees
Total	\$204,500	\$200,500	
Grand Total A & B & C	\$425,000	\$425,000	Fees

Reallocation - State Appropriations

01-16 - Site Operations	\$ 7,300	\$ 7,300	Reall.
01-16 - State Capitol	30,000	30,000	Reall.
Total	\$ 37,300	\$ 37,300	Reall.

Unfunded Program Needs

A number of program needs cannot be met with the resources available. Base level allocation decisions did not fund the following needs:

	F.Y. 1992	F.Y. 1993
01-01 - 1992/1993 Pay Plan - All activities	\$415,000	\$849,000
01-14 - State History Museum	---	391,700
01-11 - State Archive Information Technology	40,000	40,000
01-15 - Women's History Specialist	50,000	50,000
01-16 - Meighen Store Interpretation/Operations	30,000	30,000
01-16 - LeDuc/Simmons House	30,000	30,000
Total	\$565,000	\$1,390,700

PROGRAM: Public Programs and Operations
(Continuation)
Agency: Minnesota Historical Society

1992-93 Biennial Budget

The Society would appeal for some relief as far as the negative impacts on these items are concerned. The long range planning of the State History Center did not assume the use of resources of other programs to fund its operations. These negative impacts involved are:

Pay Plan

The demand for our services to the public and the need to maintain existing programs within the base level of our funding causes us to be unable to build into our base any provision for pay plan adjustments in the coming biennium. It is MHS policy to follow the Commissioner's plan as a model for our own pay plan, inasmuch as we are required by statute to have a pay plan that is comparable to that used by the State. However, our ability to do this is always subject to available funding. Assuming that the Commissioner's plan might provide salary increases of 4.5% each year, the dollar effect of such increases for MHS would be approximately \$415,000 in 1992 and \$849,000 in 1993. To achieve this need with existing funds would require massive layoffs (32-35 people). The Society intends to seek those added funds from the Governor and legislature.

State History Center

These funds relate to program initiatives and staffing needs relative to the exhibit galleries which are scheduled to open for public use in F.Y. 1993.

	<u>F.Y. 1992</u>	<u>F.Y. 1993</u>
01-14 - Clerical and volunteer help	---	\$ 39,200
01-14 - Gallery Demonstrators	---	39,500
01-14 - Gallery Interpreters	---	144,300
01-14 - Gallery Managers	---	56,800
01-14 - Museum Teachers	---	32,300
01-14 - Program Scheduler	---	29,600
01-14 - Public programs	---	50,000
Total	<u>\$ 0</u>	<u>\$391,700</u>

The effects of delaying these initiatives will include less visitor enthusiasm over initial visits and a lower level of public interest and excitement generated by the new History Center. It seems to us that this effect will be particularly unfortunate because it means that the new Center will fail to affect tourism and the metropolitan economy as positively as would be the case if it were more fully developed. The exhibit galleries would not be open as planned.

It should be noted that beginning in F.Y. 1994 the Society anticipates applying parking income at the State History Center to defer some of these program expenses. As shown in Item C of this budget request under the Financial Resource/Income Adjustments section, the net amount of parking fee income after collection costs could approximate \$100,000 annually.

State Archives

The State Archives department is currently unable to work effectively with the automated records of the State of Minnesota. More and more records of the state are in machine readable form. A specialist for this purpose is needed at an annual cost of about \$40,000 but cannot be accommodated within base funding. If this growth problem cannot be dealt with, state agencies would be required to hold such items in their possession.

Women's History Project

A 27-member Women's History Center Task Force studied the subject of women's history. In 1986

the Task Force determined that the purpose of a women's history center (then envisioned as a physical entity) would be "to expand public understanding and awareness of the role of Minnesota women in the history of the state and of the nation."

A working committee was appointed to explore incorporating women's history programming into existing MHS activities rather than constructing a separate center. In April, 1989, the working committee developed a report recommending that the Society pursue funding for a women's history specialist and related program costs in the 1992-93 biennial budget request. Funding for the position was estimated at \$40,000, and program expenses, including support for an advisory committee, at \$10,000. Under the mandate to stay within base level funding, this program cannot be funded.

Historic Sites

The following two historic sites have been under development. The Meighen Store is now at the stage where it could be opened for public use with the needed operating funds. The \$40,000 currently available for the Meighen Historic Site is used for a site manager to provide needed security, care of collections, site maintenance, pay for utilities, and groundskeeping needs. The LeDuc Simmons House is restored to the point that funds for utilities and general upkeep, until it can be completely restored, are needed. These sites however, do not hold priority over the funding required by sites already open and used by the public. Therefore, with only base level funding available, the Society chose to allocate existing funds to meet the needs of sites already open to the public.

	<u>F.Y. 1991</u>	<u>F.Y. 1992</u>	<u>F.Y. 1993</u>
Meighen Store Interpretation/Operations	\$40,000	\$70,000	\$115,000
LeDuc/Simmons House	0	30,000	30,000

Summary of Plan

The Society has tried to develop a plan through admission fee increases and reallocations which will fund certain priority needs of the institution. However, the funding "base" available to the Society is not significant enough to reallocate existing funding to meet needs such as the cost of the 92/93 pay plan, or certain costs which relate to the State History Center now under construction.

The Society's plan involves seeking funding assistance from the Governor and legislature for the 92/93 pay plan at a level comparable to state agencies, and also certain needs of the State History Center. Other needs such as State Archives, the Women's History Project, and the opening of sites under development would not be funded.

GOVERNOR'S RECOMMENDATION:

The Governor concurs with the Society's plan except for the following: a) added funding for 1992-93 pay plan increases is not recommended. The Society must fund this item by reallocating from existing resources; b) an increase of \$300,000 is recommended for F.Y. 1993 for State History Center programs and exhibit gallery staff provided the Society initiate admission and parking fees when the Center opens to support this increased cost; and c) recognizing the authority of the LCMR to make budget recommendations for projects funded by the Minnesota Future Resources Fund, the Governor makes no specific recommendations on the projects.

1992-1993 B I E N N I A L B U D G E T
(DOLLARS IN THOUSANDS)

AGENCY: HISTORICAL SOCIETY
PROGRAM: PUBLIC PROGRAMS AND OPERATIONS-MHS

ACTIVITY RESOURCE ALLOCATION:	FY 1989	FY 1990	Est. FY 1991	FY 1992			FY 1993		
				Adjusted Base	Agency Plan	Governor Recomm.	Adjusted Base	Agency Plan	Governor Recomm.
LIBRARY-MHS	2,909	3,293	3,474	3,448	3,726	3,726	3,448	3,550	3,550
STATE ARCHIVES-MHS	176	186	198	200	200	200	200	200	200
ORAL HISTORY-MHS	46	1	1	1	43	43	1	43	43
MUSEUM-MHS	926	1,000	1,337	1,346	1,346	1,346	1,346	1,346	1,646
EXHIBITS-MHS	74	55	595	400	400	400	400	400	400
PUBLICATIONS-MHS	1,053	1,454	1,505	1,511	1,511	1,511	1,511	1,511	1,511
HISTORIC SITES-MHS	3,555	4,035	4,043	3,935	4,420	4,420	3,935	4,166	4,166
INSTITUTIONAL SUPPORT-MHS	2,958	3,800	3,881	3,970	4,020	4,020	3,975	4,025	4,025
=====	=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL EXPENDITURES BY ACTIVITY	11,697	13,824	15,034	14,811	15,666	15,666	14,816	15,241	15,541
DETAIL BY CATEGORY:									
STATE OPERATIONS	11,695	13,820	15,001	14,778	15,633	15,633	14,783	15,208	15,508
AID TO INDIVIDUALS	2	4	33	33	33	33	33	33	33
=====	=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL EXPENDITURES BY CATEGORY	11,697	13,824	15,034	14,811	15,666	15,666	14,816	15,241	15,541
SOURCES OF FINANCING:									
DIRECT APPROPRIATIONS:									
GENERAL	9,134	10,396	11,258	11,408	11,408	11,408	11,413	11,413	11,713
MN RESOURCES	170	65	325		430	430			
STATUTORY APPROPRIATIONS:									
SPECIAL REVENUE	107	112	184	136	502	502	136	502	502
FEDERAL	46	389	405	405	405	405	405	405	405
GIFTS AND DEPOSITS	2,240	2,862	2,862	2,862	2,921	2,921	2,862	2,921	2,921
=====	=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL FINANCING	11,697	13,824	15,034	14,811	15,666	15,666	14,816	15,241	15,541

ACTIVITY: Program-wide decision
PROGRAM: Public Programs and Operations
AGENCY: Minnesota Historical Society

1992-93 Biennial Budget

DECISION ITEM: Financing Inflationary Costs - Informational

	Dollars in Thousands			
	<u>F.Y. 1992</u>	<u>F.Y. 1993</u>	<u>F.Y. 1994</u>	<u>F.Y. 1995</u>
AGENCY PLAN:				
Expenditures				
General Fund	\$ 415	\$ 849	\$ 849	\$ 849

GOVERNOR'S RECOMMENDATION:

Expenditures				
General Fund	\$ -0-	\$ -0-	\$ -0-	\$ -0-

Requires statutory change: _____ Yes X No

ITEM SUMMARY:

The Society did not develop a base reallocation plan to fund salary increases which are estimated at 4.5% each year. Instead, the Society requests additional funding for this purpose.

RATIONALE:

The demand for our services to the public, and the need to maintain existing programs within the base level of funding, causes us to be unable to build into our base any provision for pay plan adjustments in the coming biennium. It is MHS policy to follow the Commissioner's plan as a model for our own pay plan, inasmuch as we are required by statute to have a pay plan that is comparable to that used by the state. However, our ability to do this is always subject to available funding. Assuming that the Commissioner's plan might provide salary increases of 4.5% each year, the dollar effect of such increases for MHS would be approximately \$415,000 in 1992 and \$849,000 in 1993. To achieve this need with existing funds would require massive layoffs (32-35 people). The Society intends to seek those added funds from the Governor and legislature.

GOVERNOR'S RECOMMENDATION:

The Governor does not recommend additional funding for 1992-93 pay plan increases. If the Society decides to fund these increases, they must finance the increased costs by reallocating from existing resources.

ACTIVITY: Museums
 PROGE Public Programs and Operations
 AGEN Minnesota Historical Society

1992-93 Biennial Budget

DECISION ITEM: Exhibit Galleries Staffing/State History Center

artists, storytellers, musicians and other demonstrators will show visitors how tools and products were made; how things worked or tasted. Additional funding to serve the needs of this program and activity is critically needed. The Society has recommended that net parking fee income at the History Center site be used to defer some of these costs.

Dollars in Thousands
 F.Y. 1992 F.Y. 1993 F.Y. 1994 F.Y. 1995

AGENCY PLAN:

Expenditures					
General Fund	\$ -0-	\$ 392	\$ 392	\$ 392	
Revenues					
General Fund	\$ -0-	\$ -0-	\$ 100	\$ 100	

GOVERNOR'S RECOMMENDATION:

Expenditures					
General Fund	\$ -0-	\$ 300	\$ 300	\$ 300	
Revenues					
General Fund	\$ -0-	\$ 300	\$ 375	\$ 400	

Requires statutory change: ☒ Yes ☐ No
 Statutes Affected: Minnesota Statutes 138.94

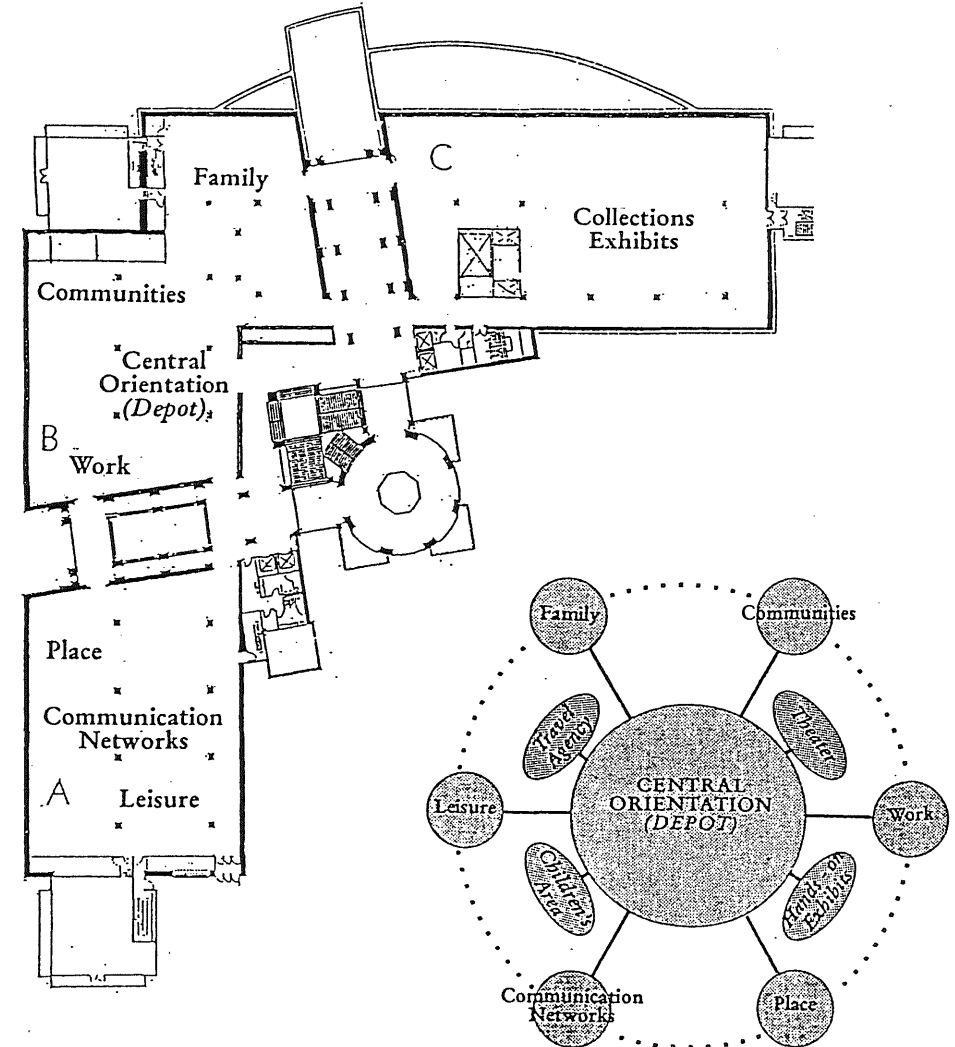
ITEM SUMMARY:

These funds relate to program initiatives and staffing needs regarding the exhibit galleries of the State History Center which are scheduled to open for public use in fiscal year 1993.

RATIONALE:

The new History Center will open with an entire wing designed for educational programs and greatly increased exhibition space. The number of visitors will increase dramatically from an average of 60,000 per year in the 690 Cedar Street facility to estimates of 250,000 per year beginning in fiscal year 1993. The programming possibilities in the new building will increase dramatically and the expectations of Minnesota residents for these events, programs, and informal learning opportunities will be high. Current staff cannot possibly meet these demands and expectations.

Public programs associated with the exhibitions will be a major contributor to the success of the History Center and the educational experience of visitors. Serving the needs of large numbers of visitors will require gallery managers to coordinate traffic flow, program schedules, security and visitor safety. Gallery interpreters are needed to provide dramatic living history and tour guide interpretation in the exhibit halls. (See diagram) Gallery staff would engage visitors in conversations about the exhibit content; lead family-oriented activities; and perform historic reenactments. Artisans,



(Continuation)

1992-93 Biennial Budget

ACTIVITY: Museums
PROGRAM: Public Programs and Operations
AGENCY: Minnesota Historical Society

GOVERNOR'S RECOMMENDATION:

The Governor recommends an increase of \$300,000 in F.Y. 1993 for program initiatives and exhibit gallery staffing needs for the new State History Center which is scheduled to be opened to the public in the fall of 1992. This recommendation is contingent upon the Society initiating exhibit admission fees and parking fees in F.Y. 1993 to support this increased cost. Based on estimates provided by the Society, the following revenue for admission and parking fees could be collected:

	<u>F.Y. 1993</u>	<u>F.Y. 1994</u>	<u>F.Y. 1995</u>
No. of Visitors	250,000	275,000	300,000
Admission Income	\$225,000	\$275,000	\$300,000
Estimated Parking Income	<u>75,000</u>	<u>100,000</u>	<u>100,000</u>
Total Revenue	\$300,000	\$375,000	\$400,000

ACTIVITY: Historic Sites
PROGRAM: Public Programs and Operations
AGENCY: Minnesota Historical Society

1992-93 Biennial Budget

DECISION ITEM: Reallocation of Certain Historic Sites Funds
Informational

	Dollars in Thousands			
	<u>F.Y. 1992</u>	<u>F.Y. 1993</u>	<u>F.Y. 1994</u>	<u>F.Y. 1995</u>

AGENCY PLAN:

Expenditures				
General Fund	\$ 37	\$ 37	\$ 37	\$ 37
General Fund - Reallocation	\$ (37)	\$ (37)	\$ (37)	\$ (37)
	\$ -0-	\$ -0-	\$ -0-	\$ -0-

GOVERNOR'S RECOMMENDATION:

Expenditures				
General Fund	\$ -0-	\$ -0-	\$ -0-	\$ -0-

Requires statutory change: _____ Yes X No
Statutes Affected:

ITEM SUMMARY:

The Society proposes to modify schedules at the Alexander Ramsey House Historic Site and State Capitol in order to free up funds for other needs of the historic site system.

RATIONALE:

The Society proposes to modify the operating hours of State Capitol tours to provide more non-guided tours during periods when the legislature is not in session. The operating season for the Alexander Ramsey House Historic Site will be shortened to provide funds needed at other historic sites and also to reduce wear and tear on the structure. The total annual savings as a result of these two decisions equals \$37,000. The Society proposes to reallocate \$30,000 of those funds to the State Capitol to improve the planning and scheduling of tours at the Capitol. It should be noted that in fiscal year 1990, Capitol tour attendance increased over thirty percent to 146,544 people per year. Of the reallocated funds, \$7,000 will be used at the Lindbergh Historic Site for operational purposes including the proper training of staff at that site.

GOVERNOR'S RECOMMENDATION:

Governor concurs with the society's plan.

1992-93 Biennial Budget

ACTIVITY: General Support, Library/Archives, Historic Sites
PROGRAM: Public Programs and Operations
AGENCY: Minnesota Historical Society

DECISION ITEM: Supply and Expense Inflationary Adjustments

	Dollars in Thousands			
	F.Y. 1992	F.Y. 1993	F.Y. 1994	F.Y. 1995
AGENCY PLAN:				
Expenditures				
Special Revenue	\$ 425	\$ 425	\$ 425	\$ 425
Revenues				
Special Revenue	\$ 425	\$ 425	\$ 425	\$ 425

GOVERNOR'S RECOMMENDATION:

Expenditures				
Special Revenue	\$ 425	\$ 425	\$ 425	\$ 425
Revenues				
Special Revenue	\$ 425	\$ 425	\$ 425	\$ 425

Requires statutory change: ☐ Yes ☒ No
 Statutes Affected:

ITEM SUMMARY:

The Society proposes that fee schedules be adjusted to provide additional Special Revenue Funds that can be used to offset supply and expense inflationary costs which have seriously impacted certain areas of the Society's operations.

RATIONALE:

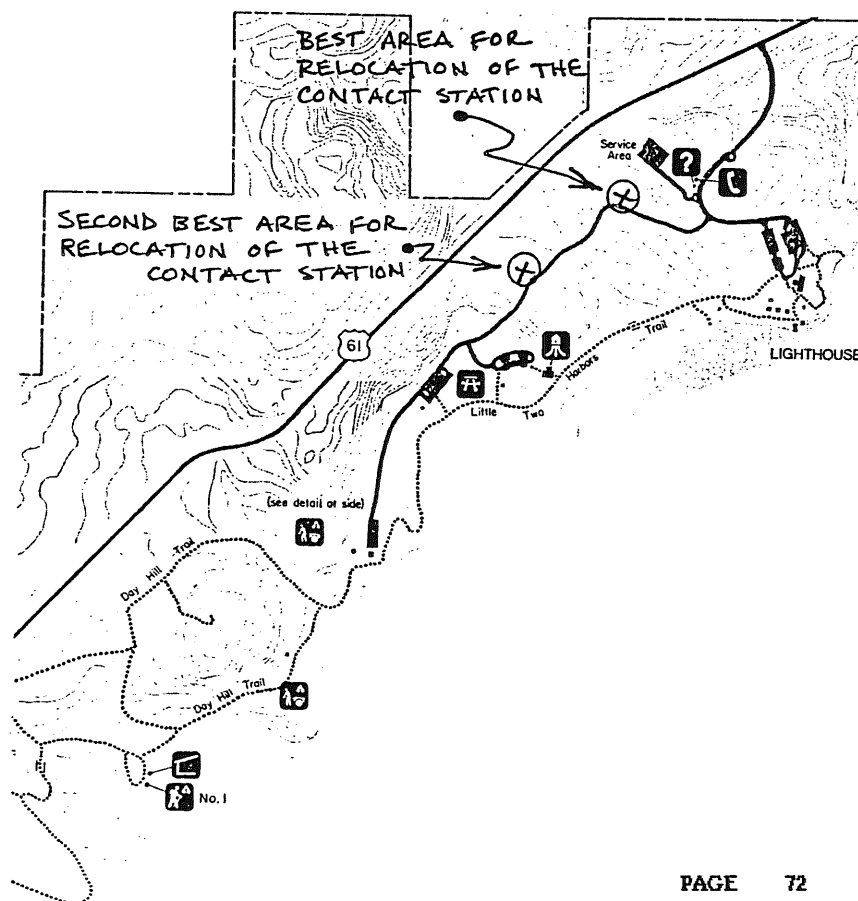
The Society proposes increasing the adult admission fees at historic sites from \$2.00 to \$3.00 per adult. At existing sites this will yield an annual income of \$125,000. A key part of this proposal is admission fees for the first time at Split Rock Historic Site. This will generate an additional \$300,000 of annual revenue. Split Rock Historic Site is now completely developed with public visitor use approaching 200,000 yearly. Access to the site can be sorted so that the public's use of the historic site is separate from the use of the state park camping area. Similar site activities exist today at Fort Snelling State Park and Lindbergh State Park. The Society proposes that people using the camping facilities, of course, would be charged a state park daily fee or a state park sticker. The approximately 200,000 visitors to the historic site would be charged according to the Society's admission fee schedules. The cost of the state park sticker would not be pyramided on top of those schedules. Where the public's use of a resource can be properly identified, the Society considers it

good public policy to charge the public only for the resource they are using. See diagram.

These fee increases, on the part of the Minnesota Historical Society, will provide \$425,000 of additional revenue each year. The Society's proposal involves investing that back in to the following activities of this program:

Activity	Dollars in Thousands			
	F.Y. 1992	F.Y. 1993	F.Y. 1994	F.Y. 1995
General Support	\$ 50.0	\$ 50.0	\$ 50.0	\$ 50.0
Library/Archives	140.5	144.5	144.5	144.5
Historic Sites	234.5	230.5	230.5	230.5
	\$ 425.0	\$ 425.0	\$ 425.0	\$ 425.0

These inflationary adjustments do not represent across-the-board increases, but were selected adjustments made to meet critical needs in the activities noted. Without such funding these activities simply cannot function at an efficient level.



(Continuation)

1992-93 Biennial Bud

ACTIVITY: General Support, Library/Archives, Historic Sites
PROGRAM: Public Programs and Operations
AGENCY: Minnesota Historical Society

GOVERNOR'S RECOMMENDATION:

The Governor concurs with the society's plan.

PROGRAM: Statewide Outreach Program
Agency: Minnesota Historical Society

1992-93 Biennial Budget

PROGRAM PURPOSE:

This program exists for the purpose of assisting other state organizations, community groups, and governmental units in the work of historical preservation, interpretation, and education. Its activities include:

1. Field Support

Through technical services, consultation, advice, and a statewide newsletter, this activity supports county, local, and special interest historical societies throughout the state.

2. Educational Services

This activity assists school districts and their teachers to improve the teaching of state and local history in Minnesota. Cooperating with institutions of higher education, the statewide network of Educational Cooperative Service Units, the State Department of Education, and individual school districts, it offers curriculum materials, workshops, courses, and in-service training sessions directed to that purpose.

3. Grant-In-Aid

The Society administers a state-funded grant-in-aid program supporting projects in the preservation and interpretation of Minnesota history, and it also makes special grants for certain larger projects directed toward the same purpose.

4. State Historic Preservation Office

The purpose of this activity is to administer the National Historic Preservation Act and Program, and to maintain the National and State Registers of Historic Places.

5. St. Anthony Falls Heritage Interpretive Zone

This function provides for developing public interpretation and for preserving historic resources in the part of the Minneapolis riverfront that encompasses the Falls of St. Anthony and the historic milling district. It was created by Minnesota Statute, 1988, ch. 684, sections 8-14.

PERFORMANCE:

The activities of the Minnesota Historical Society (MHS) within this program are illustrated by the following statistics:

Field Support	F.Y. 1990	F.Y. 1991	F.Y. 1992	F.Y. 1993
County and local societies served	365	370	380	385
Copies of <u>Interpreter</u> distributed	2,300	2,400	2,600	2,700
Attendance at workshops	280	300	325	350

Educational Services

<u>Northern Lights</u> curriculum:				
School districts using	195	300	350	400
Workshops offered	47	50	50	50
Teacher attendance	700	850	850	850

F.Y. 1990 F.Y. 1991 F.Y. 1992 F.Y. 1993

Other courses and workshops:

Number offered	17	20	20	20
Teachers participating	400	500	500	500
Film/video rentals:				
Number of titles	85	85	85	85
Rentals	448	550	575	600

Grant-In-Aid

MHS Grants Program:

Projects funded	65	70	70	70
Average grant size	\$2,771	\$2,857	\$2,857	\$2,857
State grant requests	\$291,902	\$500,000	\$500,000	\$500,000
Grant dollars awarded	\$180,101	\$200,000	\$200,000	\$200,000
Applicant match	\$519,957	\$300,000	\$300,000	\$300,000
Total project value	\$700,058	\$500,000	\$500,000	\$500,000

County and Local Programs: This function includes specific projects funded by each legislative session for fiscal administration by MHS. In F.Y. 1990-1991 there were 4 such projects with a total funding of \$75,000.

State Archaeologist:

Licenses issued	30	30	30	30
Sites numbers issued	300	300	300	300
Reviews	1,000	1,000	1,000	1,000
Authentications	340	340	340	340
Phone calls handled	10,000	10,000	10,000	10,000
Agency contacts	2,000	2,000	2,000	2,000
Other contacts	200	200	200	200

State Historic Preservation Office

Environmental review requests	2,100	2,500	2,800	3,000
Technical assistance requests	630	750	850	1,000
Properties listed on National Register	52	55	60	65
Properties added to inventory data base	3,000	9,000	11,000	12,000
Heritage Preservation Commissions	26	28	30	33
Certified Local Government Grants	14	14	16	18

St. Anthony Falls Heritage Plan Elements

Historic resources		25	25	25
Heritage trail		1	1	1
Orientation trail elements		5	5	5
City trolley routes		1	1	1
Orientation center			1	1
Tour visitors			70,000	100,000
Operating needs	\$40.0		\$130.0	\$130.0
Grant-In-Aid needs		\$100.0	\$500.0	\$500.0
Exhibit development			\$80.0	

A plan produced last year by the St. Anthony Falls Heritage Board as required by statute identifies 25 historic resources in the zone that deserve both preservation and interpretation as part of the story of settlement, industrial growth, and urbanization in Minneapolis and the state. They include flour and lumber mills, hydroelectric plants, bridges and railroads, homes and churches. The plan outlines a Heritage Trail linking sites and stories to provide public education

PROGR/ Statewide Outreach Program
(Continuation)
Agency: Minnesota Historical Society

1992-93 Biennial Budget

and information about Minnesota's largest city for schoolchildren, residents, and tourists. Operating funds needed from MHS for this important urban project is \$130,000 for each year of the biennium.

	<u>F.Y. 1990</u>	<u>F.Y. 1991</u>	<u>F.Y. 1992</u>	<u>F.Y. 1993</u>
Certified Local Government federal grant				
program statistics:				
Eligible cities	12	15	18	21
Projects funded	14	14	16	18
Average grant size	\$6,490	\$7,000	\$7,000	\$7,000
Grant dollars awarded	\$90,860	\$98,000	\$91,000	\$105,000
Applicant match	\$92,379	\$105,000	\$100,000	\$115,000
Total project value	\$183,239	\$203,000	\$191,000	\$220,000
Federal grant dollars (federal F.Y.)	\$519,151	\$545,109	\$572,364	\$600,982

PROSPECTS:

Field Support

Last year for the first time the annual meeting of Minnesota's Historical Organizations (MHO) "went on the road" and was held in 3 locations outside the Metropolitan Area. The response was so positive that we hope to repeat this in alternate years. Doing so will, however, significantly increase the costs involved. The cost of publishing The Interpreter has also increased, and it cannot be continued at its current level without additional funding. The newsletter is especially important in communicating with and serving historical organizations scattered in the more remote parts of the state. By helping to establish in smaller communities the skills and professional expertise required for effective historical work, this activity will ultimately spread the responsibility for preservation and interpretation to local groups and reduce the costs borne by the state.

Educational Services

Faced in recent years with increasing pressure to emphasize math, science, and technical subjects and with a lack of adequate teaching materials, many schools have cut back or eliminated from the curriculum the history of the state and region. This trend has been effectively slowed in Minnesota and we think that it can be reversed if teachers are provided with imaginative ways to capture student interest in the history to be found in their own families, neighborhoods, and region. Teachers need to be shown how to help students use the original historical sources that are available in their own communities, how to develop historical skills, and how to link the past story of their own locality with the history of global trends.

Grant-In-Aid

In every area of this activity public demand and the needs of local governments and organizations exceed the resources available and are steadily growing.

The MHS Grants Program has enormous impact upon all parts of the state. It stimulates appreciation and preservation of historic resources in local communities and in many cases holds out their only hope of saving the remaining evidence of a past way of life. It draws forth local initiative and matching funds. A decade ago this program received appropriations of \$500,000 annually. To return it to the same level it had then, allowing for inflation, would require funding of \$900,000 annually.

State Archaeologist

The position of State Archaeologist is unpaid. Funding is used for expenses and 2 part-time positions. The appropriation has not increased since 1988. Meanwhile the number of cases, the backlog of work, and the time lag in handling them continue to grow. In particular, sensitivity to the destruction of Native American cemeteries and burials has produced a wave of demands. To fulfill the duties of the office as required by law would require 4 full-time and 2 part-time staff.

State Historic Preservation Office

The State Historic Preservation Office is not now adequately staffed to meet the objectives of the program, many of which are mandated by federal regulations. The current level of state support for authorized staff positions is insufficient and creates an annual shortfall of \$30,000. This has been brought about by a change in the interpretation of federal regulations since 1986, which now require exact tracking of all hours worked on the federal program. An increase in state funding to cover this shortfall would enable the Society to continue to leverage federal funds to support full-time positions that are 100% federally supported. The current funding for department staff is 2.15 FTE state and 6.35 FTE federal.

More adequate staffing would allow the Society to provide more technical expertise to local communities. This would ultimately operate to reduce the state's cost of historic preservation by shifting the responsibility to the local level.

No direct state funds are requested for the Certified Local Government grant program. However, administrative costs of this program require a state match.

St. Anthony Falls Heritage Interpretive Zone

The St. Anthony Falls Heritage Interpretive Zone project will capitalize on the rich concentration of mills, dams, buildings, bridges, and ruins that are still in place at this famous spot--the birthplace of Minneapolis and the head of navigation on the Mississippi River. The interpretive trail system and the resources it connects will draw visitors and provide an educational laboratory, while the ongoing grants-in-aid will encourage private investment and partnerships among many entities concerned with preservation and heritage. The project promises to be a key factor in federal plans to develop a Mississippi National River and Recreation Area in the Twin Cities.

A. The plan is built upon three interpretive concepts:

1. Heritage trail encircling the Falls;
2. Historic resources in the St. Anthony Falls Heritage Interpretive Zone; and
3. Orientation Center to provide visitor services and interpretive programs for visitors year-round.

B. Priorities for implementing the plan initially are:

1. Develop Heritage Trail System
2. Open the Stone Arch Bridge
3. Establish Orientation Center
4. Develop interpretive program

C. Implementation would occur through agreements amongst the member agencies and/or other partners, with primary responsibilities assigned to the member agencies as follows:

1. Physical development and maintenance of the interpretive system, by the Minneapolis Park Board.
2. Interpretive program management and operations, by the Minnesota Historical Society.
3. Private property investment and development in the St. Anthony Falls Heritage Interpretive Zone by the City of Minneapolis, through its zoning and permits process.

PROGRAM: Statewide Outreach Program
(Continuation)
Agency: Minnesota Historical Society

1992-93 Biennial Budget

PLAN:

This program has a number of significant needs which relate to increased public demand in the case of Grant-In-Aid, and increase in federal funds coming to our state for historic preservation requiring an increased state match, the needs of volunteer advisory committees, and legislative mandated responsibilities which relate to the state archaeologist, and the St. Anthony Heritage Interpretive Zone Law enacted by the 1988 Legislature. These needs and the base funding they relate to are set out by fiscal year as follows:

<u>Base Level Funding</u>	<u>F.Y. 1992</u>	<u>F.Y. 1993</u>
State appropriations	\$ 577,000	\$577,000
LCMR	100,000	0
Federal funds	413,000	413,000
Gifts and deposits	<u>127,000</u>	<u>127,000</u>
Total Base	\$1,217,000	\$1,117,000
<u>Increased Needs Beyond the Base Level Funding</u>		
Field Programs	\$ 24,508	\$ 24,508
Grant-In-Aid	200,000	200,000
Advisory Committees	20,000	20,000
State Archaeologist	100,000	100,000
S.H.P.O. - Historic Preservation	89,000	89,000
St. Anthony Falls Heritage Interpretive Zone:		
Operations share	100,000	100,000
Grant-In-Aid	500,000	500,000
Exhibits	<u>80,000</u>	<u>0</u>
Total	\$1,113,508	\$1,033,508
Funding Shortfall	(\$1,113,508)	(\$1,033,508)

The funding shortfall for this program exceeds the funding available in the base level. Therefore the opportunity to address a significant portion of this funding demand through base level adjustments or reallocations in line with the current budget instructions simply does not exist. The Society, however, will attempt to try and seek legislation relating to the State Historic Preservation Office's responsibilities for historic preservation that will provide added funds to match the federal funds available. Such legislation would involve a combination of new funds plus language which will attract additional matching dollars for historic preservation from other state, county, and local sources of funds to serve as a possible match to the federal dollars that are available for historic preservation purposes. If that effort is a successful one, the approximate \$90,000 freed up each year of the coming biennium would be used for the following purposes:

	<u>F.Y. 1992</u>	<u>F.Y. 1993</u>
Field Programs -Supply & Expense	20,000	20,000
Advisory Committees	20,000	20,000
St. Anthony Falls Program	<u>50,000</u>	<u>50,000</u>
Total	90,000	90,000

The supply and expense funds for field programs would offset inflationary erosions, and help with the cost of publishing The Interpreter. The funds provided for the Indian Advisory Committee and other volunteer committees would be used to cover the per diem expenses of those committees, as well as materials which the committees would use for a variety of purposes. The \$50,000 each year provided for the St. Anthony Falls Program would be used to conduct education programs in this very rich heritage preservation zone. If the Society's revised legislation efforts are unsuccessful, the following impacts of the base level funding will occur:

1. Field support will continue, but will be unable to take the MHO annual meeting to outlying places, and The Interpreter newsletter will probably be eliminated.
2. Educational services will continue, but may have to reduce the number of workshops it offers in spite of consistent requests for more such services.
3. MHS Grants and the State Archaeologist will continue to operate, but with reduced effectiveness due to inadequate resources.
4. The State Historic Preservation Office will operate at a level that will actually reduce the federal dollars available, and thus cause a further restriction in the assistance provided to local heritage commissions and others.
5. No operational matching funds will be available for the St. Anthony Falls Heritage Interpretive Zone, an important urban project. This will mark an end to a promising joint effort by various governmental bodies led by MHS to preserve resources and develop opportunities for the public to learn about and enjoy one of the state's most important historic areas.

GOVERNOR'S RECOMMENDATION:

The Governor concurs with the Society's plan for base level funding except for a biennial reduction of \$544,000 and 2 positions from the historic preservation grant-in-aid activity. Also, recognizing the authority of the LCMR to make budget recommendations for projects funded by the Minnesota Future Resources Fund, the Governor makes no specific recommendation on this project.

1992-1993 B I E N N I A L B U D G E T
(DOLLARS IN THOUSANDS)

AGENCY: HISTORICAL SOCIETY
PROGRAM: STATEWIDE OUTREACH-MHS

ACTIVITY RESOURCE ALLOCATION:	FY 1989	FY 1990	Est. FY 1991	FY 1992			FY 1993		
				Adjusted Base	Agency Plan	Governor Recomm.	Adjusted Base	Agency Plan	Governor Recomm.
=====	=====	=====	=====	=====	=====	=====	=====	=====	=====
FIELD SUPPORT-MHS	104	113	126	126	166	166	126	166	166
EDUCATIONAL SERVICES-MHS	55	88	107	56	56	56	56	56	56
GRANT-IN-AID - MHS	495	486	421	422	422	149	422	422	149
STATE HISTORIC PRESERVATION OFFICE	404	544	618	571	581	581	571	481	481
ST ANTHONY FALLS HERITAGE INTERPRE	40	115	116	116	166	166	116	166	166
=====	=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL EXPENDITURES BY ACTIVITY	1,098	1,346	1,388	1,291	1,391	1,118	1,291	1,291	1,018
=====	=====	=====	=====	=====	=====	=====	=====	=====	=====
DETAIL BY CATEGORY:									
=====	=====	=====	=====	=====	=====	=====	=====	=====	=====
STATE OPERATIONS	709	979	1,093	996	1,096	1,014	996	996	914
LOCAL ASSISTANCE	307	290	218	218	218	27	218	218	27
AID TO INDIVIDUALS	82	77	77	77	77	77	77	77	77
=====	=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL EXPENDITURES BY CATEGORY	1,098	1,346	1,388	1,291	1,391	1,118	1,291	1,291	1,018
=====	=====	=====	=====	=====	=====	=====	=====	=====	=====
SOURCES OF FINANCING:									
=====	=====	=====	=====	=====	=====	=====	=====	=====	=====
DIRECT APPROPRIATIONS:									
GENERAL	580	636	575	576	576	303	576	576	303
MN RESOURCES	85	116	188		100	100			
STATUTORY APPROPRIATIONS:									
FEDERAL	336	382	413	440	440	440	469	469	469
GIFTS AND DEPOSITS	97	212	212	275	275	275	246	246	246
=====	=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL FINANCING	1,098	1,346	1,388	1,291	1,391	1,118	1,291	1,291	1,018

ACTIVITY: Grant-in-Aid
PROGRAM: Statewide Outreach Program
AGENCY: Minnesota Historical Society

1992-93 Biennial Budget

DECISION ITEM: Historic Preservation Grant-in-Aid Program

Dollars in Thousands			
<u>F.Y. 1992</u>	<u>F.Y. 1993</u>	<u>F.Y. 1994</u>	<u>F.Y. 1995</u>

GOVERNOR'S RECOMMENDATION:

Expenditures					
General Fund	\$	(273)	\$	(273)	\$ (273)

Requires statutory change: _____ Yes X No
Statutes Affected:

ITEM SUMMARY:

Eliminate historic preservation grants (\$191,000 annually) and program administrative costs (\$82,000 annually).

BACKGROUND:

The state, through MHS, provides matching grants to county, local and regional non-profit organizations to preserve and interpret the state's history. Grants are approved by the MHS Executive Committee upon the recommendation of the Grants Review Committee. A single grant may not exceed \$7,500 and it must be matched 100% by the grantee, either in cash, donated services or donated materials.

The Society also conducts workshops on writing effective grant applications to MHS. Workshops include an overview of the Society's grant-in-aid program, as well as the characteristics of effective grant applications, which include planning, researching, writing and presenting proposals.

RATIONALE:

All agencies that receive funding from the General Fund must be part of any plan, where possible, for reduction of expenditures. Local and regional historical organizations will have to consider replacing the state grant funds or cutting back on their activities.

GOVERNOR'S RECOMMENDATION:

The Governor recommends eliminating the historic preservation grant-in-aid program in the amount of \$544,000 for the biennium.

ACTIVITY: Various Activities
PROGRAM: Statewide Outreach
AGENCY: Minnesota Historical Society

1992-93 Biennial Budget

DECISION ITEM: Reallocation of State Historic Preservation Office
Match

Dollars in Thousands
F.Y. 1992 F.Y. 1993

AGENCY PLAN:

Expenditures

	<u>F.Y. 1992</u>	<u>F.Y. 1993</u>	<u>F.Y. 1994</u>	<u>F.Y. 1995</u>
General Fund	\$ 90	\$ 90	\$ 90	\$ 90
General Fund - Reallocation	(90)	(90)	(90)	(90)
	\$ -0-	\$ -0-	\$ -0-	\$ -0-

GOVERNOR'S RECOMMENDATION:

Expenditures

General Fund	\$ -0-	\$ -0-	\$ -0-	\$ -0-
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Requires statutory change: X Yes No
Statutes Affected: Minnesota Statute 138.60

ITEM SUMMARY:

The Society proposes to redirect existing match funds to meet other needs of the program. Along with this decision, the Society will seek additional legislation which will provide matches for available federal funding.

RATIONALE:

Modifications in this program's funding is intended to meet critical needs of the Indian Advisory Committee as well as other volunteer committees, meet the needs of inflation as it relates to field programs which serve county and local historical societies throughout greater Minnesota, and partially match funds the city of Minneapolis is providing in accordance with the 1988 legislation on the St. Anthony Falls Heritage Zone. The funding and purposes are:

1. Field Support - Supply and Expense Inflation Adjustment \$ 20.0 \$ 20.0

These funds are to offset inflationary impacts on this activity.

2. Field Support - Advisory Committees 20.0 20.0

These funds are to cover the needs of the Indian Advisory Committee as well as other volunteer committees. The costs include per diem expenses as well as materials used by the committee.

3. St. Anthony Falls Heritage Interpretive Zone 50.0 50.0

These funds will be used as a partial match to funds of the city of Minneapolis in accordance with the 1988 legislation on this activity.

The Society hopes to accomplish this change by a combination of seeking legislation that will provide an additional "State" match to available federal funds, and internal readjustment of existing program resources.

GOVERNOR'S RECOMMENDATION:

The Governor concurs with the society's plan.

PROGRAM PURPOSE:

1. To maintain in good repair the historic and other structures that the Minnesota Historical Society is responsible for managing.
2. To maintain in good repair exhibits and historic artifacts used in presentations at historic sites, interpretive centers, and museum galleries.
3. To provide ongoing restoration and preservation of murals, stencils, sculpture, statues, paintings, built-in exhibits areas, and art works in the public areas of the State Capitol.
4. To keep complete and in good repair the system of state markers and monuments on interstates and other highways, at waysides, and in rest areas.

The objective of this program is to provide the overall coordination and specialized assistance to meet with varied and distinct repair and replacement needs, in order that users of the Society's facilities and viewers of its exhibits may have a safe and fulfilling educational experience and that the historical resources used may be preserved for future generations.

PERFORMANCE:

Knowledgeable and responsible staff members make decisions relating to their areas of expertise, whether it be to repair a Ramsey House ceiling or to conserve a delicate lace shawl. This is accomplished through systematic examination, inspection, and monitoring of the relevant structures, exhibits, historic artifacts, and works of art. Recommendations for repair and replacement, conservation techniques, and implementation plans are provided to determine a repair and replacement program for the biennium. This program operates in 4 functional areas:

1. Facility Repair and Replacement. Since 1958 the Society has acquired, or been given by law, responsibility for 115 structures located at 31 of the state's historic sites. These include many buildings that are very old and regularly develop serious structural problems, often without warning. In most cases they also require special restoration procedures. Some examples of repair and maintenance include tuck-pointing, roof repair and replacement, repainting of interior or exterior surfaces, renovation of floors and fixtures, recarpeting, replacement of steps and stairs, foundation repair and replacement, furnace repair and replacement, parking lot repair, prairie restoration, and replacement or major repair of building HVAC systems.

Statistics for repair and replacement of facilities at historic sites are as follows:

	<u>F.Y. 1990</u>	<u>F.Y. 1991</u>	<u>F.Y. 1992</u>	<u>F.Y. 1993</u>
No. structures managed	115	115	115	115
Total gross square feet	328,000	328,000	328,000	328,000
Projects completed				
Planned	10	35	35	35
Emergency	80	unknown	unknown	unknown
Past funding	\$248,613	\$308,000	N/A	N/A

An additional responsibility of the Society is the management of the Research Center at 1500 Mississippi Street, which currently houses office, stockroom, and public research space in addition to storage areas for the State Archives, the private manuscripts collections, and most of the Society's museum artifacts. This building totals 57,356 g.s.f. Repair needs may include security

alarm repair sprinkler system repair, electrical improvements, plumbing repairs and replacement, heating and cooling systems repair and replacement, and ice removal. While one of the activities housed at this facility will be moved to the new History Center, it will continue to be used throughout 1992 and 1993.

A major addition to MHS facilities in 1992 will be the new History Center in St. Paul. While the facility will be new, it will undoubtedly require some emergency repairs.

2. Interpretive Exhibits and Artifacts. The Society operates interpretive facilities and museums for public use. They are located at historic sites in the Twin Cities, near Grand Rapids, Elk River, Onamia, International Falls, Redwood Falls, Little Falls, and Two Harbors. These centers house permanently installed exhibits that inform visitors of the historical setting of the site and illuminate the events and people that have given it significance. Supplementing them are furnishings, historical equipment, and other artifacts that relate to the site or help to bring alive its story. There are approximately 37,000 square feet of formal exhibits and space used for audio-visual programs presently in place at historic sites. Included in these exhibits, on display separately, or used in demonstrations and living history activities are approximately 25,000 historic artifacts. Some are original and irreplaceable objects requiring carefully controlled conditions and expert care; others are exact replicas produced for use in demonstrations and educational programs.

Maintenance needs may include such things as repair or replacement of silk-screening, repair of exhibit cases, patching or repairing exhibit spaces, remounting photographs, audio-visual equipment repair and replacement, and lighting repair or replacement. Artifact care includes conservation or restoration of historic objects, cleaning of art works, and, where possible, replacement of worn out or damaged items.

Also in need of frequent repair and replacement are the Society's traveling exhibits, which circulate to schools, libraries, county and local historical societies, banks, courthouses, and other public places throughout the state. These exhibits offer an array of historical photographs, art reproductions, graphics, and informative captions on a wide variety of topics. Some are framed and others are mounted on stiff backing for easy display. The wear and tear of travel demand constant attention to the contents as well as frequent maintenance of the crates that house them while in transit.

Statistics on exhibits in historic sites:

	<u>F.Y. 1990</u>	<u>F.Y. 1991</u>	<u>F.Y. 1992</u>	<u>F.Y. 1993</u>
No. of gallery exhibits mounted	2	2	2	2
Square feet of gallery space	1,280	1,280	1,280	1,280
No. of exhibit spaces in interpretive centers	16	16	16	16
Square feet of exhibit space	37,147	37,147	37,147	37,147
Artifacts in historic sites exhibits	18,500	18,000	19,250	19,300

A major change in exhibition operations will be the opening of a portion of the galleries (20,000 square feet) in the new History Center in 1993.

3. State Capitol. Pursuant to 1987 Minnesota Sessions Laws, the Society is responsible for "Works of Art" in all spaces of the Capitol. The law defines such works as "paintings, portraits, mural decorations, stained glass, statues and busts, bas-relief, ornaments, furniture, plaques, and any other article or structure of a permanent character intended for decoration or commemoration placed in the Capitol in 1905 or placed subsequently for historic purposes or decoration."

The State Capitol serves as a monument to Minnesota's heritage. There is an ongoing need to provide technical assistance, develop plans, and acquire materials and services for preserving the public areas. Repair and maintenance may include paint analysis, repair and cleaning of murals,

PROGRAM: Repair and Replacement
(Continuation)
Agency: Minnesota Historical Society

1992-93 Biennial Budget

stencils, paintings, busts, and statues, repair and replacement of furnishings in public areas, and cleaning and conservation of exterior figures and statues.

4. **Markers and Monuments.** The Society must replace and keep in good repair 170 existing state markers that frequently need maintenance because of vandalism and the elements. These services include preservation coating of bronze markers, foundation repair, and casting of new markers.

Also in need of ongoing maintenance and repair are the 29 state monuments, which are stone structures requiring treatment such as tuck-pointing, replacement of granite blocks, and foundation repair.

Currently 65 of the markers are at highway and interstate rest areas. Hundreds of thousands of people use Minnesota's highway system rest areas, and may pause to read these markers. In this way travelers from other states and countries, as well as citizens of Minnesota, can and do learn much about the state's rich historic heritage.

PROSPECTS:

The steady stream of visitors--school children, families, tourists, and senior citizens--that pours through the state's historic sites, including the Capitol, takes a toll on structures, exhibit installations, audio-visual equipment, and artifacts. So does age. Exhibits must be maintained on an annual basis, or they become damaged and unsightly, and irreplaceable artifacts are endangered.

With the arrival of new technologies and new fashions in design, exhibits begin to look antiquated. Intellectually also they may become outdated. As our society and the attitudes of its people change, so do views of the past. New social sensitivities and different perspectives arise. Our aging exhibits have served the public long and well, but as the table below shows, many are now overdue for replacement.

<u>SITE</u>	<u>AGE OF EXHIBIT</u>	<u>TOTAL SQ. FT.</u>
Ramsey House	19 yrs.	1,707
Forest History Center	10 yrs.	5,420
Fort Ridgely	15 yrs.	1,911
Grand Mound	14 yrs.	850
Fort Snelling:		
History Center	14 yrs.	4,575
Long Barracks	15 yrs.	4,280
Officers' Quarters	12 yrs.	1,850
Hospital Building	14 yrs.	799
Jeffers Petroglyphs	10 yrs.	250
Lac Qui Parle Mission	17 yrs.	840
Lindbergh House	17 yrs.	2,750
Lower Sioux Agency	17 yrs.	1,650
Mille Lacs Indian Museum	7 yrs./20 yrs.	4,795
North West Co. Post	20 yrs.	201
Oliver H. Kelley Farm	8 yrs.	2,066
Split Rock Lighthouse	4 yrs.	<u>3,283</u>
Total, 16 exhibits, average age 15 yrs.		<u>37,147</u>

The replacement costs of these exhibits will exceed \$5,000,000.00. Funding for some of their replacement costs will be a part of the 1992 Capital Improvements Budget Request.

PLAN:

Working within the base funding level for Repair and Replacement, the Society will continue to monitor the condition and perform routine maintenance on facilities, exhibits and artifacts, and markers and monuments. This will not meet the need for extensive repair of deteriorating buildings and replacement of aging and outdated exhibits. It can be foreseen that in several cases buildings or parts of buildings may have to be closed to the public for reasons of safety. Examples are the Petroglyphs Center, Upper Levels of Alexander Ramsey House, Kelly Farm barn, Forest History Center Handicapped Trail, and the Fort Snelling Round Tower.

The current demand for emergency type resources in this program area exceeds the available funding by over \$242,000 annually. This was determined by an individual facility inventory study conducted by the Society's historic site management team. In past capital improvement budgets and six-year plans the Society has defined the needs and priorities as they relate to historic sites and exhibits at historic sites. However, funding availability for the sites program has been limited.

	<u>F.Y. 1992</u>	<u>F.Y. 1993</u>
State Appropriation	\$462,000	\$462,000
Special Revenue Funds	0	0
Federal Funds	0	0
	<u>\$462,000</u>	<u>\$462,000</u>
Program Demand	704,000	704,000
Excess Demand	<u>\$242,000</u>	<u>\$242,000</u>
3-16 - Historic Site and Exhibit Repair	142,000	142,000
3-16 - State Capitol Furnishings	100,000	100,000
	<u>\$242,000</u>	<u>\$242,000</u>

The negative impact of not funding the needs of this program is the loss of historical resources, and the inability to complete the furnishing plan of the public areas of the Capitol, including repair, restoration, and relocation of the historic 1905 State Capitol furniture.

GOVERNOR'S RECOMMENDATION:

The Governor concurs with the Society's plan for BASE level funding for this program.

1992-1993 B I E N N I A L B U D G E T
(DOLLARS IN THOUSANDS)

AGENCY: HISTORICAL SOCIETY
PROGRAM: REPAIR AND REPLACEMENT-MHS

ACTIVITY RESOURCE ALLOCATION:	FY 1989	FY 1990	Est. FY 1991	FY 1992			FY 1993		
				Adjusted Base	Agency Plan	Governor Recomm.	Adjusted Base	Agency Plan	Governor Recomm.
REPAIR AND REPLACEMENT-MHS	567	521	524	525	525	525	525	525	525
TOTAL EXPENDITURES BY ACTIVITY	567	521	524	525	525	525	525	525	525
DETAIL BY CATEGORY:									
STATE OPERATIONS	567	521	524	525	525	525	525	525	525
TOTAL EXPENDITURES BY CATEGORY	567	521	524	525	525	525	525	525	525
SOURCES OF FINANCING:									
DIRECT APPROPRIATIONS:									
GENERAL	465	458	461	462	462	462	462	462	462
STATUTORY APPROPRIATIONS:									
GIFTS AND DEPOSITS	102	63	63	63	63	63	63	63	63
TOTAL FINANCING	567	521	524	525	525	525	525	525	525

PROGRAM PURPOSE:

The mission of the Sibley House Association (SHA) is to present Minnesota's history to the general public through the interpretation of the Sibley House properties. This is done through on-site tours, weekend activities that relate to the time period of the site, and outreach programs for schools and senior citizens. These activities are supported by intensive research, maintenance of the buildings, and preservation of the artifact collections.

PERFORMANCE:

For more than 20 years SHA has been operating in a situation of shrinking private funds and volunteer help, supplemented by minimal state appropriations. The 1990-91 appropriations bill provided increased operating funds and required that a study be conducted by the SHA and the Minnesota Historical Society (MHS), looking toward state acquisition of the site.

During the past biennium the tours and interpretive programs have been continued, with results as follows:

	F.Y. 1990	F.Y. 1991	F.Y. 1992	F.Y. 1993
No. of visitors*	5,400	5,700	6,500	7,500
No. of volunteer hours	15,500	17,000	18,000	18,000

* 12% senior citizens; 60% children

PROSPECTS:

The private funds of the association are diminishing at a rapid rate and therefore will only pay a small percentage of the total cost of maintenance and operations. At the current level of funding, state appropriations do not fully cover the remainder. Staff salaries are substandard, and operation is inefficient due to lack of help. Cataloging of the collection and research activities have suffered.

If additional funding can be found, long-term trends offer hope. A growing population in the Metropolitan Area and increasing tourism, along with greater public interest in history, are bringing more visitors each year to this site, which stands adjacent to Fort Snelling State Park at the historic heart of Minnesota. Unfortunately, at the present level of operations, the Sibley House cannot accommodate them.

The 1989 Legislature required that the Minnesota Historical Society meet with the Sibley House Association and chart a course for the ownership and management of this site. The legislation that mandates this study reads as follows:

The Minnesota historical society shall study and report to the governor and the Legislature by July 1, 1990, on the ownership and management of the Sibley house historic site, which includes the Sibley, Faribault, and DuPuis houses. The purpose of the study is to prepare for transferring these properties to the state for inclusion in the state's historic site network. The study must include the governance of the site, funding needed to repair and restore the site, restoration priorities, funding needed to operate the site, and ownership of the collections. The study must contain joint recommendations of the society and the association regarding these issues as well as a recommendation when the site should be turned over to the state. Recommendations for funding must be included in the 1992-1993 biennial budget request.

All parties are anxious that the site remain open with continued funding. There are two sources of concern here. The first is the question of possible closing due to budget cuts. The recognizes that MHS may close the Sibley Site either in whole or in part on a temporary basis for repairs, renovations, and the like. It is felt that Minnesota State Statutes, Chapter 138 "Historical Societies; Historic Sites; Archives; Field Archaeology" provided a measure of the state's commitment to maintaining historic sites and managing them in a historically appropriate manner.

The second continuing concern addresses the Sibley Historic Site collections. With regard to the transfer of the Sibley Historic Site collections, the point of discussion centered around the issue of accessibility of the collection on site. After discussion of the needs to store some of the artifacts in temperature and humidity--controlled surroundings, it was agreed that a portion of the collections would always be available at the Sibley Site, with a complete catalogue and photographs of the entire collection also available. There was reference during these discussions to a "Faribault House Covenant," made in the 1930's in association with acquisition of the Faribault House and the Bishop Whipple Collection, which stipulates that the collections not be separated from the house. No written copy of this covenant could be found, however.

The final issue of continuing concern addresses the availability of a meeting place for the Daughters of the American Revolution (parent organization of the SHA) and SHA on site and the provision of space for records storage.

If restricted to base level funding, the site cannot be effectively operated. Increased costs of utilities, security, and insurance will diminish even further the budget for salaries, and it will soon be impossible to retain trained staff.

Minnesota is threatened with the loss of this most valuable historic site and the artifact collection which encompasses not only Minnesota history but items of national significance and priceless American Indian collections.

PLAN:

In the fall of 1989, a Sibley House Study was formed composed of eleven members, six from the SHA and five from the MHS, to carry out the legislative planning mandate. At meetings in January and February 1990, various possible management and ownership roles were considered. Issues discussed in detail included future accessibility of the site's collections and the continued role of the SHA in the management of the site.

In March 1990, an Agreement in Principle was passed unanimously by the membership of the SHA and by the Executive Council of the MHS. Included in the deliberations by the MHS Executive Council was a Resolution of Commendation to the Minnesota Society of the DAR for its work in preserving and administering the Sibley House.

The agreement passed by SHA on March 9, 1990 is as follows:

1. Transfer ownership of Sibley Site properties to the MHS or the State of Minnesota, with a continuing advisory role for the SHA and with condition of gift that the site remain open to the public and that uses for the DuPuis House be further negotiated with SHA.
2. Transfer ownership of Sibley Site collections to the MHS with a continuing advisory role for the SHA.
3. The MHS will manage and determine mission, interpretation, and budget of Sibley Site with advice from the SHA.

PROGRAM: Fiscal Agencies - Sibley House Association
(Continuation)
Agency: Minnesota Historical Society

1992-93 Biennial Budget

4. The relationship between the MHS and the continuing advisory role of the SHA regarding the Sibley Site will consist of the following:
 - A. Appoint a member of the SHA to the MHS Executive Council and/or B.
 - B. Appoint a member of the SHA to the MHS Executive Council Historic Sites Committee.
 - C. And create a Friends of the Sibley Site group that would serve in an advisory role by working directly with the MHS site manager and/or the Head, Historic Sites Department.
5. The recommended schedule for transfer consists of a request to the 1991 Legislature to fund the development of a master plan and budget in FY 1992. Based on this master plan, capital development and operations money would be requested for FY 1994. If the funding is forthcoming, the transfer would take place in FY 1994. If the funding is not appropriated, the SHA would retain ownership and management of the Sibley Site property.

The MHS Executive Council on March 15, 1990 unanimously approved each of these positions except 4A.

Budgets for development and continued operation of the Sibley Historic Site cannot be determined until a Master Plan for the site has been prepared. What follows are budget items pertaining to the planning needed to develop a new Master Plan.

1. Structures Report and Analysis	\$25,000
2. Archaeological tests and mapping	30,000
3. Historical research into the historic context and social history of the site	25,000
4. Master Plan	10,000
5. Documentation of title and transfer clarifications	<u>8,000</u>
TOTAL	<u>\$98,000</u>

These funds will be requested in the 1992-1993 capital budget. They represent the priorities that were asked for in the legislation requesting this report.

Operations funding request will occur in Biennium 1994-1995. Transfer of property to MHS would take place only after legislative funding for development and operations has been committed. There is therefore a need to continue present funding arrangements to SHA until the transfer is completed in FY 1994.

GOVERNOR'S RECOMMENDATION:

The Governor recommends BASE level funding for this program.

PROGRAM PURPOSE:

The mission of the Minnesota Humanities Commission is to promote and support lifelong humanities education in Minnesota and to provide all Minnesotans access to cultural and educational programs in the humanities. Just as the Minnesota State Arts Board provides financial and material support for local arts programs, the Commission provides financial and material resources to local organizations developing humanities programs. The Commission also develops and circulates "packaged" programs--exhibits, speakers, videotapes, etc.--on humanities subjects. This helps the Commission serve small towns and rural communities that want humanities programs but lack the local resources to develop programs of their own.

In accordance with its mission, the Commission engages in the following activities:

1. Provides seminars and workshops that foster continued intellectual growth and increased subject area expertise among elementary and secondary teachers throughout the state.
2. Assists elementary and secondary teachers in the development and distribution of classroom resources for humanities subject areas including: world languages, language arts, and social studies.
3. Sponsors humanities programs at libraries, museums, community centers, nursing homes and other places that serve out-of-school adults throughout the state.
4. Provides technical assistance and financial support for humanities outreach by county libraries, ethnic organizations, county historical societies, and other cultural and educational organizations.
5. Fosters cooperation and collaboration among groups and individuals involved in humanities education throughout Minnesota.

Through its programs and activities the Minnesota Humanities Commission encourages informed discussion of important public issues, assists Minnesota teachers in their efforts to help Minnesota schoolchildren become the best and brightest in the nation, and affords all Minnesotans the opportunity to benefit from the knowledge, wisdom and judgement to be acquired through lifelong learning in the humanities.

PERFORMANCE:

Given its limited resources, the Minnesota Humanities Commission has made a remarkable contribution to the educational lives of the people of Minnesota. In the past 2 years, the Commission has:

- provided humanities programs for more than 70,000 Minnesotans.
- conducted 7 seminars on "The Changing Map of Europe" enabling more than 200 foreign language teachers to hear and discuss scholarly presentations on the far reaching political and economic changes occurring in Europe and to receive information on classroom resources that will help them bring these events to life for their students.
- researched and produced a booklet on continuing education opportunities for elementary and secondary teachers.
- presented "Patrick Henry" to a joint session of the Minnesota State Legislature and produced a videotape of the event and an accompanying study guide which is being distributed to schools and teachers throughout Minnesota.
- began development of a multicultural anthology that will help Minnesota's language arts teachers share the rich and varied literatures of many cultures with their students in classrooms throughout the state.
- developed and administered the "Minnesota and the World International Speakers Bureau"

enabling residents of 110 Minnesota communities to contemplate and comprehend countries beyond their borders and cultures different than their own.

- delivered entertaining and enlightening Minnesota Chautauqua programs to the residents of 200 Minnesota communities.
- provided intellectually stimulating programs which enabled residents of 50 Minnesota nursing homes to experience the pleasure and self-esteem that comes with a life of the mind.
- provided program assistance and/or financial support to 250 organizations.
- assisted with language and culture programs on 3 Native American reservations.
- conducted 16 grant-writing workshops.
- made presentations at 9 statewide meetings.
- consulted with representatives of 480 organizations.
- processed 218 formal grant applications.
- provided opportunities for public teaching for 461 humanities scholars.

PROSPECTS:

Although the Commission has been remarkably successful in stretching its resources, current funding levels are insufficient to significantly improve humanities education in Minnesota.

Community Needs:

The quality of life in small Minnesota communities declines as resources become scarce. Inevitable changes, such as school consolidation and changing demographics have left many communities without a strong focus around which to center cultural and community life. While there are opportunities to attend occasional arts programs, there are few opportunities to attend programs that invite the discussion of public issues, or address history and literature, government and law. Many community representatives say that they must be able to offer educational and cultural opportunities if they are to attract businesses to their communities. Packaged programs must be provided for those communities that do not have the resources to plan and implement programs of their own design.

Due to limited resources, the Commission has had to severely limit the number of programs it can support in any one community. Most small communities receive no more than 1 program per year.

Senior Citizens:

Minnesota's elderly population now numbers 550,000; 253,000 are over 75 years of age or older. Many of those elderly are still mentally alert but are physically fragile, so they live in nursing homes. Last year, with very little publicity, the Commission offered programs for 30 nursing homes. They were subscribed in one day; 70 nursing homes were turned down due to limited resources.

Independent senior citizens report that there are few learning opportunities in small communities or in city neighborhoods. Many of them are looking for non-credit, non-degree programs that are nevertheless intellectually demanding. If Minnesota is to retain its senior citizens, it must enhance the quality of their lives.

Elementary and Secondary Teachers:

There are nearly 45,000 teachers in Minnesota; yet this past summer, only 40 subject content courses or workshops were offered specifically for teachers. Minnesota's activities in education reform have not addressed the intellectual growth and renewal of its teachers.

The humanities are the most important component in K-12 education. In elementary school, the humanities are reading and writing; in Jr. High and High School, the humanities which encompass language arts, foreign languages and social studies, could well be two-thirds of a student's curriculum. Unfortunately, Minnesota's elementary and secondary teachers have few, if any, opportunities for continuing education in the humanities subjects in which they teach. While it is often believed that the Minnesota Department of Education (DOE) provides the continuing education teachers need,

PROGRAM: Fiscal Agencies - Minnesota Humanities Commission **1992-93 Biennial Budget**
(Continuation)
Agency: Minnesota Historical Society

that is not the purpose nor the role of the DOE. The DOE does an extraordinary job of monitoring compliance with state and federal mandates and addressing issues of licensure, but it does not address the subject-based continuing education of teachers.

Community Cultural Organizations:

Libraries, museums, and county historical societies can serve as educational and cultural hubs for communities. These organizations need program production, management, and technical assistance at least at the level now being provided to arts organizations.

These needs could be addressed by the Minnesota Humanities Commission given sufficient resources. While the arts and Minnesota history are admirably supported in Minnesota by the Minnesota State Arts Board and the Minnesota Historical Society, the humanities in general have not been well-funded.

Much as the humanities are crucial to K-12 education, they are also essential to community life, yet they receive far less attention than the arts. The humanities teach critical thinking and informed reading and make for a more informed electorate. They help people become masters of technology and not its unthinking servants. And the humanities enable people to connect with the world beyond the borders of their state and nation. Unfortunately, many Minnesotans are currently being denied access to the benefits of lifelong learning in the humanities.

PLAN:

Limited to base level funding, the Commission will continue to target its state appropriation to programs for teachers, not because the need is greater, but because programs for teachers have a double impact affecting the education of both teachers and their students. If the Commission is limited to base level funding, the vast majority of the state's teachers will not be served, to say nothing of the countless Minnesotans who hope to pursue lifelong learning in libraries, county historical societies and other cultural and educational organizations throughout the state.

Biennial base level funding was \$147,000 in F.Y. 1990 and \$147,000 in F.Y. 1991.

State funds currently constitute only 16% of the Commission's funding. The remainder of the Commission's funds come from the federal government, corporate and private foundations, and individuals.

In February of 1990, recognizing the past accomplishments of the Humanities Commission and the need to expand state support of the humanities, the Governor appointed a Minnesota Humanities Center Task Force to assist the Humanities Commission in the design of a Humanities Center to "significantly improve humanities education in Minnesota." The report of the Task Force will be presented to the Governor and legislative leaders. The Task Force will recommend a Minnesota Humanities Center, to be administered by the Humanities Commission, that will address the needs of teachers through a Minnesota Institute for the Advancement of Teaching and other needs in the humanities through a Minnesota Institute for Lifelong Learning. The Task Force will recommend a request to the legislature of \$2.4 million for F.Y. 1992 and \$2.9 million for F.Y. 1993.

GOVERNOR'S RECOMMENDATION:

The Governor recommends BASE level funding for this activity.

PROGRAM PURPOSE:

The mission of the Minnesota International Center (MIC) is to increase and strengthen international exchange and understanding between Minnesotans and the world. This is accomplished through the following program areas:

- **Visitors.** Each year MIC arranges for nearly 1,000 foreign leaders and officials to meet with Minnesota business, education, government and political representatives and to experience the hospitality of volunteer hosts in private homes. These visitors enrich the state's economy and educate its citizens. One-third of MIC's visitors are from the top 20 U.S. overseas export markets. Minnesota's tourist industry is stimulated through favorable reports by visitors to their professional associates and friends overseas. Visitors exchange technical and professional information with Minnesotans.
- **World affairs.** MIC furthers Minnesota's global awareness through conferences and seminars which inform Minnesotans about important international issues. The center also sponsors roundtable discussions which provide a forum for business and community leaders to discuss critical topics with international experts.
- **Students.** The center's speakers' programs utilize foreign students and scholars as resources for classroom teachers and community groups in the metropolitan area and throughout the state. MIC is also a resource through which these students enrich their experience in Minnesota. Like the short-term visitors, they return to their home countries and promote trade and tourism through favorable reports.
- **Language bank.** MIC locates interpreters and translators for hospitals, courts, social service agencies and other community members, often on an emergency basis. Over 70 languages are represented in the center's language bank.

PERFORMANCE:

The Minnesota International Center continues to attract more visitors than any other similar organization between the 2 coasts (except Chicago) and has a national reputation for excellence. The strength of its programs lies in the one-to-one contact provided to Minnesotans with people from over 120 countries.

During F.Y. 1990 23,457 Minnesotans were impacted by MIC programs. MIC served 875 international visitors. More than 2,000 professional appointments were made and 663 home hospitalities, 67 homestays, and 378 visits to farms or small towns were arranged. Income brought into the state by these visiting officials totaled over \$830,000.

During the past biennium, MIC's world affairs luncheons attracted a larger and more broadly based audience than in the past. Lunches and conferences drew 910 business and community members. These gatherings are increasingly tailored to meet the needs of the Minnesota business community, especially small- and mid-sized firms.

MIC continues to be a valuable resource for schools and community organizations statewide. In 1990 the International Student Speakers Bureau and Minnesota Awareness Project reached audiences totalling 6,462, up from 5,550 in F.Y. 1988. Topics ranged from world hunger, poverty, and economic development to customs and cultural differences. Also MIC provided interpreters and translators in response to requests from hospitals, businesses, the courts and the community. Often these requests were for emergencies where an interpreter was needed immediately.

MIC continually monitors program effectiveness through evaluation forms distributed to participants,

interviews, questionnaires, telephone surveys, and informal discussions.

PROSPECTS:

The Minnesota International Center is increasingly important to the state as dramatic changes in global structure affect Minnesotans in their daily lives. In January 1990, MIC adopted a strategic plan designed by a select committee following careful evaluation of each of MIC's program areas. The goal of the plan is to define a course of action which would enable MIC to fulfill its mission using current resources as efficiently as possible, with a strategy to expand its resource base in the next 3 years.

In the upcoming biennium MIC will:

1. Continue providing quality programs for international leaders and maintain MIC's national reputation as a leader in the international exchange network by: expanding the number of programs by 5% per year in the next 3 years; developing a comprehensive program for volunteer recruitment, training, and recognition; expanding and improving community resources that serve as the source of professional contacts for international visitors; and providing a continuum of programming options within 2 hours of the Twin Cities as the focus of the Greater Minnesota Network for visitor programs.
2. Be at the forefront of providing Minnesotans broad-based educational opportunities on international issues through world affairs luncheons; conferences; and the Great Decisions program. In particular, broaden participation in MIC World Affairs Programs through increasing their visibility and evaluating how well they meet the needs of MIC members and the broader community.
3. To provide quality opportunities for international students to interact with the community by: expanding the community enrichment programs of Friendship Exchange and Conversation and Cuisine increasing participation of international students area colleges and universities; and establishing a system for ongoing evaluation and planning of student programs.

PLAN:

MIC programs are conducted on an annual budget of \$329,000, which is matched dollar-for-dollar by in-kind contributions of office space, equipment, and the time and effort of over 1,000 volunteers. MIC's budget has grown as programs have been expanded over the past 4 years. During this time, however, the legislative grant has remained constant with the difference being made up by increased individual and corporate contributions. Continuation of state funding is critical. In F.Y. 1988 the state legislative grant represented 22% of MIC's budget. In F.Y. 1991, however, the state legislative grant represents only 12% of MIC's revenue. MIC's other sources of support include: individual contributions and membership 32%; corporate/foundation 23%; federal grant, U.S. Information Agency 6%; fees and grants for programs 25%; interest/other 2%. It is increasingly difficult to obtain corporate contributions, however, straining MIC's ability to meet program needs.

MIC's strategic plan for the upcoming 3 years concentrates on growth and improvement of current programs, rather than on expansion into new program areas. This will maximize the use of base level funding to continue bringing international visitors and students in contact with the citizens of Minnesota.

GOVERNOR'S RECOMMENDATION:

The Governor concurs with the agency's plan.

PROGRAM: Fiscal Agencies - Minnesota Military Museum
Agency: Minnesota Historical Society

1992-93 Biennial Budget

PROGRAM PURPOSE:

The mission of the Minnesota Military Museum is to preserve and interpret military history as it has been experienced by Minnesotans. It strives to inspire public appreciation for and understanding of, the contributions and sacrifices made by Minnesotans who have served in the Armed Forces, and for those who lent support on the home front.

To achieve this, the museum:

1. Collects, preserves, and displays artifacts, photographs, documents, and art that illustrate military activity in which Minnesotans have played an important role; the history of Minnesota's frontier forts, especially old Fort Ripley (1849-1877) and Camp Ripley (1930-present); and the history of Minnesota's state forces.
2. Provides library and referral service to persons seeking information about Minnesota's military history.

It is operated by the Board of Directors of the Military Historical Society of Minnesota, a non-profit educational corporation.

PERFORMANCE:

The museum was started in 1977 and moved into a remodeled and enlarged building in 1987. The past 3 years have seen major improvements in the storage and cataloging of artifacts along with additional staffing, both paid and volunteer. The library and archive was added in the summer of 1990. It currently contains a collection of 4,100 books on military history, nearly 3,500 photographs, and more than 100 old films. The museum has become an important repository of documents and records of the Minnesota National Guard. The site of old Fort Ripley has been protected by rerouting a road and fencing off the area. Since the last biennial budget request, 1,350 additional artifacts have been received and cataloged, bringing the museum's total collection of 3-dimensional artifacts to 8,500.

The number of visitors has grown steadily, exceeding projections. In calendar year 1989, visitors numbered 14,525. The projection for 1990 is more than 15,000. About 15% of these are soldiers training at Camp Ripley; the others represent the general public. According to our guest book, they come from throughout the U.S. and from several foreign countries. In addition, about 300 school children received tours during the 1989-90 school year.

A special fund drive was launched in 1989 and raised \$24,000 as of September, 1990, mostly from veterans' organizations. This enabled the museum to add a landscaped outdoor exhibit area and the new library/archive room. The money was also used to add or replace several exhibit cabinets, improve collection storage, and develop new exhibits on the Korean War, the Vietnam War, and on the experiences of Brainerd Guardsmen in the Philippines during World War II. A membership campaign and an expanded museum store have also provided important new sources of funds.

PROSPECTS:

Growth has both raised expectations and prompted new problems.

- There is need for expanded and redesigned interior exhibit space and for a covered outdoor display area that will shelter large items from the sun and rain.

- There is need for improved and heated work/storage space.
- The film collection needs cataloging and care. Deteriorating films should be copied or transferred to videotape.
- An oral history program is needed.
- A full-time Administrator is needed.

If the legislative appropriation were increased enough to hire a full-time Museum Director, a fund drive could be conducted to meet the other needs. Such a position would also make the museum eligible for federal assistance through the U.S. Army's museum program.

PLAN:

The base level funding of \$15,000 per year has been used to underwrite salaries for part-time museum staff. The museum will continue to use it in this manner during F.Y. 1992-93, while relying on donations and museum store sales to pay other operating costs. Without continued base level funding, the museum would be forced to close.

GOVERNOR'S RECOMMENDATION:

The Governor concurs with the museum's plan.

PROGRAM: Fiscal Agencies-Minnesota Air National Guard Museum 1992-93 Biennial Budget
Minnesota Historical Society

PROGRAM PURPOSE:

To collect, preserve, interpret, and display the history of the Minnesota Air National Guard through exhibits of restored aircraft, photographs, documents, and memorabilia; by maintaining a reference library; and by recording oral histories of past and present guard veterans.

PERFORMANCE:

The museum remains open to the public on weekends from mid-April to mid-September, and one Saturday each month from October through March. Groups may visit by appointment at other times.

	<u>F.Y. 1990</u>	<u>F.Y. 1991</u>
No. of visitors:	10,000	12,000

These have represented 29 states, 4 Canadian provinces, and 11 other countries.

PROSPECTS:

The Minnesota Air National Guard Museum recently was selected as one of those to receive an SR71/A12 "Blackbird." This is the world's fastest aircraft, whose mission has now been assumed by satellites. The prestigious award attests to the growing stature of the museum among its peers and promises to increase visitation in the next year. It has also raised awareness of the need for expansion of space and facilities. The museum's Board of Directors is now studying the feasibility of an up-scaled fund-raising drive.

PLAN:

This organization receives only about 20% of its funding from the state. During F.Y. 1992-93 it will stay within the present funding base of \$10,000 annually and rely on other sources if budget increases are necessary. A special legislative aid request may be made at some future time, when plans for expansion have been completed and associated costs have been determined.

GOVERNOR'S RECOMMENDATION:

The Governor recommends the BASE level of funding for this activity.

PROGRAM: Fiscal Agencies - Project 120
Agency: Minnesota Historical Society

1992-93 Biennial Budget

postponement of updating the curriculum. In addition, the staff of Urban Concerns currently allocated to the agency's other programs will need to be re-allocated to Project 120, thus minimizing our political education thrust in other areas. The greatest impact will be a decrease in the number of scholarships given to low income participants.

PROGRAM PURPOSE:

The mission of Urban Concerns Workshops, Inc., which sponsors Project 120, is to increase the level of political participation of Minnesotans not involved in the mainstream of politics and government. It does this through week-long workshops that bring high school students to the Capitol to learn at first hand about state government.

PERFORMANCE:

Pre- and post-program attitude surveys are administered to each group of students. The results show that a distinct change takes place during their week of exposure to government. They leave St. Paul with a better understanding of the role that state government plays in their daily lives.

<u>Effectiveness Measures:</u>	<u>F.Y. 1990</u>	<u>F.Y. 1991</u>	<u>F.Y. 1992</u>	<u>F.Y. 1993</u>
No. of students	218	225	225	225
No. hours/units (No. of students x 184)	40,112	41,400	41,400	41,400
Percent change in students' attitude	+25	+25	+25	+25

PROSPECTS:

Since 1988 Urban Concerns has received the same level of funding. To compensate for increased costs, program fees have been raised. However, as fees increased, participation decreased as follows: 1987--316, 1988--276, 1989--247. As shown above, we hope to stabilize the level of participation at about 225.

The last election once again underscored the amount of voter apathy that exists. It indicates a definite need to help turn the tide by expanding the program to accommodate more participants. This could best be accomplished by running multiple sessions concurrently, which would require additional staff.

PLAN:

**Allocation of Biennial Base Level Funding
(Dollars in Thousands)**

	<u>F.Y. 1990</u>	<u>F.Y. 1991</u>	<u>F.Y. 1992</u>	<u>F.Y. 1993</u>
Direct Costs	31.0	38.0	39.0	41.0
Personnel Costs				
Teacher	17.0	18.0	18.0	19.0
Counselor	1.0	2.0	2.0	2.0
Scheduler	1.0	1.0	1.0	1.0
Support Staff	8.0	8.0	8.0	9.0
Exec. Director	10.0	10.0	11.0	11.0
Indirect Costs	<u>19.0</u>	<u>21.0</u>	<u>23.0</u>	<u>24.0</u>
Total	87.0	98.0	102.0	107.0

BASE level funding for 1992 and 1993 will be \$4,469 and \$8,740 short of the program needs, respectively. To implement the program within the constraints of base level funding will require a

GOVERNOR'S RECOMMENDATION:

The Governor concurs with the agency's plan for this activity.

1992-1993 B I E N N I A L B U D G E T
(DOLLARS IN THOUSANDS)

AGENCY: HISTORICAL SOCIETY
PROGRAM: FISCAL AGENCIES-MHS

ACTIVITY RESOURCE ALLOCATION:	FY 1989	FY 1990	Est. FY 1991	FY 1992			FY 1993		
				Adjusted Base	Agency Plan	Governor Recomm.	Adjusted Base	Agency Plan	Governor Recomm.
SIBLEY HOUSE ASSOCIATION	58	93	93	93	93	93	93	93	93
MN HUMANITIES COMMISSION	67	147	172	147	147	147	147	147	147
MN INTERNATIONAL CENTER	38	78	38	38	38	38	38	38	38
MN MILITARY MUSEUM		30		30	30	30			
MN AIR NATIONAL GUARD		20		20	20	20			
PROJECT 120	69	69	69	69	69	69	69	69	69
TOTAL EXPENDITURES BY ACTIVITY	232	437	372	397	397	397	347	347	347
DETAIL BY CATEGORY:									
STATE OPERATIONS	58	93	93	93	93	93	93	93	93
LOCAL ASSISTANCE	174	344	279	304	304	304	254	254	254
TOTAL EXPENDITURES BY CATEGORY	232	437	372	397	397	397	347	347	347
SOURCES OF FINANCING:									
DIRECT APPROPRIATIONS:									
GENERAL	232	437	372	397	397	397	347	347	347
STATUTORY APPROPRIATIONS:									
TOTAL FINANCING	232	437	372	397	397	397	347	347	347

1992-93 BIENNIAL BUDGET

PROGRAM STRUCTURE

AGENCY: COMMERCE, DEPARTMENT OF

PROGRAM

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Bank Examinations
Deputy Commissioner Financial Examinations
Credit Union Examinations
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Registration
Deputy Commissioner Registration and Analysis
Unclaimed Property
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PETROLEUM TANK RELEASE CLEAN UP FUND

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Petro Tank Release Clean Up

ADMINISTRATIVE SERVICES

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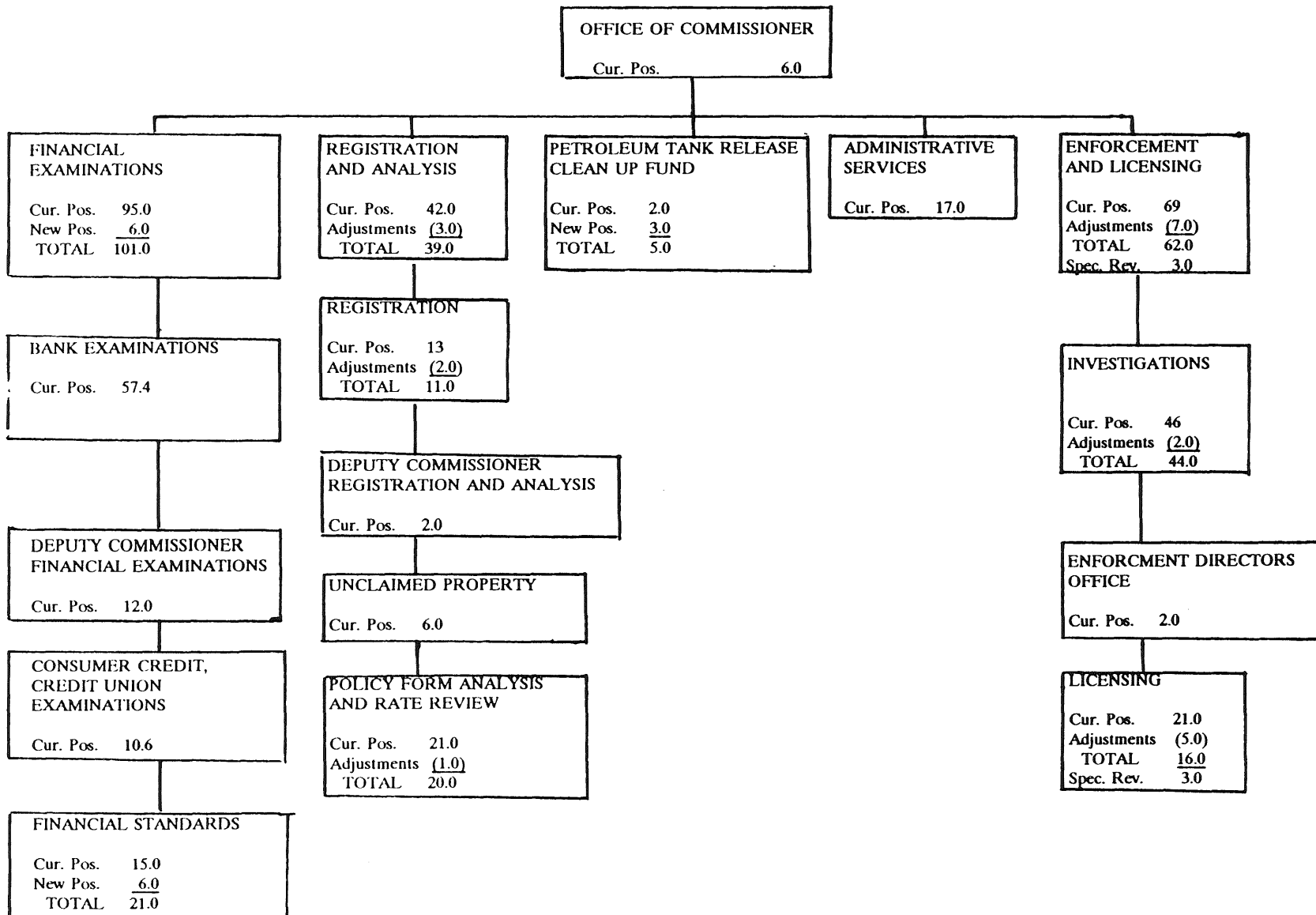
Finance and Administration

ENFORCEMENT AND LICENSING

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Investigations
Enforcement Director's Office
Licensing

Department of Commerce Organization Chart 7/1/90



Commerce, Department of
Position and Employee Status Information

Position Reconciliation:			Employees by Employment Status:	
Authority:	Current <u>F.Y. 1991</u>	Requested <u>For 6-30-93</u>		<u>6-30-90</u>
Legislative Complement:			Full-Time Unlimited	221.0
General Fund	229.0	225.0	Full-Time Temporary	3.0
Environmental Fund	2.0	5.0	Part-Time Seasonal	<u>224.0</u>
Special Revenue	3.0	3.0		
			TOTAL	224.0
Budgetary Authorized				
General Fund	234.0			
Total Permanent Positions	234.0	233.0		
TOTAL Positions	<u>234.0</u>	<u>233.0</u>		
Employees on 6-30-90	224.0			

MISSION:

The Minnesota Department of Commerce (the "department") is the primary regulator of the financial services industry in Minnesota. The department establishes and monitors standards involving a wide variety of businesses involved in financial transactions.

The mission of the department is to instill consumer, investor and business confidence in financial transactions and to protect the investing consumer from abuses. The public relies upon the expertise, trust and solvency of the financial community and the department attempts to assure that a marketplace exists which adheres to legal standards and meets the needs of the public.

The department is organized into 5 programmatic areas:

1. Financial Examinations
2. Registration and Analysis
3. Petroleum Tank Release Cleanup Fund
4. Administrative Services
5. Enforcement and Licensing

The department strives to meet the following objectives relating to its mission:

- to ensure consumer trust and confidence in banks, thrift institutions, insurance companies and other lending related institutions;
- to ensure the investor, borrowing consumer, policyholders and depositors safe and solvent financial institutions;
- to ensure policyholder and investors protection, understanding and confidence in areas of capital formation, insurance, real estate, mortgage banking, franchising and collection agencies;
- to investigate complaints from the general public to determine whether the activities constitute violations of law and to take appropriate administrative disciplinary action;
- to assure the general public that persons engaged in the sale of financial services and products establish minimum standards of expertise and moral character;
- to constantly monitor rapidly changing market conditions and practices in order to pro-actively monitor violations that may injure the consumer;
- to ensure that applications for licenses meet certain standards of knowledge, training and ethical conduct prior to licensure;
- to limit the sale of illegal business investments;
- to administer state laws affecting securities and insurance products through the review of policy forms to ensure that they are not inadequate or unfairly discriminatory;
- to ensure that the rates charged for insurance products are not excessive; and
- to assure that all securities products are in compliance with merit and disclosure standards as required by Minnesota Law.

In March of 1990, IDS Financial Services Inc., published a report entitled "Will the U.S. Life Insurance Industry Keep its Promises?". The report is alarming in that it points out states' inadequate regulatory ability in policing the solvency of insurance companies. The IDS study concludes, based partly on the recent experience with the savings and loan industry, that advances in state regulation of life insurance companies during the last decade have not kept pace with the complexity and sophistication of new products, investment strategies and other factors impacting the financial soundness of insurers.

Despite the fact that Minnesota has not experienced a major insolvency of a domiciled insurance company, warning signs such as low capital and surplus levels, the decline in value of commercial real estate and non-investment grade bonds and mortgage defaults possess the potential of causing major future insolvencies in the event of a economic downturn. It will be the department's responsibility to constantly monitor the situation and to understand the multitude of complex investment products under examination.

Regulation of the financial services industry, insurance companies in particular, has entered into a very complex and uncertain era. The demise of the savings and loan industry has caused regulators to reassess their ability in properly overseeing the financial solvency and investment practices of financial institutions. During 1990, the department evaluated its own regulatory role in order to identify areas in need of reorganization, additional new personnel and training programs. The results of the internal program audit performed by KPMG Peat Marwick focused on recommendations for increased training with emphasis on new products and GAAP accounting, significant increases in insurance financial examination personnel and reform of the examination process.

EXPLANATION OF BUDGET ISSUES AND ALTERNATIVES:

For the better part of the 1980's, the department relied very little on outside training resources in order to keep abreast of changes in the financial services industry. With the multitude and complexity of investments being held and offered by regulated industry, it is imperative that department personnel understand each and the hazards associated with the same. The department has surveyed other states and found that training budgets are consistently 5-10% of an agency's budget. Therefore, as a reasonable starting point in this area, the department is requesting 3.5% of its professional staff salary budget for training purposes. Each division has prepared comprehensive training programs utilizing this guideline.

The department is committed to utilizing partnership arrangements, whereby many of the industries the department regulates contribute to training department personnel. While the department has found industry training and consulting services to be superior, independence and public trust must be maintained by limiting the utilization of this alternative.

In order for the department to fulfill its commitment to current program guidelines, statutory requirements, projected increases in the cost of goods and services (including salaries) and critical new initiatives, will result in funding demands which will exceed the departments General Fund BASE funding in F.Y. 1992 and 1993 in the amounts of \$534,000 and \$844,000, respectively. In order for the department to absorb the projected inflationary increase and cost of new initiatives, the department has utilized a combination of program cuts and changes in fees. A total of \$1,219,000 in additional revenue will be available for the biennium as a result of the \$1,387,000 change in the biennial BASE expenditures. The \$159,000 increase in expenditure not recovered as a result of new revenue will be recovered by existing fees charged to regulated industries in excess of the cost of regulation.

The breakdown of the agency reallocation plan by program is as follows:

<u>Reallocation by Program</u> (Dollars in Thousands)			
	General Fund F.Y. 1991	F.Y. 1992 Change From F.Y. 1991	F.Y. 1993 Change From F.Y. 1991
Financial Examinations	\$4,495		
Inflation		205	410
Training		123	127
New Insurance Examiners		319	264
Registration and Analysis	1,941		
Inflation		81	161
Training		39	38
Unclaimed Property Contract		(55)	(55)
Program Reallocations		(94)	(143)
Administrative Services	1,585		
Inflation		50	100
Program Reallocations		(39)	(70)
Enforcement and Cons. Assist.	2,828		
Training		48	49
Inflation		116	234
Cosmetology Salon Inspection		(159)	(164)
Program Reallocations		(104)	(106)
Total	<u>\$10,849</u>	<u>\$530</u>	<u>\$845</u>

In order to accommodate the aforementioned spending cuts and new initiatives, the department shall propose changes in Minnesota statutes to increase insurance fees and franchise fees to fully recover costs of regulation and to eliminate cosmetology salon inspections.

GOVERNOR'S RECOMMENDATION:

The Governor concurs with the agency's plan except for the following: a) the Governor recommends a biennial increase of \$110,000 to restore funding for the unclaimed property contract. Termination of this contract is not recommended because it will result in a loss of General Fund revenue amounting to \$435,000 for the biennium; and b) the Governor recommends legislation to limit the state's total liability for the Petroleum Tank Release Cleanup Program to reimbursement levels that can be supported by the current 1¢ per gallon gasoline fee.

1992-1993 B I E N N I A L B U D G E T
(DOLLARS IN THOUSANDS)

AGENCY: COMMERCE, DEPT OF

PROGRAM RESOURCE ALLOCATION:	FY 1989	FY 1990	Est. FY 1991	FY 1992			FY 1993		
				Adjusted Base	Agency Plan	Governor Recomm.	Adjusted Base	Agency Plan	Governor Recomm.
FINANCIAL EXAMINATIONS	4,252	4,265	4,655	4,759	5,406	5,406	4,749	5,550	5,550
REGISTRATION & ANALYSIS	1,725	1,997	1,941	1,966	1,937	1,992	1,959	1,960	2,015
PETROLEUM TANK CLEANUP FUND	871	11,362	21,531	21,535	21,690	21,690	21,538	21,694	21,694
ADMINISTRATIVE SERVICES	1,725	1,690	1,585	1,763	1,774	1,774	1,782	1,812	1,812
ENFORCEMENT & CONS ASSIST	2,440	3,010	3,327	3,383	3,284	3,284	3,387	3,400	3,400
TOTAL EXPENDITURES BY PROGRAM	11,013	22,224	33,039	33,406	34,091	34,146	33,415	34,416	34,471
SOURCES OF FINANCING:									
DIRECT APPROPRIATIONS:									
GENERAL	9,641	10,359	10,849	11,156	11,686	11,741	11,143	11,988	12,043
PETRO CLEANUP	53								
SPECIAL REVENUE	264	267	299	316	316	316	329	329	329
ENVIRONMENTAL		55	61	65	220	220	68	224	224
STATUTORY APPROPRIATIONS:									
PETRO CLEANUP	818								
SPECIAL REVENUE	237	236	360	399	399	399	405	405	405
ENVIRONMENTAL		11,307	21,470	21,470	21,470	21,470	21,470	21,470	21,470
TOTAL FINANCING	11,013	22,224	33,039	33,406	34,091	34,146	33,415	34,416	34,471

BASE RECONCILIATION REPORT
for 1992-1993 Biennium

AGENCY: COMMERCE, DEPT OF

	ALL FUNDS		GENERAL FUND		OTHER STATE FUNDS		FEDERAL FUNDS	
	F.Y. 92	F.Y. 93	F.Y. 92	F.Y. 93	F.Y. 92	F.Y. 93	F.Y. 92	F.Y. 93
F.Y. 91 FUNDING LEVEL	33,039	33,039	10,849	10,849	22,190	22,190		
SALARY ANNUALIZATION	144	108	143	107	1	1		
DOCUMENTED RENT/LEASE INCR.	164	187	164	187				
DEDICATED RECEIPTS AND FUNDS	59	81			59	81		
TOTAL	33,406	33,415	11,156	11,143	22,250	22,272		
BIENNIAL TOTAL		66,821		22,299		44,522		

ACTIVITY:
PROGRAM: Agency-Wide Decision
AGENCY: Commerce, Department of

1992-93 Biennial Budget

DECISION ITEM: Financing Inflation Cost

	Dollars in Thousands			
	F.Y. 1992	F.Y. 1993	F.Y. 1994	F.Y. 1995
AGENCY PLAN:				
Expenditures				
General Fund - Inflation	\$ 452	\$ 905	\$ 905	\$ 905
General Fund - Reallocation	(451)	(538)	(538)	(538)
Total	\$ 1	\$ 367	\$ 367	\$ 367

Revenues				
General Fund	1,044	1,256	1,256	1,256

GOVERNOR'S RECOMMENDATION:

Expenditures				
General Fund	\$ 56	\$ 422	\$ 422	\$ 422
Revenues				
General Fund	\$ 1,102	\$ 1,310	\$ 1,310	\$ 1,310

Requires statutory change: X Yes No
Statutes Affected: M.S. 155A.08, Subd. 3, M.S. 155A.09, Subd.7 (salon inspections)
M.S. 80C.04, Sub. 1, 80C.07, 80C.08, Sub 1 (franchise fees)
M.S. 60A.14, Sub 1 (c) insurance fees

ITEM SUMMARY:

An inflation rate of 4.5% for F.Y. 1992 and an additional 4.5% for F.Y. 1992 was assumed for the following programs,

	F.Y. 1992	F.Y. 1993
Financial Examinations	\$ 205	\$ 410
Registration & Analysis	81	161
Administrative Services	50	100
Enforcement & Cons. Assist.	116	234
	\$ 452	\$ 905

These inflation rates were applied to all salary, supply and expense costs with the exception of documented space rental rate increases. A plan has been developed to cover these anticipated inflationary increases from two different sources.

1. Program reductions of \$451,000 in F.Y.1992 and \$538,000 in F.Y. 1993.
2. Increase in revenue in fee-supported activities of \$193,000 in F.Y. 1992 and \$386,000 in F.Y. 1993. The revenue generated as a part of this decision is related to the assessment and examination fee cost recovery of the financial examinations program of the department. Examination costs are recovered at 100% of cost and assessment expenses are recovered at 103% of cost. Also, the department recommends that franchise fees, (\$93,000 annually) and insurance fees (\$975,000 in

F.Y. 1992 and \$995,000 in F.Y. 1993) be increased to cover the cost of regulation.

RATIONALE:

Even though the department is entirely supported through fees and assessments, it has developed a plan to manage costs. Reductions in staffing and expenses required to finance inflationary increases in the General Fund will be spread over all of the department's General Fund programs, except for the Financial Examination Program, as follows:

Registration and Analysis	F.Y.1992	\$(149,000)	F.Y.1993	\$(198,000)
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The reductions in this activity will require staff to absorb additional responsibilities as vacant positions will not be filled. (For F.Y. 1992 two professional positions and one clerical position; F.Y. 1993 three professional positions and one clerical position.) The net result will be delays in processing registrations and insurance policy and rate filings and increased backlog in clerical support functions. The staff will be required to review workload and determine priorities as burdens of meeting approval deadlines and interest of companies in having products approved will conflict with consumers who have specific interest in what is available in the market.

Additionally, a contract to locate unclaimed property in other states nationally will not be executed. The cost of this contract to the General Fund is \$55,000 per year. It is estimated that \$435,000 in unclaimed property will be reported to Minnesota as a result of this contract. An estimated 50% of that property will be returned to owners and the remaining 50% would be remitted to the General Fund. Proceeds from this contract to the General Fund is estimated to be \$162,500 per year.

Administrative Services	F.Y.1992	\$(39,000)	F.Y.1993	\$(70,000)
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This reduction eliminates the ability to pay employees overtime for work during annual renewal and peak workload times throughout the year. This will ultimately mean that annual renewals will experience processing delays and cash will not be deposited in the 24 hour turnaround time requested by the Treasurer for investment purposes.

Additionally, \$30,000 is reduced each year from the department's legal services budget which will impair the department's ability to take enforcement and regulatory matters to the administrative hearings process.

Finally, one position is eliminated in the second year of the biennium as a result of an anticipated retirement. Remaining staff will be required to pick up the additional workload which will not allow us to provide the required support to the department and non-health licensing boards in a timely manner.

Enforcement and Licensing	F.Y.1992	\$(263,000)	F.Y.1993	\$(270,000)
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The reductions in this activity will require staff to absorb additional responsibilities as vacant positions will not be filled. (For F.Y. 1992 and 1993 two professional positions from investigations and one clerical position from licensing.) The net result will be delays in processing consumer complaints and inquiries. Additionally, the licensing division will change internal procedures to have testing companies perform application screening services. The staff will be required to continuously review workload and determine priorities as burdens of providing continued service to licensees, the general public and the business community increase and staffing to accomplish our overall mission decreases.

Additional processing changes will be made in licensing which will eliminate some of the printing and mailing costs associated with annual renewals to accomplish the target reduction.

Finally, the department would propose the elimination of the cosmetology salon inspection program. Currently, as part of the regulatory program of the cosmetology program, cosmetology salons licensed in Minnesota are annually inspected to assure sanitary conditions exist for the patrons of the licensed

(Continuation)

1992-93 Biennial Budget

ACTIVITY:

PROGRAM: Agency-Wide Decision

AGENCY: Commerce, Department of

salon. It is the department's position that the "market" can comfortably regulate salons cleanliness and health oriented practices as consumers will presumably not use facilities that are not kept in a sanitary condition. This action would eliminate four positions and related travel expenditures to have these 4 people traveling throughout the State of Minnesota inspecting salons for a total savings of \$159,000 in F.Y. 1992 and \$164,000 in F.Y. 1993.

GOVERNOR'S RECOMMENDATION:

The Governor concurs with the agency's plan, except for the following items. a) The Governor does not recommend terminating the unclaimed property contract because this will result in a loss of General Fund revenue amounting to \$435,000 for the biennium. Therefore, it is recommended that funding for the contract be restored in the amount of \$110,000 for the biennium, and b) The Governor recommends that cosmetology fees be reduced by \$159,000 in F.Y. 1992 and \$164,000 in F.Y. 1993 as a result of savings achieved by eliminating salon inspections.

Listed below is a summary of the revenue changes:

Recommended by Department:	<u>F.Y. 1992</u>	<u>F.Y. 1993</u>	<u>F.Y. 1994</u>	<u>F.Y. 1995</u>
Assessment & Exam Fees	\$ 193	\$ 386	\$ 386	\$ 386
Insurance Fees	975	995	995	995
Franchise Fees	93	93	93	93
Unclaimed Property	(217)	(218)	(218)	(218)
Total Department Request	\$1,044	\$1,256	\$1,256	\$1,256

Additional Governor's Recommendation:

Restore Unclaimed Property	\$ 217	\$ 218	\$ 218	\$ 218
Reduce Cosmetology Fees	(159)	(164)	(164)	(164)
Total Governor's Rec.	\$1,102	\$1,310	\$1,310	\$1,310

ACTIVITY:
PROGRAM: Agency-Wide Decision
AGENCY: Commerce, Department of

1992-93 Biennial Budget

DECISION ITEM: Professional Staff Development (Training)

AGENCY PLAN:

	Dollars in Thousands			
	F.Y. 1992	F.Y. 1993	F.Y. 1994	F.Y. 1995

Expenditures				
General Fund	\$ 210	\$ 214	\$ 214	\$ 214

Revenues				
General Fund	\$ 213	\$ 217	\$ 217	\$ 217

GOVERNOR'S RECOMMENDATION:

Expenditures				
General Fund	\$ 210	\$ 214	\$ 214	\$ 214

Revenues				
General Fund	\$ 213	\$ 217	\$ 217	\$ 217

Requires statutory change: _____ Yes _____ X No
Statutes Affected:

ITEM SUMMARY:

Agency-wide request for professional staff development to provide training opportunities for department staff to keep abreast of new developments in an ever-changing marketplace. Request is to provide training funds at 3.5% of the professional staff salary cost for the following programs:

	F.Y. 1992	F.Y. 1993
Financial Examinations	\$ 123,000	\$ 127,000
Registration & Analysis	39,000	38,000
Enforcement & Cons. Assist.	48,000	49,000
	\$ 210,000	\$ 214,000

RATIONALE:

The Department has discovered, through audit and review of operations, that the level of professional development provided to professional staff is well below the national average. Most states, according to the Conference of State Bank Supervisors (CSBS), provide training to staff at a level of 5-10% of staff salary cost. During our accreditation review and in an operations audit done by a CPA firm, this was one of the strong areas of criticism.

It is the intention of the department to request additional resources for professional staff development for all programs of the department; financial examinations, registration; policy and rate review; and investigations. The industries regulated are constantly changing in the way of development of new products, new financing methods, new investment strategies, new sales techniques and so on.

If the department staff responsible for the regulation of these industries is not adequately trained to keep up with these changes it is difficult to provide adequate regulation to protect the public interest.

The intent would be that all members of the staff would be able to participate in training opportunities to enhance their knowledge and skill to benefit both the regulated industries by having currently trained regulators and the general public who rely on this agency to protect their interests when dealing with a department regulated financial service.

The new revenue generated as a part of this decision is related to the assessment and examination fee cost recovery of the financial examinations program of the department. Examinations costs are recovered at 100% of cost and assessment expenses are recovered at 103% of cost. The remaining portion of this request is funded from existing revenue as the department charges the cost of regulation back to the industries by way of fees for filing documents and licenses. The General Fund revenue estimates are listed below:

	F.Y. 1992	F.Y. 1993
Current Revenue	\$ 109,000	\$ 109,000
New Revenue	104,000	108,000
Total	\$ 213,000	\$ 217,000

GOVERNOR'S RECOMMENDATION:

The Governor concurs with the agency's plan.

PROGRAM PURPOSE:

The Financial Examinations Program is the principal depository institution and insurance regulatory and supervisory function in State government involved primarily with regulating commercial banks, trust companies, face amount certificate companies, credit unions, and life and casualty insurance companies.

The mission of the division is to maintain a high level of safety and soundness necessary to provide Minnesota citizens with domestic sources for safe and accessible depositories for personal and business funds, efficient capital formation for loans at reasonable interest rates, insurance policies and funding instruments for short and long-term indemnification against mortality, morbidity casualty losses and personal and organizational accumulation of financial resources. The division strives to achieve the mission through:

1. Conducting on-site examinations and investigations of state chartered banks, trust companies, thrift companies and face amount certificate companies to determine solvency and compliance with laws and rules.
2. Conducting on-site examinations and investigations of state chartered credit unions, debt pro-rate companies, safe deposit companies and township mutual insurance companies to determine solvency and compliance with law and rule.
3. Conducting on-site examinations and investigations of state chartered life and casualty companies to determine solvency and compliance with law and rule.
4. Providing charter and license application and approval access for qualified individuals, corporations and related groups of members to form and conduct regulated activities and business as stock or mutual financial institutions, insurance companies or consumer service licensees. This includes admittance of banking and insurance companies from other states to conduct business through domestic banks and licensed insurance agents in Minnesota
5. Collecting and analyzing financial data, reports and submissions from financial institutions and licensees doing business in this state compiled into structured rating and classification systems to identify emerging or existing problems which may lead to financial impairment or insolvency.

PERFORMANCE:

In general terms, Minnesota citizens and business confidence in state chartered financial institutions, insurance companies and consumer services licensees has been maintained in that during F.Y. 1990 and 1991 material failures or interruptions in financial service have not occurred.

More specifically, each of the following activities had the expected results necessary to address the identified needs, serviced in the most efficient manner described:

- Full scope financial and compliance examinations have been conducted on 80 to 85% of all commercial banks and thrift companies during fiscal years 1990 and 1991 to rate each in terms of its capital adequacy, asset quality, management capability, earnings performance and liquidity (CAMEL System) with sufficient reliability to identify those in need of close regulatory involvement. This performance integrates the shared examinations by the FDIC and FRB, which represents implementation of an alternative to meeting the statutory requirement of an 18-month maximum examination cycle, all with state-funded examiners and supervisory support.
- Based on the output under the CAMEL system, banks with composite ratings in the 2 lowest bands (4 and 5) receive close supervisory direction at board level. The measurable results

include a reduction in the number of banks in the 2 lowest bands from 37 during F.Y. 1990 to 27 in F.Y. 1991.

- During this period, examination results have also identified a growing number of banks in the middle rating band (3) from 45 in F.Y. 1990 to 63 in F.Y. 1991. This band is transitional, absorbing 16 upgraded from the 4 and 5 bands and 15 from the higher 1 and 2 rating bands representing deterioration. The need here is to address manageable problems early that warrant informal supervisory action, which is the most efficient in affording the greatest margin for correction before resources are exhausted or impaired.
- Full scope financial and compliance examinations have been conducted on 85 to 90% of all credit unions during F.Y.s 1990 and 1991 in order to rate each in terms of its capital adequacy, asset quality, management capability, earnings performance, and liquidity (CAMEL System) with sufficient reliability to identify those in need of close regulatory involvement. This performance satisfies the 18-month statutory, mandatory examination cycle utilizing only state examination personnel. Alternatives utilizing National Credit Union Association examination resources have been investigated, but no commitment has been available with any degree of reliability.
- Based on the output under the above CAMEL rating system, credit unions with composite ratings in the 2 lowest bands (4 and 5) have received close supervisory direction at board level. The measurable results include a reduction in the number of credit unions in the 2 lowest bands from 8 in F.Y. 1990 to 4 in F.Y. 1991.
- During this period, examination results have also identified a growing number of credit unions in the middle rating band (3) from 16 to 19 from F.Y. 1990 to F.Y. 1991. This band is transitional, absorbing 4 upgraded from the 4 and 5 bands and 4 from higher 1 and 2 rating bands, representing deterioration. The need here is to address manageable problems early to warrant informal supervisory action which is the most efficient in affording the greatest margin for correction before resources are exhausted or impaired.
- Full scope financial and compliance examinations have been conducted on 11 of 35 domestic life insurance companies in F.Y. 1990 and 1 in F.Y. 1991, and 23 of 60 casualty companies in F.Y. 1990 and 1 in F.Y. 1991. These examinations meet the historical need to identify the solvency and market conduct standing of each company using the National Association of Insurance Commissioners ("NAIC") examination format, supplemented by department procedures. These results do not provide a comparative or measurable relative rating for supervisory action determination. Solvency in statutory terms is meeting customary objectives of insurance examination activity.
- The primary need of the agency in terms of identifying foreign insurers doing business in Minnesota is serviced by annual review of 1,295 total life and casualty companies under the NAIC - Insurance Regulatory Information System ("IRIS") system based on year-end financial submissions. One hundred eighty-three problem foreign companies with moderate, manageable problems have been identified on an in-house screening system in F.Y. 1990 and 194 in 1991. Closer monitoring on a quarterly basis is the output result.
- Foreign life and casualty companies exhibiting more severe problems number 54 in F.Y. 1990 and 73 in F.Y. 1991 and have been controlled or excluded from doing business in Minnesota to avoid loss of withdrawable funds or unpaid claims due to impairment or insolvency. Seven foreign companies have become impaired or insolvent in F.Y.s 1990-1991 and each has been subject to mitigating supervisory action before conservatorship or receivership due to this effective monitoring and screening system.
- Access to participating in regulated financial institution and insurance business requires approval or review. Processing applications for all financial clientele is under control of the business development unit and is fee based for approximately 70% of the review. The measurable results include the processing in F.Y. 1990 of 400 total applications and notifications of 500 in F.Y. 1991. In addition, new law in 1990 requires review of bank change of control within a prescribed 60-

day time period. F.Y. 1991 will add 40 total applications and notifications due to this change.

- The Deputy Commissioner activity provides planning and oversight through staff review and direction of all activities and coordinates training efforts. Training of examiners and staff, when consolidated, resulted in 75 professional employees sent to formal and informal, but structured training sessions of from 1 day to 15 days in F.Y. 1990 and 100 in F.Y. 1991. This training is intended to provide the necessary career path and specialized training in a highly technical and rapidly changing financial services industry.
- Deputy Commissioner's office staff review of problem and potential problem institutions and licensees requires off-site analysis and structured reaction to a population of 487 banks, 105 domestic insurance companies, 186 credit unions, 118 township mutuals and 1,300 foreign insurance companies. Only an annual review of foreign insurance companies was accomplished and was limited to annual statement analysis. Thorough survey of foreign company examination, CPA, actuary and other available data was not accomplished. Presently, but unsatisfactory and dangerous, surveillance capability includes excessive utilization of field examination staff as office review personnel resulting in an average period between domestic insurance company examinations of 38 months in F.Y. 1990 to 49 months in F.Y. 1991.

PROSPECTS:

Economic Environment: The level of surveillance and examination effort to assure solvency and compliance with law is based in large part on the size and number of regulated institutions and licensees doing business in Minnesota. But in the 1980's, the agricultural crisis significantly compounded demands beyond traditional scope, time and methodology. It is expected the already weakened market for investment in commercial real estate and overall interest rate volatility will create more stress in certain commercial banks and most larger insurance companies in F.Y. 1992 and F.Y. 1993. Demands will be greater on more introspective and current systematic review of financial trends in individual banks, credit unions and insurance companies to provide a base for necessary supervisory direction on a more prospective and anticipatory basis rather than after the fact or crisis management. The number of classification of current staff is inadequate.

Professional and Technical Capability: All financial institutions and insurance companies must deal with increasing cost of funds and narrowing profit margins induced by unstable market conditions and heightened competition. This tends to reduce their ability to form new capital or surplus through operations compared to pre-1980 environment. This means their management and the department's professional staff must be more highly trained to recognize and deal with problems through policy development and on-line monitoring rather than previous infrequent "examination-only" oriented practices. Computerized networking to utilize existing data bases and highly trained professionals are essential. Insurance supervision is the area of major focus due to existing low staff to clientele ratios and major impact of foreign companies often operating from home states without suitable supervision.

Industry Structure: Regulated industry response to economic conditions is taking take on the trend to develop new products, new markets and consolidated organizational structure. This means applications and notices for changes in bank, credit union and insurance company activities will increase and prospects for the success or introduction of unacceptable risk to existing capital must be measured more rapidly and more precisely. Present staff to application ratio in the business development unit is insufficient and, like supervision in the area of insurance, field examination staff from banks and insurance have been commandeered into office review duties.

Foreign insurers account for 80% of the life and annuity consideration received from Minnesota residents. In terms of total assets and investments relied on to make good on those policies and

contracts, over 90% or \$1.6 trillion are outside the specific jurisdiction of Minnesota law and rule. No assumptions can be made that the 51 other state and territories chartering these companies are doing an adequate job in supervising the risks represented by the wide range of invested asset categories allowed. Twenty-seven foreign insurers have failed or went into a form of bankruptcy in the past 10 years compared to 16 in the previous 20 years.

Once licensed, the monitoring of 1,290 foreign companies has been based on a comprehensive annual report format prescribed by the NAIC and the resulting financial factors ranked in IRIS. This subscribed system available to NAIC members is a very basic screening device dependent on the accuracy of the report and demands more comprehensive follow-up analysis even to targeted on-site examinations. The Minnesota Insurance Division does not have the staffing capability to provide that comprehensive review, verification, confirmation or on-site follow up.

Efforts have been underway to create such a capability, but at the expense of reallocating personnel and equipment from the basic examination and monitoring responsibilities of domestic companies. If every state is doing this in an understaffed funding constraint, it explains why most states' examination reports are at 4 to 5 year intervals and are up to 3 or 4 years late... and of no value.

Domestic insurers and Minnesota companies can only be safeguarded by specific allocation of funds and the establishment of a reliable, thorough foreign insurer review and follow-up unit.

The business development unit has no control over the volume of applications or inquiries for written or personal consultation but must react with completed file review for completeness, analysis of financial factors and procedural law, detailed written recommendations and final documents in a time frame compliant with law and to accommodate legitimate business opportunity and closings. Fair and prompt treatment of all applicants is not attainable and time frames are done by priorities. Junior or associate level staff is needed without reallocation from the field examination responsibility to review and complete simple, routine paper work.

Added improvements in the unit's capability and performance is available by statutory amendment providing for notification in some cases where application and approval is needed (e.g. Electronic Financial Terminals and Trust Service Organizations.

PLAN:

Biennial BASE level funding for the division is divided among activities/functions as follows:

Biennial Base Level Funding (Dollars in Thousands)	
Bank Examinations	\$5,451
Deputy Commissioners Office Support	658
Credit Union/Consumer Examination	978
Insurance Company Examination	1,741
Total	\$8,828

Cost increases attributable to inflation at described level of effort will approximate \$636,000 for the biennium. This cost would have to be managed by reducing personnel costs, redesigning existing practices and procedures, and eliminating some services. To meet this challenge means to reduce the level of activities now reimbursed through fees and assessments on industry, which actually contributes a surplus to the general fund each biennium. Financial institution assessment by law constitutes a 3% override, which approximates \$230,000 over this budget base in the 1992-93 biennium.

This does not mean more efficient and minimal effective cost of regulation should not be a goal. To produce a lower expenditure, the following steps would be required to achieve a no increase budget.

Alternative 1 - Bank Examination Activity Absorption

- The division would have to propose legislation removing the present 18-month mandatory examination cycle relating to all depository financial institutions. Reduction of the 67 examiners assigned to these full-scope safety and soundness examinations by 6 positions will produce a cost savings of approximately \$400,000 over the biennium and result in a carryover of approximately 85 to 100 examinations beyond the 18-month cycle. Revenue would be lost through a reduction in assessments at 103% of cost and examination fees that recover the dollar for dollar cost of operation.

Alternative 2 - Insurance Examination Activity Absorption

- The remaining examination and surveillance activity of insurance companies, domestic and foreign, would require a reduction which would in effect eliminate the office review function for foreign companies (2 review examiners) and 4 of the 6 field examiners now examining domestic companies on a 4-year on-site cycle.

While these alternatives would allow the department to address the BASE budget requirement, it would not recommend implementation of these proposals. The department would find itself seriously limited in its ability to protect the public interest in the areas of bank and insurance company solvency issues.

Emergency Problem Area Identified - Staff

A response to the prospects regarding problem foreign insurers as described earlier is necessary and runs counter to the overall base level mandate in this budget process. During the 1990-91 biennium, recognition of indemnity risk, interest rate and market risk in life insurance companies was exemplified by the near collapse of First Executive Corporation. Also, the identification of 40 other insurers with large exposures to bond investments with poor quality characteristics (highly leveraged transactions and below investments grade) as well as those companies with overvalued real estate assets raises questions about both liquidity and surplus adequacy. As noted, insolvencies are on the rise and lack of uniform regulatory practices in the 50 states compels Minnesota to attempt to develop a reliable method of identifying problems in foreign as well as domestic companies to protect Minnesota policyholders' interests.

Over the past 5 years, the NAIC, a voluntary membership organization of state insurance commissioners, has offered an IRIS program intended to identify problem insurance companies from their annual report filed each March. We have utilized their efforts but find it limited and incomplete so as to require substantial additional investigation of a growing number of companies. IRIS identified 58 problem property/casualty companies and 53 life and health companies from the 1989 annual statements.

Further investigation and utilization of appropriate supervisory action to watch, curtail or prevent further insurance activities by impaired companies is far beyond existing staff capabilities in the insurance examination unit.

Of the 8 field examiners responsible for 104 domestic companies holding \$48 billion in assets, 2 have been permanently assigned to begin the development of a proper and effective surveillance unit. Together they are exposed to 1,237 foreign companies and their holding company organizations and affiliates related through reinsurance pooling and management agreements. This caseload is unacceptable and should be based on the average annual hours needed by the review examiner for review, rating and supervisory action procedures. As a result, this budget proposal includes a request to add 6 additional examiners to the existing staff to minimally address the department's current

statutory requirements for the financial review of insurance companies.

To truly address early identification of problem foreign insurance companies before the company is impaired to the point of insolvency, we would like to propose an extensive annual review of financials which would require the addition of both desk audit examiners and field examiners to perform follow-up on-site examinations. However, due to the guidelines outlined for the preparation of the 1992-1993 Biennial Budget and its restrictions on change-level requests, this proposal has been tabled. Rather, the department suggests that this issue be addressed separately by the Governor and legislature based on the recommendations of the industry Solvency Task Force Report released on 10-29-90. The proposal identified would require the following activity:

Step I - All Foreign Companies Annual Review Procedure

1. Produce and review screen based on annual statement
2. Review IRIS results based on annual statement
3. Review targeted surplus rating (under development)

Step II

Apply standards to eliminate highly rated companies from further review.

Step III

1. Develop narrative information to enhance review screen based on review of the following information:

- Annual Statement
- Actuarial Certification (if incorporated in annual statement under model proposal)
- Qualified Asset Report (property and casualty)
- Most recent examination report
- Annual Form B filing on holding company activity
- Interim quarterly reports if required
- National rating agency reports
- Financial filing with Securities and Exchange Commission on public companies
- Annual Statements of parents, subsidiaries and affiliates
- Contact with other states' insurance departments
- Contact with filing company for information clarification

2. Refer to actuarial support based on adverse development in loss and loss expense over targeted death ratio to year-end surplus (property and casualty and accident and health)
3. Develop recommended action, if any, and put potential CAMEL 3, 4 and 5 companies on SARC II agenda.

Step IV

1. SARC II certification of 3, 4 and 5 rated foreign companies and determination of informal or formal action and creation of problem list for follow-up based on:

"3" - Letter calling for explanation of adverse areas and remedial actions.

"3 and 4" - Informal supervisory understanding of limitations on business in Minnesota pending specific remedial action.

"4" - Memorandum of Understanding.

"4 and 5" - Formal order to limit or cease business in Minnesota (may be preceded by targeted examination)

"5" - Revocation of license.

PROGRAM: Financial Examinations
(Continuation)
Agency: Commerce, Department of

1992-93 Biennial Budget

Step V

Follow-up monitoring on quarterly basis for 3 and 4 rated companies not revoked.

Resources Needed

To accomplish this goal of identification of problems as early as possible as opposed to action only where impairment or insolvency has already become imminent, qualified additional staff for field and desk examination will be necessary.

1. Six additional field examiners at the following levels and cost per annum:

	(\$ in 000's)
1 - Principal Examiner	\$ 40
3 - Intermediate Examiners	100
2 - Entry Level Assistant Examiners	60
	\$200

2. Sixteen additional desk examiners at the following levels and cost per annum:

2 - Senior Examiners	\$ 66
6 - Intermediate Examiners	198
8 - Entry Level Assistant Examiners	240
	\$504

Total additional cost per annum to upgrade the field and office capabilities is \$704,000 and results in the following performance and work load levels:

Present. Total of 6 field examiners for 104 domestic companies and all targeted and associational examinations of large foreign company writers and problem assignments. Current domestic comprehensive examination cycle of 4 years and no associational examination participation.

Proposed. Total of 12 field examiners for 104 domestic companies and all targeted and associational examinations of large foreign company writers and problem assignments. Proposed domestic examination cycle of 3 to 5 years based on combination of comprehensive examination each 5 years and targeted examination in interim based on desk review results. Join on associational examinations where desk and results and large premium volume in Minnesota dictate.

Present. Total of 2 desk examiners reviewing 1,237 foreign and 104 domestic companies. Ratio of 670 files per examiner. Based on annual working hours available of 1,712, this ratio represents 2.5 hours per company file.

Proposed. Total of 18 desk examiners reviewing 1,237 foreign and 104 domestic companies. Ratio on 75 files per examiner. Based on annual working hours available of 1,712, this ratio represents 22.8 hours per company file. Funding sources for field examination activities recovered 100% from companies examined on a direct billing basis. Funding sources for desk examination function personnel cost increases of \$504,000 per annum through increasing annual statement filing fee (Minn. Stat. § 60A.14, subd. 1(b) (2)) from \$225 to \$600 (\$504,000 - 1,341 = \$375).

Alternate Proposal and Analysis based on NAIC IRIS screening results from 1989. This also integrates the availability of the computerized CAMEL Screen and Risk Adjusted Capital (RAC) for both life and casualty companies which total 1341 (104 domestic, 1237 foreign).

		<u>Time</u>	<u>Per Year</u>	<u>Total</u>
1341 (100%)	RAC Computer Analysis	1	1	1341
	IRIS Computer Analysis	1	1	1341
550 (41%)	CAMEL Computer Screen Analysis	3	1	1650
	IRIS Team Report Review	1	1	550
303 (55%)	Full Desk Audit	8	1	2424
182 (62%)	Informal Supervisory Action Prep. and 3 Quarterly Follow-ups	8 3	1 3	1456 1638
115 (33%)	Formal Supervisory Action Prep. and 3 Quarterly Follow-Ups	10 4	1 3	1150 1330
Total Annual Time				12,880
Average Annual Examiner Potential				1,712
No. of Review Examiners				7.5
Present Complement				1
Average Examiner Cost F.Y. 1990				\$33,250
6.5 Examiners =				\$216,125

Funding Source by Annual Statement filing would result in increase from \$225 to \$386.

EXPLANATION OF BUDGET REQUEST:

The department requests 6 additional positions to meet the minimal requirements for the examination of insurance companies for solvency and compliance; increased funding to provide training opportunities for department staff to keep abreast of new developments in an ever-changing marketplace; and funding of inflation at 4.5% each year. The entire cost of this program is recovered through fees and assessments charged to the regulated industries. Funding for the specific decision items is listed below. Also, see decision item narrative for a more detailed explanation.

(Dollars in Thousands)

<u>Decision Item:</u>	<u>F.Y. 1992</u>	<u>F.Y. 1993</u>	<u>Total</u>
Insurance Examination Additional Staff	\$ 319	\$ 264	\$ 583
Professional Staff Development/Training	123	127	250
Financing Inflation Costs	205	410	615
Total Plan	\$ 647	\$ 801	\$ 1,448

GOVERNOR'S RECOMMENDATION:

The Governor concurs with the agency's plan as outlined under the Explanation of Budget Request.

1992-1993 BIENNIAL BUDGET
(DOLLARS IN THOUSANDS)

AGENCY: COMMERCE, DEPT OF
PROGRAM: FINANCIAL EXAMINATIONS

ACTIVITY RESOURCE ALLOCATION:	FY 1989	FY 1990	Est. FY 1991	FY 1992			FY 1993		
				Adjusted Base	Agency Plan	Governor Recomm.	Adjusted Base	Agency Plan	Governor Recomm.
BANK EXAMINATIONS	2,424	2,516	2,692	2,731	2,936	2,936	2,722	3,052	3,052
DEP COM FIN EXAM	612	544	619	627	661	661	625	688	688
CREDIT UNION EXAMINATIONS	543	576	483	490	525	525	488	546	546
INSURANCE CO EXAMINATIONS	673	629	861	911	1,284	1,284	914	1,264	1,264
TOTAL EXPENDITURES BY ACTIVITY	4,252	4,265	4,655	4,759	5,406	5,406	4,749	5,550	5,550
DETAIL BY CATEGORY:									
STATE OPERATIONS	4,252	4,265	4,655	4,759	5,406	5,406	4,749	5,550	5,550
TOTAL EXPENDITURES BY CATEGORY	4,252	4,265	4,655	4,759	5,406	5,406	4,749	5,550	5,550
SOURCES OF FINANCING:									
DIRECT APPROPRIATIONS:									
GENERAL	4,131	4,165	4,495	4,560	5,207	5,207	4,544	5,345	5,345
STATUTORY APPROPRIATIONS:									
SPECIAL REVENUE	121	100	160	199	199	199	205	205	205
TOTAL FINANCING	4,252	4,265	4,655	4,759	5,406	5,406	4,749	5,550	5,550

ACTIVITY: Insurance Company Examinations
PROGRAM: Financial Examinations
AGENCY: Commerce, Department of

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DECISION ITEM: Insurance Examination Additional Staff

Funding for this request is provided by increases in fees charged to insurance companies for doing business in Minnesota and by fees charged to insurance companies for the examination of their books and records. The examination fees are deposited into the Special Revenue account for insurance examinations, the Insurance Examination Revolving Fund. This fund then cancels to the general fund at the end of each fiscal year to provide for the recovery of the cost of regulation. Examination fees are set by the NAIC at a daily rate for per diem plus all related expenses. The cost of this request will be fully recovered by the insurance industry through fees.

GOVERNOR'S RECOMMENDATION:

The Governor concurs with the agency's plan.

	Dollars in Thousands			
	<u>F.Y. 1992</u>	<u>F.Y. 1993</u>	<u>F.Y. 1994</u>	<u>F.Y. 1995</u>

AGENCY PLAN:

Expenditures				
General Fund	\$ 319	\$ 264	\$ 264	\$ 264
Revenues				
General Fund - Net	344	344	344	344

GOVERNOR'S RECOMMENDATION:

Expenditures				
General Fund	\$ 319	\$ 264	\$ 264	\$ 264
Revenues				
General Fund	\$ 344	\$ 344	\$ 344	\$ 344

Requires statutory change: _____ Yes X No
Statutes Affected:

ITEM SUMMARY:

Six new positions are needed in this activity to meet our department requirements for the examination of insurance companies for solvency and compliance.

RATIONALE:

The insurance industry is well aware that their industry faces a solvency "crisis" in the 90's. Issues of solvency rank high priority in the minds of the nation's regulators. Many efforts are underway to attempt to address some of these solvency related issues before a major failure occurs. The department has identified its own weaknesses in the area of insurance company examinations. Both in the area of on-site examinations and the in-house desk audit capabilities. It is a need of critical nature that we increase our present staff in this area by 6 examiners. Four would be assigned to a desk audit function and two would be assigned as field staff to do on site examinations.

The department recognizes that it should do annual desk audits on all domestic insurance companies and on all foreign companies with significant percentages of premium volume in Minnesota. Currently, 2 auditors are assigned to the desk audit function and it is not possible for them to complete the number of audits that need to be done with the kind of screens to assure companies doing business in Minnesota are solvent. Additionally, on-site examinations are supposed to be completed on a tri-annual basis. Currently, 6 examiners are responsible for 104 domestic company examinations and participation in National Association of Insurance Commissioners (NAIC) zone examinations. To accomplish the required audits, 2 additional field examiners are essential.

PROGRAM PURPOSE:

The Department of Commerce Registration and Analysis Division ensures that investment products and insurance policies sold in Minnesota meet minimum standards of fairness and understandability. In addition, the division is responsible for identifying abandoned property and returning it to rightful owners and heirs. Finally, the division ensures that companies which self-insure their automobile liability and workers' compensation obligations possess the financial ability to assume such obligations.

The division ensures that investment products sold are not illegal by:

- applying readability and fairness standards to common stock, preferred stock, limited partnership, mutual fund and municipal bond prospectuses and financial statements to ensure that bogus investment schemes are not sold in Minnesota;
- reviewing all franchise agreements offered in Minnesota to ensure that all material information about the franchise and franchisor is disclosed to prospective purchasers so that they are able to make an informed decision;
- preventing sales of real estate interest in fraudulent land schemes by reviewing all subdivided land and membership camping club offerings made in Minnesota; and
- protecting the public from unscrupulous salespersons and advisers by licensing and monitoring all broker-dealers, securities agents and investment advisers doing business in this State.

The division seeks to ensure that insurance policies and the rates charged for those policies are not illegal and that consumers receive the benefits intended by law by:

- enforcing readability and fairness standards with respect to life and health policies and property and casualty insurance policies to protect the public from illusory coverages and policies which do not provide the benefits mandated by law;
- providing consumer education through the completion of insurance cost comparison surveys and participation in senior citizen workshops and other civic forums;
- protecting small businesses from financially unstable insurance providers by reviewing risk retention and purchasing groups seeking to solicit insurance business in Minnesota; and
- providing guidance and technical assistance to four risk pools, i.e. the Fair Plan, the Auto Plan, and Auto Assigned Claims Plan and the Minnesota Comprehensive Health Association, to ensure that the pools are fulfilling their legislative purpose of providing insurance coverage to the uninsurable.

The division seeks to ensure the financial integrity of companies self-insuring their workers compensation obligations and automobile liability to make sure that injured workers and accident victims are promptly paid by:

- enforcing statutory financial requirements and liquidity tests to all applicants for self-insurance authority;
- protecting self-insurers from dishonest claims payors and processors by licensing third party administrators which provide management services to self-insures; and
- annually reviewing the financial condition of self-insurers to ensure that solvency and liquidity standards continue to be met.

Abandoned property is identified and returned to rightful owners through:

- enforcing reporting requirements to ensure that banks, insurance companies and other organizations which hold abandoned property report and remit that property to the State; and
- aggressively searching for owners of abandoned property through advertising and individual investigations.

PERFORMANCE:

It is difficult to objectively measure the performance of the division. One way to determine the effectiveness of the division is to document the number of applications and filings which were identified by staff as not providing the benefits or protections required under Minnesota law. In other words, how many unlawful investment products or insurance policies would have been sold in Minnesota if not for review by department staff.

With respect to insurance policy and rate filings, the following were filed in F.Y. 1990:

<u>TYPE OF FILING</u>	<u>NUMBER OF FILINGS</u>
Commercial	4184
Personal Lines	2653
Workers' Compensation	567
Health	2401
Life and Annuity	<u>3362</u>
TOTAL	13,167

Of the above rate and form filings, over 50% required changes in order to comply with Minnesota law.

Revisions with regard to life and health products were most often required because the products provided inadequate coverage for children or spouses; provided unlawful limitations on the care of newborns; or did not adequately disclose the surrender charges payable by an insured if he or she surrenders the policy before maturity. Property and casualty products were most often found deficient in that underwriting standards were unfairly discriminatory or policy provisions permitted companies to cancel policies for illegitimate reasons.

The department also conducts studies and surveys to increase consumer awareness of financial products. During the past biennium, the department distributed the following studies to thousands of Minnesotans:

- 1989 Auto Insurance Cost Comparison Study
- 1989 Homeowners Insurance Cost Comparison Study
- 1989 Term Life Insurance Cost Comparison Study
- 1990 Medigap Insurance Cost Comparison Study
- 1990 Long Term Care Insurance Cost Comparison Study
- 1990 Auto Insurance Cost Comparison Study

Funds expended to conduct the above studies are greatly exceeded by the money consumers can save by shopping around for insurance and comparing costs as recommended in the studies.

With respect to securities and other investment products, the following outlines the number of applications received during F.Y. 1990 and the number of applications ultimately withdrawn or denied for failure to comply with Minnesota Law:

PROGRAM: Registration and Analysis
(Continuation)
Agency: Commerce, Department of

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<u>TYPE OF INVESTMENT</u>	<u>Applications Received</u>	<u>Applications Withdrawn/Denied</u>
Common Stock	217	83
Mutual Funds	129	7
Unit Investment Trust	353	54
Real Estate Partnerships	47	20
Miscellaneous Partnerships	14	5
Debt Instruments	51	41
Real Estate Investment Trusts	12	5

Reasons for withdrawal or denial include excessive fees being paid to insiders; inadequate investment by insiders; inadequate voting rights for investors; and partnership agreement terms which permitted program sponsors to take advantage of investors.

The self-insurance section monitors the financial integrity of approximately 160 self-insurers to ensure that each company's financial condition remains stable and insurance obligations continue to be paid. Because of careful department monitoring, only 1 self-insurer was unable to pay its claims during the past biennium. As the number of self-insures continues to increase, additional emphasis must be placed on close monitoring of the financial condition of self-insurers.

The amount of unclaimed property reported to the State continues to increase. In F.Y. 1990, almost \$8 million was reported. During the same period over \$6 million was returned to rightful owners and heirs. The remaining \$2 million remains in the General Fund until such time, if ever, that it is claimed.

PROSPECTS:

Senior Population Growth: In the next 20 years, seniors will double as a percent of Minnesota's population from 13 to 26%. Their medigap long-term care, annuity, automobile and homeowners insurance needs will continue to expand, and insurers will be attempting to tailor programs to meet the unique needs of our senior population. Review of senior products, participation in senior forums and increasing consumer awareness of insurance products must be a main focus of the department in coming years.

Registration of Investment Products: The securities market and other financial industries will continue to become more sophisticated. New and innovative financial products will require more in-depth review and analysis by department staff. Further, the globalization of the securities markets will raise new and difficult issues regarding financial standards and, potentially, preemption concerns.

Increase in Self-Insurers: The number of auto and workers compensation self-insurers has been steadily increasing. Self-insuring liability is an attractive and, oftentimes, less costly alternative to purchasing insurance in the private market. While in 1986 there were 121 such self-insurers, 158 companies self-insured their auto liability and workers compensation obligations in 1990. Because self-insurers are continually monitored, an increasing number of self-insurers causes a corresponding decrease in the level of monitoring of each self-insurer. Resources may have to be reallocated to ensure that self-insurers are effectively being monitored and that any problems are detected while they can still be corrected.

PLAN:

Biennial BASE level funding for the division is divided among functions as follows:

<u>Biennial Base Level Funding</u>	
Registration	\$ 1,003
Policy Form Analysis and Rate Review	1,774
Deputy Commissioner	233
Unclaimed Property	<u>915</u>
TOTAL	\$ 3,925

To function within the BASE level of funding, the division would have to absorb inflation cost of \$242,000 for the biennium. Savings in the amount of \$237,000 for the biennium will be accomplished through careful management of costs, and the elimination of vacant positions together with possible cost savings through attrition.

Additionally, reduction in spending will be made by the termination of a professional contract with a corporation which locates abandoned property and remits such property to the State. Savings resulting from the termination of the contract total \$55,000 for each year of the biennium. The termination of this contract will result in a net loss in General Fund revenues since abandoned property identified as a result of the contract remains in the General Fund if not claimed by rightful owners, and the value of such property exceeds the amount appropriated for the contract.

GOVERNOR'S RECOMMENDATION:

The Governor concurs with the agency's plan except for the following item. The Governor does not recommend terminating the unclaimed property contract because it will result in a loss of General Fund revenue of \$435,000 for the biennium. The Governor recommends that funding for the contract be restored in the amount of \$110,000 for the biennium. (See agency-wide decision item "Financing Inflationary Costs" for more detail.)

1992-1993 B I L L I A L B U D G E T
(DOLLARS IN THOUSANDS)

AGENCY: COMMERCE, DEPT OF
PROGRAM: REGISTRATION & ANALYSIS

				FY 1992			FY 1993		
			Est.	Adjusted	Agency	Governor	Adjusted	Agency	Governor
ACTIVITY RESOURCE ALLOCATION:	FY 1989	FY 1990	FY 1991	Base	Plan	Recomm.	Base	Plan	Recomm.
=====	=====	=====	=====	=====	=====	=====	=====	=====	=====
REGISTRATION	391	404	495	502	476	476	501	443	443
DEP COMR REGIST & ANALYSIS	112	102	115	117	122	122	116	126	126
UNCLAIMED PROPERTY	368	454	455	458	421	476	457	438	493
POLICY FORM ANALYSIS	854	1,037	876	889	918	918	885	953	953
=====	=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL EXPENDITURES BY ACTIVITY	1,725	1,997	1,941	1,966	1,937	1,992	1,959	1,960	2,015
DETAIL BY CATEGORY:									
=====									
STATE OPERATIONS	1,725	1,997	1,941	1,966	1,937	1,992	1,959	1,960	2,015
=====	=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL EXPENDITURES BY CATEGORY	1,725	1,997	1,941	1,966	1,937	1,992	1,959	1,960	2,015
SOURCES OF FINANCING:									
=====									
DIRECT APPROPRIATIONS:									
GENERAL	1,725	1,997	1,941	1,966	1,937	1,992	1,959	1,960	2,015
STATUTORY APPROPRIATIONS:									
=====	=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL FINANCING	1,725	1,997	1,941	1,966	1,937	1,992	1,959	1,960	2,015

PROGRAM PURPOSE:

The Petroleum Tank Release Cleanup Fund provides partial reimbursement to tank owners and operators for the cost of investigating and cleaning up petroleum releases. The reimbursement program was created to provide an incentive for the time reporting of petroleum releases which may be hazardous to the public health and environment if left unreported. The program also assists tank owners who wish to cooperate and a release but who otherwise may not have adequate financial resources to do so.

Subsequent to the establishment of the Fund, the federal Environmental Protection Agency adopted regulations requiring most non-residential tankowners to, generally, maintain a networth of \$1,000,000 or purchase insurance coverage in that amount. The Petrofund has applied for EPA certification so that the Fund's statutory charge to reimburse Minnesota tankowners up to \$1,000,000 of costs resulting from a petroleum release satisfies the above EPA requirements. Indications are that the Fund will obtain the certification.

PERFORMANCE:

The Petroleum Tank Release Compensation Board administers the Fund and its staffed by the Department. The Board consists of 2 representatives of the petroleum industry and 1 representative of the insurance industry, all appointed by the Governor. The Minnesota Pollution Control Agency (MPCA) commissioner and the Commerce commissioner also serve on the board. The Board's staff currently consists of an analyst and a secretary.

The Petroleum Tank Release Cleanup Fund is funded by a 1¢ per gallon gasoline fee imposed by the Board on gasoline distributors. Applicants are reimbursed 90% of their costs up to \$1,000,000.

The mission of this program is achieved through the following:

- providing funding to the MPCA for costs of investigating and cleaning up releases when the person responsible for the release cannot be located or is financially unable to take correction action.
- providing funding directly to tank owners for the expeditious cleanup of petroleum releases. To that end, the following amounts have been paid to tank owners:

<u>Fiscal Year</u>	<u>Amount Paid</u>
1988	\$ 78,986
1989	\$ 818,576
1990	\$ 11,307,569

- encouraging timely cleanup by attending educational forums for environmental attorneys, tank owners and operators and representatives of the financial industry to advise them of the existence of and availability of funds from the Fund.
- assisting small businesses by providing coverage up to \$1,000,000 per petroleum release and, therefore, enabling small businesses to satisfy regulations promulgated by the federal Environmental Protection Agency which require tank owners to obtain insurance coverage with a maximum liability of not less than \$1,000,000.

PROSPECTS:

Recently enacted federal legislation which requires the replacement of approximately 40,000 Minnesota underground storage tanks over the next 8 years will directly impact this program since

it is likely that releases that have gone unnoticed for years will be discovered upon replacement of the tanks. The number of applications has steadily increased since the inception of the program, and the increase is expected to continue and become even more dramatic. The following illustrates the number of applications annually received during the first 3 years of the program and the number of applications estimated to be received in the current fiscal year and following biennium:

<u>FISCAL YR</u>	<u># OF APPLICATIONS</u>		<u>AMOUNT REIMBURSED</u>
	<u>NEW</u>	<u>SUPPLEMENTAL</u>	
1988 (act.)	3	0	\$ 78,986
1989 (act.)	33	0	818,576
1990 (act.)	314	113	11,300,000
1991 (est.)	785	339	21,470,000
1992 (est.)	1600	1017	40,793,000
1993 (est.)	1600	3051	45,000,000

Because of the short history of this program, it is difficult to accurately estimate the number of applications which will be received and the amount of reimbursements that will be made. The figure for the number of new applications for F.Y. 1991 was derived by comparing the number of applications received during the first half of F.Y. 1990 with the number of applications received during the first half of F.Y. 1991. The resulting percentage increase in applications of 250% was then applied to the total number of applications received in F.Y. 1990 to arrive at an estimate for F.Y. 1991. The number of new applications for F.Y. 1992 and F.Y. 1993 are estimated to continue to dramatically increase and then stabilize over the 2-year-period.

The number of supplemental applications for F.Y. 1991, F.Y. 1992 and F.Y. 1993 was determined by comparing the actual number of supplemental applications received during the first half of F.Y. 1990 to those received during the first half of F.Y. 1991. The percentage increased of 300% was then applied to the total number of applications received during F.Y. 1990 to arrive at the estimated total number of applications to be received in F.Y. 1991. The 300% increase was then applied to the estimated number of applications to be received in F.Y. 1991 to arrive at the number to be received in F.Y. 1992 and then to the number estimated to be received in F.Y. 1992 to reach an estimate for F.Y. 1993.

The total amount of reimbursement for F.Y. 1991 was determined by comparing the total amount of payments during the first quarter of F.Y. 1990 to payments made during the first quarter of F.Y. 1991. The increase of 190% was then applied to the total payout in F.Y. 1990 to arrive at an estimated payout in F.Y. 1991. That percentage increase was then applied to the estimated payout of F.Y. 1991 to arrive at an estimated payout of F.Y. 1992. The level of payout is anticipated to stabilize somewhat in 1993, with a slight increase attributable to the increase in supplemental applications.

It must be stressed that the actual number of application and reimbursements may be significantly less than or greater than the estimates. Because of the short history of the Fund, it is impossible to predict future results with any certainty.

As noted above, the costs of the Fund and reimbursements to tankowners are paid from monies derived from a 1¢ fee per gallon of gasoline which is imposed on petroleum distributors. Based on past experience, the maximum amount of annual revenues from this fee is \$30,000,000. As is evident, the reimbursement projections for F.Y. 1992 and F.Y. 1993 significantly exceed this amount.

The estimates assume, however, that adequate staff exist at the Pollution Control Agency and the Fund to promptly review corrective action plans and applications for compliance with reimbursement requirements. It is the Department's understanding that the PCA estimates that it is only able to review approximately 700 corrective action plans per year. As applications for Petrofund reimbursement must have a PCA-approved corrective action plan to be eligible for reimbursement, the inability of the PCA to review corrective action plans on a timely basis will artificially cap the amount of applications received and amount reimbursed by the Petrofund.

PROGRAM: Petroleum Tank Release Clean up Fund
(Continuation)
Agency: Commerce, Department of

1992-93 Biennial Budget

GOVERNOR'S RECOMMENDATION:

The Governor concurs with the agency's plan, except for the following: The Governor recommends legislation that will clarify that the state's total liability for this program is limited to reimbursements that can be supported by the current fee. The Governor does not support a fee increase to fund a higher level of reimbursement.

The maximum amount of revenue that can be generated from the current fee is about \$30 million annually. The board estimates that reimbursement applications for this entitlement program could be as high as \$45 million by F.Y. 1993. Because of the short history of the fund, and the extreme volatility of this program, costs are extremely difficult to project. They could be significantly higher or lower than this amount. In the event applications for reimbursement exceed the current funding level, the proposed legislation would require that reimbursements be delayed until the fund is replenished.

Additionally, the Fund currently has only 1 full-time analyst reviewing applications. Accordingly, if the request for additional staff for the Petrofund is denied, applications will continue to be received but staff will be unable to process them in a timely manner and the amount of reimbursements will be significantly lower than estimated.

Assuming that no artificial cap is placed on the number of applications received and reviewed or on the amount of reimbursement because of an inadequate number of staff persons, the projected amount of reimbursements significantly exceeds amounts available to fund reimbursements in F.Y. 1992 and F.Y. 1993. Several alternatives exist to remedy this problem.

The first alternative is to merely delay review of applications and reimbursement of parties. The delay could be quite lengthy. This is not recommended since many small tankowners are unable to obtain "bridge financing" to finance cleanups prior to receiving reimbursement from the Fund. Accordingly, cleanups could be delayed and small tankowners could experience severe financial hardship if applications are not reviewed in a timely manner and reimbursement are not timely paid.

A second alternative is to limit the total amount which the Fund will reimburse for any single site. The cap is presently \$1,000,000. Presently, the average payout per site is significantly less -- approximately \$37,000. Accordingly, the cap would have to be significantly reduced to have any impact. This alternative is not recommended since the Fund will lose its EPA certification if the cap is reduced, forcing tankowners to purchase insurance. The availability of such insurance is questionable and even where it is available, it is costly.

Finally, the 1¢ per gallon fee could be raised. This alternative may be met with opposition from the payors of the fee.

PLAN:

The base level of funding is \$60,799 which represents the salary and fringe benefits of the analyst and secretary who provide staff support to the Board. Accordingly, the only way to fund the cost associated with the Program within the base level of funding is to eliminate 1 of the positions or reduce a position from a full time to a part time position. Because of the increase in the number of applications, both of these options are undesirable as this action would result, in an unmanageable backlog of applications and a severe slowdown in the processing of applications. The ultimate result will be extreme delays in processing applications and reimbursing tank owners. Because many tank owners are unable to obtain "bridge financing" to finance a cleanup prior to the actual receipt of monies from the Petrofund, cleanup efforts will be halted by tank owners. The potential for harming public health and the environment will significantly increase.

Because of the dramatic increase in the number of applications discussed above, the department would propose adding 2 additional analysts and 1 clerical position are requested to handle the increased workload. The cost of such additional staffing would be \$151,000 in F.Y. 1992 and \$156,000 in F.Y. 1993.

Because this program is funded through a special revenue account, the proposed increase in staff will have no impact on the general fund.

As this department's overall mission is related to the regulation of the financial services industry, it is our opinion that this program would better serve the citizens of the State of Minnesota if it were administered by the MPCA. MPCA currently handles the major area of responsibility relating to the cleanup of spills by tank owners and it would appear they would be best suited for the administration of claim payments from this fund.

1992-1993 B I E N N I A L B U D G E T
(DOLLARS IN THOUSANDS)

AGENCY: COMMERCE, DEPT OF
PROGRAM: PETROLEUM TANK CLEANUP FUND

ACTIVITY RESOURCE ALLOCATION:	FY 1989	FY 1990	Est. FY 1991	FY 1992			FY 1993		
				Adjusted Base	Agency Plan	Governor Recomm.	Adjusted Base	Agency Plan	Governor Recomm.
PETROLEUM TANK CLEANUP FUND	871	11,362	21,531	21,535	21,690	21,690	21,538	21,694	21,694
TOTAL EXPENDITURES BY ACTIVITY	871	11,362	21,531	21,535	21,690	21,690	21,538	21,694	21,694
DETAIL BY CATEGORY:									
STATE OPERATIONS	871	11,362	21,531	21,535	21,690	21,690	21,538	21,694	21,694
TOTAL EXPENDITURES BY CATEGORY	871	11,362	21,531	21,535	21,690	21,690	21,538	21,694	21,694
SOURCES OF FINANCING:									
DIRECT APPROPRIATIONS:									
PETRO CLEANUP ENVIRONMENTAL	53	55	61	65	220	220	68	224	224
STATUTORY APPROPRIATIONS:									
PETRO CLEANUP ENVIRONMENTAL	818	11,307	21,470	21,470	21,470	21,470	21,470	21,470	21,470
TOTAL FINANCING	871	11,362	21,531	21,535	21,690	21,690	21,538	21,694	21,694

ACTIVITY
PROGRAM Petroleum Tank Release Clean-up Fund
AGENCY: Commerce, Department of

1992-93 Biennial Budget

GOVERNOR'S RECOMMENDATION:

The Governor concurs with the agency's plan.

DECISION ITEM: Petro Fund Additional Staff

	Dollars in Thousands			
	<u>F.Y. 1992</u>	<u>F.Y. 1993</u>	<u>F.Y. 1994</u>	<u>F.Y. 1995</u>

AGENCY PLAN:

Expenditures

Environmental Fund	\$ 155	\$ 156	\$ 156	\$ 156
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GOVERNOR'S RECOMMENDATION:

Expenditures

Environmental Fund	\$ 155	\$ 156	\$ 156	\$ 156
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Requires statutory change: _____ Yes X No

Statutes Affected:

ITEM SUMMARY:

Three new positions are requested to support the Petroleum Tank Release Clean-up Fund Board (Petro Fund) in the daily operations and administration of claims made to the Board for payment from the fund.

RATIONALE:

The Petro Fund was first available for reimbursements in F.Y. 1988. The Legislature created the Board and Fund to provide partial reimbursement to tank owners and operators for the cost of investigating and cleaning up petroleum releases. The program was created as a result of a need to provide assistance in the clean up of environmentally dangerous petroleum releases. The Board is responsible to administer the Petro Fund which is supported by a 1¢ per gallon fee imposed by the Board on gasoline distributors when the fund reached the minimum balance.

In the first 2 years of this program, the Board received 36 applications for reimbursement. Because of rule development and establishing program objectives, it appeared that two staff people would be able to handle the responsibility. However, this program has developed in a manner that no one was able to anticipate. Currently the Board receives 785 new applications and 339 supplemental applications per year. The reimbursements have gone from \$897,562 for the first 2 years of the program to an estimated \$21,470,000 for F.Y. 1991.

In addition to the increase in activity of claims, the role of staff as providers of information has increased. The number of inquiries regarding fund activity and access has grown as a result of people becoming aware of the funds availability.

When this program was initially implemented, enough information was not available to have predicted the needs of the Board. We now know that additional staffing is essential to continue to respond to the number of applications submitted. Currently, applications are delayed four to six weeks in processing because of staffing backlogs. Department staff in other areas has made attempts to assist the Board staff. However, because of cutbacks in the department, it is impossible to continue to provide this assistance.

This request is funded by the fee assessed to gasoline distributors.

PROGRAM: Administrative Services
Agency: Commerce, Department of

1992-93 Biennial Budget

PROGRAM PURPOSE:

The Administrative Services division is integral to the department's overall success in achieving its stated objectives through:

- assuring that all department programs are administered and implemented in a efficient and cost effective manner;
- setting department objectives and priorities in pursuit of meaningful public policy;
- coordinating administrative support functions including development and implementation of fiscal policy, personnel services and management information systems support;
- providing legal support services to department personnel; and
- providing administrative support to licensing boards housed within the department's facilities.

PERFORMANCE:

The Administrative Services unit provides management and support services to each of the 3 individual division within the department. The Administrative Services activity exists to provide day-to-day administrative support in order that the department's statutory responsibilities are carried out in an efficient and effective manner. Activities include:

- Fiscal management;
- Personnel management;
- Administrative management;
- Management information systems and data processing;
- Legal services; and
- Office of the Commissioner.

The Office of the Commissioner is responsible for defining and implementing the public policy agenda for the department personnel and activities.

All financial transactions of the department are approved and processed by financial management and administrative management personnel. In addition, this area is responsible for implementing spending priorities and monitoring the financial status of the department throughout the biennium. This includes ongoing monitoring of expenditure levels and collection of fees and assessments. All internal and external accounting reports are generated from this area and any revenues collected are deposited in the general fund. Finally, fiscal management and administrative management are responsible for the preparation of the department's biennial budget. Additionally, administrative functions such as mail distribution, phone receptionist, and maintenance and upkeep of department office equipment.

Screening of applicants of classified and unclassified positions, and processing of personnel documents, training, job counseling, labor relations and affirmative action activities are all performed by Personnel and Procurement. Department payroll, supply procurement and inventory functions are also handled by this area. Management information systems and data processing is coordinated through one centralized area to ensure efficient and effective operation. Functions include the development of system programs, maintenance and operation of a local area network and Honeywell Bull main frame computer and ongoing assessment of departmental data processing needs.

The Legal Services area of the Administrative Services Program segregates its funding for the Office of Administrative Hearing and the Office of the Attorney General. Services performed by the

forementioned offices include the scheduling of hearing examiners, counseling provided by the Attorney General's office, scheduling and attendance of court reporters for administrative hearings and subsequent preparation of hearing transcripts. Minnesota statutes require formal hearings for all applications for state chartered financial institutions, promulgation of department rules, regulatory violations and other matters as defined by statute.

The result of the proper implementation of the Administrative Services Program will be central coordination and implementation of the agency's statutory responsibilities and oversight of individual divisions to ensure effective and efficient day-to-day department operations.

PROSPECTS:

Not unlike current savings and loan crisis, the insurance and banking industries have shown signs of financial instability attributable to distressed real estate markets and weaknesses in the non-investment grade bond market held in their investment portfolios. In order to pro-actively monitor this tenuous situation, the division has begun participating in seminars and workshops sponsored by the National Association of Insurance Commissioners (NAIC), the national organization responsible for coordinating the insurance regulatory activities of the fifty individual states. Minnesota has historically had little or no involvement with the NAIC. The benefits of participation include the sharing of successful regulatory measures and procedures with other states, input into the drafting of model legislation and monitoring of foreign companies that distribute or sell their products to Minnesota citizens.

The division has also embarked on an aggressive educational campaign designed to share ideas and utilize the most effective regulatory practices of other like regulatory agencies such as the Federal Deposit Insurance Corporation (FDIC), Office of the Comptroller of the Currency (OCC), and the Resolution Trust Corporation (RTC). The division has implemented many of the effective and successful procedures derived from this effort, resulting in a more meaningful and aggressive financial examination process.

PLAN:

The department recommends that base funding levels for the Administrative Services Division be maintained. Inflation is estimated at \$150,000 for the biennium. BASE adjustments of \$109,000 are proposed to be achieved through attrition and elimination of overtime expenditures during annual renewals.

GOVERNOR'S RECOMMENDATION:

The Governor concurs with the agency's plan for this program.

1992-1993 B I E N N I A L B U D G E T
(DOLLARS IN THOUSANDS)

AGENCY: COMMERCE, DEPT OF
PROGRAM: ADMINISTRATIVE SERVICES

				FY 1992			FY 1993		
ACTIVITY RESOURCE ALLOCATION:	FY 1989	FY 1990	Est. FY 1991	Adjusted Base	Agency Plan	Governor Recomm.	Adjusted Base	Agency Plan	Governor Recomm.
=====	=====	=====	=====	=====	=====	=====	=====	=====	=====
FINANCE & ADMINISTRATION	1,475	1,590	1,585	1,763	1,774	1,774	1,782	1,812	1,812
COSMETOLOGY	250								
=====	=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL EXPENDITURES BY ACTIVITY	1,725	1,590	1,585	1,763	1,774	1,774	1,782	1,812	1,812
=====	=====	=====	=====	=====	=====	=====	=====	=====	=====
DETAIL BY CATEGORY:									
=====									
STATE OPERATIONS	1,725	1,590	1,585	1,763	1,774	1,774	1,782	1,812	1,812
=====	=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL EXPENDITURES BY CATEGORY	1,725	1,590	1,585	1,763	1,774	1,774	1,782	1,812	1,812
=====	=====	=====	=====	=====	=====	=====	=====	=====	=====
SOURCES OF FINANCING:									
=====									
DIRECT APPROPRIATIONS:									
GENERAL	1,725	1,590	1,585	1,763	1,774	1,774	1,782	1,812	1,812
=====	=====	=====	=====	=====	=====	=====	=====	=====	=====
STATUTORY APPROPRIATIONS:									
=====	=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL FINANCING	1,725	1,590	1,585	1,763	1,774	1,774	1,782	1,812	1,812

PROGRAM PURPOSE:

The Enforcement and Licensing Program was established to assure policyholder and investor protection, increase policyholder and investor understanding, and to maintain investor and public confidence in the areas of capital formulation, insurance, real estate, franchising, consumer lending, currency exchange, debt collection and cosmetology. The program investigates complaints brought by both consumers and/or industry practitioners to determine if violations of existing statutes and rules have occurred. If violations are identified, disciplinary sanctions are imposed in order to deter future misconduct. In addition, the unit often attempts to obtain reimbursement for victims as part of its process of imposing sanctions. The program also establishes maintains systems designed to ensure that individuals practicing within the regulated industries meet basic competency standards, thereby insuring that Minnesota consumers interacting with these industries will be treated in a fair, efficient and consistent manner.

The program is administered by state government because its ability to function impartially and independently guarantees maintenance of a "level playing field" concept. Faith in the fairness and consistency of the regulation process is vital to continued citizen participation and subsequently the continuing viability of our economic system. Because of the numerous conflicts of interest that exist within the regulated industries, administration of the regulatory process by the private sector would likely result in chaos.

The Enforcement and Licensing Program can be divided into 3 activities: Investigations, Licensing, and Director.

The Investigations activity deters misconduct within the regulated industries by insuring that violations will be uncovered and punitive sanctions imposed. In addition the Investigations activity also develops and disseminates information about the operations and practices of the regulated industries. Minnesota consumer use and services offered by these industries will best meet their needs.

The Licensing activity assure that individuals participating in the regulated industries meet certain basic competency requirements. Through its administration of both pre and post licensing educational and testing requirement, the licensing activity ensures that practitioners will be able to provide services to Minnesota consumers that will appropriately respond to their needs and concerns.

The Director activity is responsible for development and implementation of policies and programs which will ensure attainment of the department's objectives. The director formulates and implements public policy through administrative decisions, review and analysis of industry complaints and/or trends, and consultation with both industry and consumer representatives. The Director activity is also responsible for ensuring that division employees are properly trained and managed so that program objectives will be attained in the most effective and expeditious manner.

The Enforcement and licensing program serves all Minnesota residents. Our socio-economic system necessitates citizen interaction with most of the industries regulated by the department. In addition the program regulates approximately 30,000 real estate practitioners, 50,000 insurance practitioners, 30,000 securities practitioners, 30,000 cosmetologist, 5,000 real estate appraisers, and thousands of corporate entities engaged in: insurance, real estate, securities, consumer lending, currency exchange, debt collecting, cosmetology and franchising activities.

The expected result of the Enforcement and Licensing Program is the continued functioning of the regulated industries in a manner consistent with both the regulatory framework developed by the legislature and the needs of Minnesota consumers and practitioners.

PERFORMANCE:

The Enforcement and Licensing Program provides Minnesota resident with a resource for addressing their complaints regarding the regulated industries. The investigative activity responds to over 50,000 telephone inquiries and complaints each year and investigates approximately 8,000 to 10,000 written complaints. These activities are in addition to the pro-active investigations and audits undertaken by the division to insure ongoing compliance. The Investigative activity also involves the development and implementation of consumer education programs designed to increase both consumer and practitioner understanding of the regulated industries. In repose to this responsibility the division produces numerous brochures and pamphlets and provides speakers and instructors for community and industry organizations.

The ever increasing size and complexity of the regulated industries and the fact that state resources are limited, will likely require the department implement alternative strategies to fulfill its regulatory responsibilities. The most effective will probably involve a move toward a more pro-active regulatory functioning in a re-active environment. That is, we respond after receiving a complaint rather than attempting to identify and change conduct or behavior before the complain occurs. The division may better utilize its limited resources by pro-actively regulating the industries through a program of field examinations and audits. In the Licensing activity the division is investigate the feasibility of expanding its use of private contractors to quality, test, and monitor compliance by applicants and licensee's.

Minnesota is currently a national leader in many aspects of regulation relating to the financial industries. In particular, the Investigative activities relating to insurance, securities and real estate, have attracted national attention for not only the level of effective enforcement but the comprehensive nature of the statutes and rules themselves. Minnesota's implementation of consumer country by 2 to 5 years. As a result Minnesota resident have been spared much of the financial victimization that has plagued other less aggressive states. In addition the divisions consumer education materials and programs have received high praise and recognition from both the federal government and numerous national regulatory associations.

PROSPECTS:

Due to the aging of a large segment of the population, the level of citizen participation in the financial services industries is likely to increase dramatically. It is incumbent upon the Investigative unit of the Enforcement Division to insure that financial services are proved pursuant to the highest possible ethical and operational standards. By maintaining such standards, Minnesota consumers are guaranteed that their finances will be protected from loss through negligence or fraudulent activities committed by industry participants.

In order to fulfill its responsibilities for establishing and maintaining high industry standards, the Enforcement Division will have to increase the number of on-site market conduct examinations and should implement a routine schedule for measuring industry compliance with the applicable regulatory framework. Pro-active activities designed to insure compliance will be a high priority and will likely require the reallocation of funds form other unit activities.

PLAN:

Inflation for this program (4.5% each year) has been estimated at \$350,000 for the biennium. In order to accommodate the BASE Level Funding (BLF) requirements, the Enforcement and Licensing Division will have to re-prioritize its program activities subsequently reducing the level of services currently provided to Minnesota residents. Specifically the division suggests implementation of one or more of the following suggestions:

- | | | | | |
|---------------------------------------|-----------|-------------|-----------|-------------|
| 1. <u>Eliminate Salon Inspections</u> | F.Y. 1992 | \$(159,000) | F.Y. 1993 | \$(164,000) |
|---------------------------------------|-----------|-------------|-----------|-------------|

Elimination of the salon inspection program currently being provided as part of our regulatory program for cosmetology. This would eliminate 3 of the 4 field inspector positions and result in

PROGRAM: Enforcement and Licensing
(Continuation)
Agency: Commerce, Department of

1992-93 Biennial Budget

a savings of approximately \$323,000 for the biennium. Elimination of the program would reduce the divisions ability to insure compliance with the applicable rules and regulations but, if deemed necessary, as inspections are basically health oriented they can likely be assumed by local public health officers and/or sanitation inspectors. Implementation of this suggestion would probably result in the least disruption of regulatory services.

2. Enforcement and Licensing F.Y. 1992 \$(104,000) F.Y. 1993 \$(106,000)

The reductions in this activity will require staff to absorb additional responsibilities as vacant positions will not be filled. (For F.Y. 1992 and 1993, 2 professional positions from investigations and 1 clerical position from licensing.) The net result will be delays in processing consumer complaints and inquiries. Additionally, the licensing division will change internal procedures to have testing companies perform application screening services. The staff will be required to continuously review workload and determine priorities as burdens of providing continued service to licensees, the general public and the business community increase, while staffing to accomplish our overall mission decreases.

Additional processing changes will be made in licensing which will eliminate some of the printing and mailing costs associated with annual renewals to accomplish the target reduction.

3. Training F.Y. 1992 \$48,000 F.Y. 1993 \$49,000

In addition to the above reductions, the department is requesting a biennial increase of \$97,000 to provide training opportunities for department staff to enable them to keep abreast of new developments in an ever-changing marketplace.

GOVERNOR'S RECOMMENDATION:

The Governor concurs with the agency's plan for this program.

1992-93 BIENNIAL BUDGET

PROGRAM STRUCTURE

AGENCY: LABOR AND INDUSTRY, DEPARTMENT OF

PROGRAM

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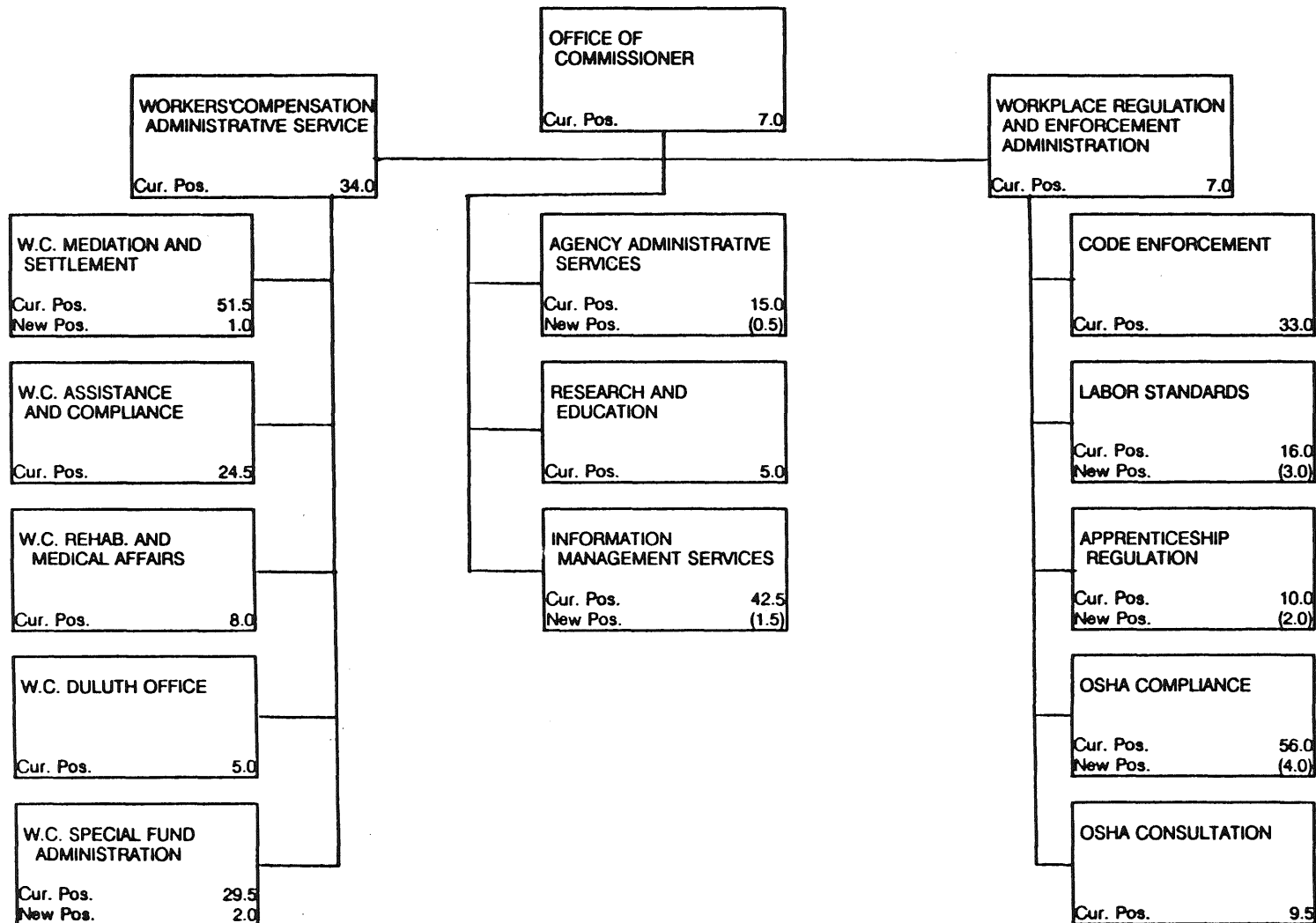
Agency Administration
Research and Education
Information Management Services

1992-1993 B I E N N I A L B U D G E T
(DOLLARS IN THOUSANDS)

AGENCY: COMMERCE, DEPT OF
PROGRAM: ENFORCEMENT & CONS ASSIST

ACTIVITY RESOURCE ALLOCATION:	FY 1989	FY 1990	Est. FY 1991	FY 1992			FY 1993		
				Adjusted Base	Agency Plan	Governor Recomm.	Adjusted Base	Agency Plan	Governor Recomm.
INVESTIGATIONS	1,334	1,715	1,915	1,942	2,011	2,011	1,936	2,091	2,091
ENFORCEMENT DEPUTY COMR	118	112	118	120	125	125	119	130	130
LICENSING	930	1,183	1,294	1,321	1,148	1,148	1,332	1,179	1,179
N/A	58								
TOTAL EXPENDITURES BY ACTIVITY	2,440	3,010	3,327	3,383	3,284	3,284	3,387	3,400	3,400
DETAIL BY CATEGORY:									
STATE OPERATIONS	2,314	2,864	3,124	3,180	3,081	3,081	3,184	3,197	3,197
LOCAL ASSISTANCE	10	10	3	3	3	3	3	3	3
AID TO INDIVIDUALS	116	136	200	200	200	200	200	200	200
TOTAL EXPENDITURES BY CATEGORY	2,440	3,010	3,327	3,383	3,284	3,284	3,387	3,400	3,400
SOURCES OF FINANCING:									
DIRECT APPROPRIATIONS:									
GENERAL	2,060	2,607	2,828	2,867	2,768	2,768	2,858	2,871	2,871
SPECIAL REVENUE	264	267	299	316	316	316	329	329	329
STATUTORY APPROPRIATIONS:									
SPECIAL REVENUE	116	136	200	200	200	200	200	200	200
TOTAL FINANCING	2,440	3,010	3,327	3,383	3,284	3,284	3,387	3,400	3,400

Department of Labor and Industry Organization Chart 7/1/90



Department of Labor and Industry

Position and Employee Status Information

Position Reconciliation:

Authority:	Current Requested F.Y. 91 For 6/30/93	
Legislative Complement:		
General Fund	103.4	96.4
Special Revenue	5.0	5.0
Federal	41.6	37.6
W.C. Spec. Fund	<u>203.5</u>	<u>206.5</u>
Total Permanent Positions	353.5	345.5
Other Complement (FTE)	<u>42.0</u>	<u>42.0</u>
TOTAL Positions	395.5	387.5
Employees on 6/30/90	360	

Employees by Employment Status:

	<u>6/30/90</u>
Full-Time Unlimited	300
Full-Time Temporary	28
Part-Time Unlimited	12
Part-Time Temporary	17
Intermittent Temporary	<u>3</u>
TOTAL	360

MISSION:

The Minnesota Department of Labor and Industry's mission is "Helping Minnesota Work." It is the primary regulatory and enforcement agency for the protection of working people in Minnesota. The Department fulfills its mission through a combination of regulatory and enforcement activities covering workplace injuries and workplace and employment standards. Labor and Industry's mission heavily emphasizes technical support and consultation for employers and employees, and research and education programs for all activities the Department regulates.

The Department is organized into four programmatic areas--Workers' Compensation Regulation and Enforcement, the Workers' Compensation Special Compensation Fund, Workplace Regulation and Enforcement, and General Support to achieve the following agency goals:

- Prevent workplace injuries and diseases,
- Ensure the prompt and efficient delivery of statutory benefits and services, and
- Promote and maintain fair wages and working conditions as provided by law.

MAJOR POLICY DRIVERS:

Occupational Safety and Health

While public debate continues on the appropriate level of workplace safety and workers' compensation benefits, employee and employer groups have increased efforts to minimize workplace accidents, injuries, and occupational diseases, resulting in increased demand for safety enforcement and education. The Department's Occupational Safety and Health Administration (OSHA) activities will increasingly need to enforce complaints about unsafe working conditions and respond to requests for safety consultation and training services. Additionally, the federal Department of Labor, which provides significant funding for Minnesota OSHA, continues to require Minnesota to adopt its safety standards as part of Minnesota's authority to run its own OSHA program. The Department cannot depend on receiving increased resources from the federal government to meet these requirements.

Workers' Compensation

Labor and Industry administers Minnesota's workers' compensation system. Since 1983, 350,000 new workers have entered Minnesota's workforce, contributing to a continual increase in workplace injury claims which the workers' compensation system must administer. The cost of that system is a top priority for some Minnesota business groups. Efforts to contain costs will likely be focused on regulation of the insurance industry, containing medical costs, and reducing certain indemnity benefits.

The rapid increase of workers' compensation medical costs is also a growing concern, prompting proposals for changes in financing and delivery of medical services. Employers, employees, health care providers, and insurers are more closely watching the delivery of medical services as well as other statutory benefits to ensure their effective and efficient delivery at a reasonable cost. This increased scrutiny of medical and indemnity benefits will also require the Department to more closely monitor their delivery to ensure statutory compliance. The Department is currently designing a system to permit more comprehensive monitoring of the delivery of medical and indemnity benefits.

In addition, as employers demand a "level playing field" with border state competitors, there is an increased demand on the Department to step up enforcement of the mandatory workers' compensation coverage requirement to eliminate the unfair competitive advantage gained by uninsured employers. The Department has only 1 enforcement investigator for the entire state. Uninsured employee claims, which the Department administers and for which insured employers

eventually pay, continue to increase. The additional demand on the Department's claims examiners (who are already handling up to two times as many claims as the industry average) created by this increase in uninsured claims will make it increasingly difficult for this activity to meet statutory responsibilities.

Labor and Industry must continue to create efficiencies in its administrative processes to increase productivity without a concomitant increase in human and financial resources. The goal is to ensure prompt payment of statutory benefits and services to agency clientele. This current effort is focused on the workers' compensation program. The Department will automate several functions in the workers' compensation claims processing area allowing:

1. increased auditing of claims not currently done;
2. tracking compliance activities on a company-wide rather than individual-claim basis;
3. improved program-monitoring abilities to better evaluate Labor and Industry performance; and
4. elimination of clerical tasks by professional specialists allowing them to concentrate on substantive decision-making activities.

Automation will demand increased processing ability from our mainframe computer, a demand which exists under any circumstances due to growth in our system. The alternative to upgrading the computer system is decreased productivity of workers' compensation clerical and professional staff. Without an upgrade there would be a significant slowing in terminal response time for current claims processing done with the computer. Professional staff will also continue to do certain clerical-level functions, such as letter composition and benefits calculation, which can be easily automated. Automation would free up specialist staff to work on substantive dispute resolution. Quicker dispute resolution leads to quicker receipt of statutory benefits and services.

Workplace Training

To remain competitive in today's world economy, Minnesota must maintain a vital, highly skilled work force. The predicted shortfall of skilled workers in our future work force has brought to the forefront the concern of attracting and maintaining well-trained workers to meet the future demands of business. The Department allocates Labor Education Advancement Program (LEAP) grants to qualifying community-based agencies to prepare primarily people of color and women for entry into skilled trades apprenticeship programs where they are grossly underrepresented. Current funding is woefully inadequate to address the needs of Minnesota's communities of color and women.

There is also a population of students who will satisfactorily complete secondary education, but will not attend a post-secondary institution. Currently, there is no institutionally supported transition system from school to work for these students similar to that provided by colleges and universities for post-secondary students. These non-college bound students often "float" into and out of the world of work for several years before finally settling into a career. A school-to-work transition system is necessary to guide and support these students during their secondary educational career. A curriculum alternative for these students that includes basic work skills as well as academic training will provide this transition during high school. Labor and Industry has initiated and facilitated discussions with the education, business, labor, and job training communities on a school-to-work transition system for Minnesota. This system would provide a secondary school educational track for satisfactorily performing high school students who will not be attending a post-secondary institution. This activity is expected to receive a significant amount of attention during the next several years.

Prevailing Wage

Advances in the construction and maintenance of public buildings and other public works have created new complexities in the enforcement of prevailing wages. The Minnesota legislature has stated that it is "the policy of this state that wages for laborers, workers, and mechanics on projects

financed in whole or part by state funds should be comparable to wages paid for similar work in the community as a whole." Over the past 2 years there have been several legal challenges to the requirement of paying prevailing wages on certain state-financed projects. The cost of representation for this continuing litigation may be significant.

EXPLANATION OF BUDGET ISSUES AND ALTERNATIVES:

The Department has determined that current program goals, statutory requirements, and projected increases in the costs of goods and services, including salaries, will result in funding demands that exceed the agency's base funding in the General Fund by \$238,000 in F.Y. 1992 and \$376,000 in F.Y. 1993 for non-fee supported activities, and by \$1,208,000 in the Special Compensation Fund in F.Y. 1992 and \$1,580,000 in F.Y. 1993. The fee supported activities in the General Fund will generate sufficient revenues to cover all projected direct and indirect costs.

The Department has reallocated within its base to reduce General Fund costs in an effort to meet the most pressing needs of agency constituents while continuing to meet statutory requirements and agency goals.

The Department will generate sufficient revenue to cover the anticipated increase in the cost of goods and services for the Special Compensation Fund and the fee-supported programs in code enforcement. The Special Compensation Fund will generate sufficient revenue to cover these increased costs while continuing to significantly reduce its deficit by \$14,272,000 over the biennium. Agency base reallocation decisions are as follows:

	(Dollars in Thousands)			
	General Fund F.Y. 92	General Fund F.Y. 93	Special Compensation Fund F.Y. 92	Special Compensation Fund F.Y. 93
Workplace Regulation and Enforcement				
▪ Non-fee supported activities	(201)	(301)		
▪ Fee supported activities (Code Enforcement)	143	212		
General Support	(37)	(75)	573	652
Workers' Compensation Regulation and Enforcement			635	928
Workers' Compensation Special Compensation Fund: deficit reduction			5,857	8,415

GOVERNOR'S RECOMMENDATION:

The Governor concurs with the agency's plan except for a biennial reduction of \$144,000 from the General Fund and \$728,000 from the Workers' Special Compensation Fund. The Governor does not recommend additional resources for restoring the underfunding of the F.Y. 1991 salary supplement. Funding for this item must be reallocated from department resources.

1992-1993 B I E N N I A L B U D G E T
(DOLLARS IN THOUSANDS)

AGENCY: LABOR & INDUSTRY,DPT

PROGRAM RESOURCE ALLOCATION:	FY 1989	FY 1990	Est. FY 1991	FY 1992			FY 1993		
				Adjusted Base	Agency Plan	Governor Recomm.	Adjusted Base	Agency Plan	Governor Recomm.
WORKERS COMP REGULATION & ENFORCEM	5,557	6,719	6,912	7,031	7,666	7,457	7,037	7,965	7,756
WC SPECIAL COMP FUND	102,684	99,343	99,625	107,220	113,077	113,077	111,174	119,589	119,589
WORKPLACE REGULATION & ENFORCEMENT	5,933	6,120	6,390	6,525	6,671	6,599	6,592	6,809	6,737
GENERAL SUPPORT	4,003	4,575	4,784	4,848	5,421	5,266	4,924	5,576	5,421
TOTAL EXPENDITURES BY PROGRAM	118,177	116,757	117,711	125,624	132,835	132,399	129,727	139,939	139,503
SOURCES OF FINANCING:									
DIRECT APPROPRIATIONS:									
GENERAL	3,386	5,128	5,379	5,437	5,583	5,511	5,444	5,661	5,589
SP REV DIRECT APPROP	1,402								
WORKERS COMP SPECIAL	7,992	9,659	9,827	9,995	11,203	10,839	10,013	11,593	11,229
STATUTORY APPROPRIATIONS:									
GENERAL	14								
SP REV DIRECT APPROP	15								
SPECIAL REVENUE	39	174	218	220	220	220	242	242	242
FEDERAL	2,619	2,439	2,612	2,702	2,702	2,702	2,804	2,804	2,804
WORKERS COMP SPECIAL	102,684	99,343	99,625	107,220	113,077	113,077	111,174	119,589	119,589
AGENCY	26	14	50	50	50	50	50	50	50
TOTAL FINANCING	118,177	116,757	117,711	125,624	132,835	132,399	129,727	139,939	139,503

BASE RECONCILIATION REPORT
for 1992-1993 Biennium

AGENCY: LABOR & INDUSTRY, DPT

	ALL FUNDS		GENERAL FUND		OTHER STATE FUNDS		FEDERAL FUNDS	
	F.Y. 92	F.Y. 93	F.Y. 92	F.Y. 93	F.Y. 92	F.Y. 93	F.Y. 92	F.Y. 93
F.Y. 91 FUNDING LEVEL	117,711	117,711	5,379	5,379	109,720	109,720	2,612	2,612
NON RECURRING EXPENDITURES	<48>	<47>	<48>	<47>				
BASE TRANSFER (BTWN AGENCIES)	20	20	20	20			"	
SALARY ANNUALIZATION	188	139	66	47	122	92		
ANNUALIZG NEW PROG COST	375	375			375	375		
DOCUMENTED RENT/LEASE INCR.	71	149	20	45	46	94	5	10
DEDICATED RECEIPTS AND FUNDS	2	24			2	24		
FEDERAL RECEIPTS	85	182					85	182
OPEN APPROPRIATIONS	7,220	11,174			7,220	11,174		
TOTAL	125,624	129,727	5,437	5,444	117,485	121,479	2,702	2,804
BIENNIAL TOTAL		255,351		10,881		238,964		5,506

ACTIVITY
 PROGRAM Agency-Wide Decision
 AGENCY Labor and Industry, Department of

1992-93 Biennial Budget

DECISION ITEM: Financing Inflationary Costs

AGENCY PLAN:	Dollars in Thousands			
	F.Y. 1992	F.Y. 1993	F.Y. 1994	F.Y. 1995
Expenditures				
General Fund - Inflation	\$ 384	\$ 593	\$ 593	\$ 593
- Reallocation	(238)	(376)	(376)	(376)
	\$ 146	\$ 217	\$ 217	\$ 217
Workers' Comp. Special	799	1,186	1,186	1,186
Agency Totals	\$ 945	\$ 1,403	\$ 1,403	\$ 1,403
Revenues				
General Fund	\$ 3	\$ 5	\$ 5	\$ 5

GOVERNOR'S RECOMMENDATION:

Expenditures				
General Fund	\$ 74	\$ 145	\$ 145	\$ 145
Workers Special Comp. Fund	435	822	822	822
Revenue				
General Fund	\$ 3	\$ 5	\$ 5	\$ 5

Requires statutory change: X Yes _____ No
 Statutes Affected: MS 184.28, 184.29 and 184A.09

ITEM SUMMARY:

Agency-wide salary underfunding of \$532,000 annually is included in the figures for this budget decision. An inflation rate of 4.5% for F.Y. 1992 and an additional 4.1% for F.Y. 1993 was assumed. These inflation rates were applied to all salary, supply, and expense costs with the exception of documented space rental rate increases, the anticipated increase in the postage rate, and on-going lease-purchase amounts for which no increase was anticipated. A plan has been developed to cover these anticipated inflationary increases from three different sources as follows:

1. Program reduction of \$238,000 in F.Y. 1992 and \$376,000 in F.Y. 1993.
2. Increases in revenues for fee-supported activities of \$146,000 in F.Y. 1992 and \$217,000 in F.Y. 1993, and
3. Increased revenue in the Workers' Compensation Special Fund of \$799,000 in F.Y. 1992 and \$1,186,000 in F.Y. 1993.

The department requests increased biennial funding for inflation and for the underfunding of the F.Y. 1991 salary supplement for the following programs:

	F.Y.91 Salary Underfunding	Inflation	Total
General Fund:			
Workplace Regulation & Enforcement	\$ 144,000	\$ 219,000	\$ 363,000
Workers Comp Special Fund:			
Workers Comp Regulation & Enforcement	418,000	896,000	1,314,000
General Support	310,000	361,000	671,000
Total	\$728,000	\$1,257,000	\$1,985,000

RATIONALE:

Reductions in staffing and expenses required to finance inflationary increases in the General Fund will be spread over all of the agency's general funded programs which are not fee supported as follows:

OSHA Compliance F.Y. 1992 (\$76,000) F.Y. 1993 (\$108,000)
 The reductions for this activity will result in the director assuming more administrative functions and increased administrative assistance from the Technical Services unit. It will also necessitate a reallocation of investigative workload and a restructuring of scheduling procedures in order to continue to meet federal benchmarks. Professional staff development will be handled by in-house experts rather than outside consultants, and technical training, usually centralized in the metro area, will be held on a local level in each branch office. Repairs and out-of-state travel will be kept to a minimum.

It is expected that basic service levels for division constituents will continue. However, implementation of new initiatives will be limited. Ongoing initiatives will be extended beyond their anticipated deadlines (e.g. meat packing special emphasis program). These reductions will also impact clerical support resulting in minor delays in over-the-counter services.

Labor Standards F.Y. 1992 (\$85,000) F.Y. 1993 (\$120,000)
 Overall cost reductions in this activity will have a minimal impact on investigative services to our clientele. Outreach functions for this unit will be consolidated into a comprehensive program-wide outreach effort. Additionally, redistribution of workload and cross-training among staff will also compensate for this funding shortfall.

Apprenticeship F.Y. 1992 (\$40,000) F.Y. 1993 (\$73,000)
 Increased costs are expected to reduce the unit's effectiveness in establishing new apprenticeship programs. The unit's ability to provide informational resources through print materials (i.e. informational brochures) will also be seriously curtailed. Reduced out-of-state travel funds will limit networking with professional colleagues to exchange information and ideas.

Agency Administration F.Y. 1992 (\$18,000) F.Y. 1993 (\$36,000)
 The major impact of reducing this activity will be the reduction in training coordination currently provided to assist employees in their continued development.

Information Management Serv. F.Y. 1992 (\$19,000) F.Y. 1993 (\$39,000)
 The major impact of reducing this activity will be a reduction in training, currently provided to enhance employee skills, and consulting services. In the short term, these reductions, as well as the ones shown for Agency Administration above, will not severely impact services to our constituents. In the long term, however, the lack of employee development would have a negative impact on these services.

Revenues. To cover anticipated inflationary increases in fee-supported activities, 2 steps have been initiated: 1) a statutory change to raise the fees charged for entertainment agencies, search firms, and fee employment agencies along with their managers and counselors, and 2) a rule change which increases fees collected by the Code Enforcement Division has been approved and fees for elevator inspections have been approved and are presently being initiated:

	F.Y. 1992	F.Y. 1993
Current Revenue	\$ 143	\$ 212
New Revenue	3	5
Total	\$ 146	\$ 217

Increased revenue in the Workers' Compensation Special Fund is anticipated based on historical trends.

(Continuation)

1992-93 Biennial Budget

ACTIVITY:

PROGRAM: Agency-Wide Decision

AGENCY: Labor and Industry, Department of

GOVERNOR'S RECOMMENDATIONS:

The Governor concurs with the agency's plan except for the following item: providing additional resources to restore the underfunding of the F.Y. 1991 salary supplement is not recommended. Funding for this item must be reallocated from department resources. The Governor recommends a biennial reduction of \$144,000 from the General Fund and \$728,000 from the Workers' Special Compensation Fund.

PROGRAM: Workers' Compensation Regulation and Enforcement **1992-93 Biennial Budget**
Agency: Labor and Industry, Department of

PROGRAM PURPOSE:

The Workers' Compensation program is "Helping Minnesota Work" by ensuring that provisions of the Workers' Compensation Act (M.S. Ch. 176) are administered effectively to ensure prompt delivery of benefits and services as required by the act. It also provides information that helps prevent workplace injuries and diseases. These goals are accomplished by:

1. Educating the parties as to their roles and responsibilities.
 - A minimum of 15 seminars annually are offered to constituents by Department staff.
 - Five publications that explain the roles and responsibilities of various parties are written and updated as changes occur.
 - A quarterly booklet is published covering recent case law, rule updates, and general information many of our constituents need to fulfill their obligations.
 - Town meetings have been held in border communities to educate employers and insurance agents about mandatory workers' compensation insurance coverage.
2. Monitoring the performance of the parties in discharging their obligations and taking appropriate action when necessary.
 - All initial reports of injury are audited for prompt reporting and prompt and accurate payment of weekly benefits.
 - Penalties are issued for lack of compliance. Governor's commendations are given for outstanding compliance.
 - Discussions are held with insurers who have a higher-than-average rate of non-compliance or where a trend of non-compliance appears to be developing.
 - Prompt-payment statistics are published and insurers with better than 95% compliance are publicly acknowledged for their accomplishment.
 - Investigations of rehabilitation and health care provider services to injured employees are done upon receipt of a complaint, with resulting action as appropriate.
 - Monitoring systems for coverage enforcement have been implemented and coordinated with the Minnesota Rating Association, Department of Commerce, Department of Jobs and Training, and Department of Revenue.
3. Providing direct services to assist parties in fulfilling their legal obligations.
 - Toll-free telephone hot lines are available to the public in both the St. Paul and Duluth offices. Staff is available to answer the parties' questions about workers' compensation.
 - Informal dispute resolution services (mediation, intervention, administrative conferences, and settlement conferences) are provided for the prompt resolution of disputes.
 - All official workers' compensation records for all constituents are maintained and access is provided for those with appropriate authorization.
 - Rules that clarify the parties' rights and responsibilities are promulgated and maintained.
 - Workers' compensation benefit claims are administered for employees injured while working for uninsured employers.
 - Insurers are audited and reimbursed for the supplemental benefit and second injury programs.
 - All applications for registration with the second injury program are reviewed and approved.
 - The loggers premium rebate program is administered.

<u>Activity</u>	<u>Education</u>	<u>Monitoring</u>	<u>Direct Service</u>
W.C. Administrative Services	X		X
Dispute Resolution	X		X
Special Compensation Fund	X	X	X
Assistance and Compliance	X	X	X
Rehabilitation & Medical Affairs	X	X	X
Duluth Office	X	X	X

	<u>F.Y. 1988</u>	<u>F.Y. 1989</u>	<u>F.Y. 1990</u>
Number of first reports filed	50,020	58,236	59,532
Number of disputes filed	14,011	17,228	19,979

PERFORMANCE:

- Helping employees, employers, health care providers, insurers, and rehabilitation consultants understand their roles, their responsibilities and the overall workers' compensation system is an important part of our business. In F.Y. 1990 23.8% more cases for assistance were handled than in F.Y. 1989 without additional staff. Attendance at departmental sponsored educational seminars increased from 693 in 1988 to 1,234 in 1990, a 78% increase.
- Minnesota's injured workers receive their initial payment of weekly lost wages within 14 days of notice to the employer 96% of the time. This compares to the published national average of 43.2%.
- Although the number of informal disputes filed with the Department has risen 38.7% between F.Y. 1988 and F.Y. 1990, the actual time between receipt and resolution of the dispute by the Department has decreased. For example, discontinuance conferences are being held within 15 days of receipt, the shortest time frame in the history of the agency. This reduces workers' compensation system costs as employers are required to continue payments until the date of the conference.

This has been accomplished through early intervention by phone and the use of decisions based on written submissions, both of which are more cost effective than in-person conferences. As a result, the administrative cost of resolving informal disputes has decreased from \$196.27 per case filed in F.Y. 1988 to \$154.01 per case filed in F.Y. 1990, a 22.6% decrease.
- Funding received in the last biennium allowed the Department to design and implement an automated file tracking system utilizing bar code technology to keep track of over 200,000 active files. One of the many benefits has been to allow a shift of responsibilities of 4 clerical workers to other areas needing resources. Staff does not have to spend the 80 hours per week previously spent searching for files as the system records the location of each file. This has resulted in improved service to constituents in many areas. One example is in the file review area where files are now available to our constituents within 30 days from request instead of the previous 6 months. It has also allowed us to pilot an optical disc imaging system for storage and maintenance of records without needing additional staff.
- The effectiveness of an intensive enforcement effort was confirmed in F.Y. 1990. Over 125 previously uninsured employers obtained mandatory coverage directly as a result of public meetings, media coverage and direct enforcement operations conducted in Northwestern and Southwestern Minnesota.

PROSPECTS:

Development of Automated Systems to Monitor Costs More Effectively: Manual monitoring of the prompt and accurate payment of benefits and services to injured workers is costly and inefficient. Many of the tasks required in monitoring are repetitive and time consuming. Automating many of these tasks will reduce the need for additional human resources and improve the quality and time frame of our monitoring program. Resources were shifted in the last biennium to design an automated benefits monitoring system. This system, when fully implemented in F.Y. 1992, will provide increased monitoring activities without the need for additional staff. Resources will be shifted in the next biennium toward designing and implementing an automated rehabilitation monitoring system and an automated litigation tracking system. These systems will enable the Department to monitor the provisions of rehabilitation services to injured employees and to watch for trends in litigation which may have policy implications. Implementation of these programs depends upon a computer mainframe upgrade to increase central processing capabilities.

PROGRAM: Workers' Compensation Regulation and Enforcement 1992-93 Biennial Budget
(Continuation)
Agency: Labor and Industry, Department of

Development of Programs to Contain Medical Costs: In response to the findings in the Department's Medical Cost Containment study published in 1990, programs to contain Minnesota's workers' compensation medical costs are being developed. The Department will be presenting a medical cost containment package to the 1991 legislature. The proposal will include a more effective medical fee schedule, the enforcement of medical care utilization review programs, the enrollment of health care providers, and the implementation of a uniform billing form. Department resources have been shifted from dispute resolution on a temporary basis to design and implement these programs.

Growth in Disputes Filed: For the past 3 years the Department has used a variety of strategies to effectively handle an increased number of disputes without increasing staff. Although these strategies have been successful as shown by the reduction in time to resolve disputes, additional staff will be needed in the next biennium to prevent the erosion of the timeliness and quality of informal dispute resolution due to the continued trend of over a 10% increase in disputes filed per year. Delays in the resolution of disputes cause hardship for the injured employee and is costly to employers as they may be required to continue benefits until a decision is rendered.

Enforcement of Mandatory Insurance Coverage: The current biennium has proven the effectiveness of an intensive effort in enforcement of mandatory insurance coverage. One project covering Northwestern and Southwestern Minnesota begun in November 1989 resulted in more than 125 previously uninsured employers obtaining coverage before the end of August 1990. As employers demand a "level playing field" with their competitors, there is increased demand on the Department to step up enforcement in this area to help reduce the unfair competitive advantage gained by uninsured employers as well as reduce growing uninsured employee claims. Minnesota has only 1 such enforcement officer; Wisconsin has 5. Additional enforcement officers are needed to cover more of the state effectively.

PLAN:

The plan for the next biennium for the Workers' Compensation program is:

- To achieve the mainframe upgrade that will enable the Department to implement the automated benefit monitoring, rehabilitation monitoring, and litigation tracking systems it is currently designing. (Actual dollars are itemized in the General Support program).

and

- To make the following Base Reallocation Decisions from the Workers' Compensation Special Compensation Fund:

1. W.C. Administrative Services F.Y. 1992 \$102,000 F.Y. 1993 \$161,000

The increases in this activity are requested to cover projected increases in the cost of goods and services, including salaries, for the next biennium.

2. Dispute Resolution F.Y. 1992 \$201,000 F.Y. 1993 \$298,000

Projected increases in the cost of goods and services, including salaries, make up \$161,000 in F.Y. 1992 and \$256,000 in F.Y. 1993 of the requested increase. The remainder, \$40,000 in F.Y. 1992 and \$42,000 in F.Y. 1993, supports the addition of 1 rehabilitation and medical specialist to prevent delays in the resolution of disputes in light of increasing volume.

3. Special Compensation Fund F.Y. 1992 \$180,000 F.Y. 1993 \$245,000

Projected increases in the cost of goods and services, including salaries, account for \$98,000 in F.Y. 1992 and \$160,000 in F.Y. 1993 of the requested increase. The remaining, \$82,000 in F.Y. 1992 and \$85,000 in F.Y. 1993, is requested to support 2 additional enforcement investigators to enforce mandatory workers' compensation insurance coverage and the travel costs to support that activity. These additions are needed to reduce the unfair competitive advantage uninsured employers have and to maintain the progress made in reducing the increase in uninsured claims.

4. Assistance and Compliance F.Y. 1992 \$91,000 F.Y. 1993 \$132,000

Projected increases in the cost of goods and services, including salaries, account for this requested increase in funding.

5. Rehabilitation and Medical Affairs F.Y. 1992 \$42,000 F.Y. 1993 \$63,000

Projected increases in the cost of goods and services, including salaries, account for this requested increase in funding.

6. Duluth Office F.Y. 1992 \$19,000 F.Y. 1993 \$29,000

Projected increases in the cost of goods and services, including salaries, account for this requested increase in funding.

GOVERNOR'S RECOMMENDATION:

The Governor concurs with the agency's plan for this program, except for a biennial reduction of \$418,000 from the Workers' Special Compensation Fund. The Governor does not recommend additional resources for restoring the underfunding of the F.Y. 1991 salary supplement. (See agency-wide decision item "Financing Inflationary Costs" for more detail.)

1992-1993 B I E N N I A L B U D G E T
(DOLLARS IN THOUSANDS)

AGENCY: LABOR & INDUSTRY,DPT
PROGRAM: WORKERS COMP REGULATION & ENFORCEM

ACTIVITY RESOURCE ALLOCATION:	FY 1989	FY 1990	Est. FY 1991	FY 1992			FY 1993		
				Adjusted Base	Agency Plan	Governor Recomm.	Adjusted Base	Agency Plan	Governor Recomm.
WC ADMINISTRATIVE SERVICES	1,371	1,647	1,492	1,521	1,623	1,584	1,525	1,686	1,647
WC MEDIATION AND SETTLEMENT	1,725	2,081	2,284	2,329	2,530	2,468	2,329	2,627	2,565
WC ASSISTANCE AND COMPLIANCE	833	965	957	974	1,065	1,017	975	1,107	1,059
WC REHAB AND MEDICAL AFFAIRS	253	374	490	496	538	519	497	560	541
WC DULUTH OFFICE	197	216	223	224	243	235	223	252	244
WC SPECIAL COMP FUND ADMINISTRATION	1,178	1,436	1,466	1,487	1,667	1,634	1,488	1,733	1,700
TOTAL EXPENDITURES BY ACTIVITY	5,557	6,719	6,912	7,031	7,666	7,457	7,037	7,965	7,756
DETAIL BY CATEGORY:									
STATE OPERATIONS	5,557	6,719	6,912	7,031	7,666	7,457	7,037	7,965	7,756
TOTAL EXPENDITURES BY CATEGORY	5,557	6,719	6,912	7,031	7,666	7,457	7,037	7,965	7,756
SOURCES OF FINANCING:									
DIRECT APPROPRIATIONS:									
WORKERS COMP SPECIAL	5,557	6,719	6,912	7,031	7,666	7,457	7,037	7,965	7,756
STATUTORY APPROPRIATIONS:									
TOTAL FINANCING	5,557	6,719	6,912	7,031	7,666	7,457	7,037	7,965	7,756

ACTIVITY: Program-Wide Decision
PROGRAM: Workers' Compensation Regulation and Enforcement
AGENCY: Labor and Industry, Department of

1992-93 Biennial Budget

DECISION ITEM: Insurance Enforcement and Dispute Resolution
Personnel

the existence of uninsured employers: properly insured and self-insured employers of the state become responsible for the payment of benefits to uninsured employees, and an unfair financial advantage is then enjoyed by those uninsured which allows them to underbid their properly insured competitors for business. Minnesota currently has only 1 investigator to reduce this unfair burden of properly insured employers. An additional 2 investigators and in-state travel costs will enable the Department to improve employer compliance with coverage requirements and reduce the unfair advantage currently held by uninsured employers.

Dollars in Thousands			
F.Y. 1992	F.Y. 1993	F.Y. 1994	F.Y. 1995

AGENCY PLAN:

Expenditures

Workers Comp Special Fund	\$ 122	\$ 127	\$ 127	\$ 127
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GOVERNOR'S RECOMMENDATION:

Expenditures

Workers Comp Special Fund	\$ 122	\$ 127	\$ 127	\$ 127
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Requires statutory change: _____ Yes X No
Statutes Affected:

ITEM SUMMARY:

Salary and fringe benefit costs for 1 rehabilitation and medical specialist are projected at \$40,000 for F.Y. 1992 and \$42,000 for F.Y. 1993. Two insurance enforcement investigators will require \$4,000 each year for travel expenses and \$78,000 in F.Y. 1992 and \$81,000 in F.Y. 1993 for salary and fringe benefit costs.

RATIONALE:

1. WC Mediation & Settlement F.Y. 1992: \$40,000 F.Y. 1993: \$42,000

Maintaining the proper level of resources to resolve informal disputes actually saves employers' financial resources and prevents hardships for employees. Speed of resolution affects the costs of workers' compensation since benefits and/or interest must be paid until a decision is rendered. Informal disputes have increased an average of 16.3% per year for past 3 years and no additional staff have been hired. Several strategies to more efficiently use current resources have yielded impressive results, but the timeliness of resolution will now quickly deteriorate without at least 1 additional rehabilitation and medical specialist.

2. WC Special Fund Admin. F.Y. 1992: \$82,000 F.Y. 1993: \$85,000

The workers' compensation statute requires employers to obtain insurance to cover work-related injuries suffered by their employees. Injured workers whose employers have not obtained this coverage receive workers' compensation benefits from the state's Special Compensation Fund, which is funded by assessments against insurers and self-insured employers. Two major effects result from

GOVERNOR'S RECOMMENDATION:

The Governor concurs with the agency's plan.

PROGRAM: Special Compensation Fund
Agency: Labor and Industry, Department of

1992-93 Biennial Budget

PROGRAM PURPOSE:

The Special Compensation Fund is "Helping Minnesota Work" by providing revenue to support the administration of the workers' compensation system including:

- Benefit payments to employees injured while working for uninsured employers,
- Benefit payments to employees injured while working for self-insured employers who went bankrupt prior to October 1988,
- Reimbursement to insurers and employers for benefits they pay employees under the supplementary benefit or second injury provisions of the Workers' Compensation Act,
- Operational expenses for Workers' Compensation Regulation and Enforcement,
- Operational expenses for the Office of Administrative Hearings, and
- Operational expenses for the Workers' Compensation Court of Appeals.

PERFORMANCE:

Historical Revenue Comparison
(Dollars in Thousands)

	<u>F.Y. 1987</u>	<u>F.Y. 1988</u>	<u>F.Y. 1989</u>	<u>F.Y. 1990</u>
Assessment Rate	25%	25% to 31%	31%	31%
Assessment Collected	76,574.0	90,241.0	104,008.0	112,110.0
Penalties	299.0	923.0	1,058.0	774.0
Recoveries	1,000.0	700.0	1,136.0	992.0
Investment Income	1,004.0	1,416.0	1,686.0	1,651.0
General Fund	2,000.0	2,500.0	2,500.0	2,450.0
Total	80,877.0	95,780.0	110,388.0	117,977.0

Historical Expenditure Comparison
(Dollars in Thousands)

	<u>F.Y. 1987</u>	<u>F.Y. 1988</u>	<u>F.Y. 1989</u>	<u>F.Y. 1990</u>
2nd Injury	33,450.0	29,630.0	28,480.0	33,647.0
Supp. Benefits	48,660.0	49,530.0	50,560.0	55,000.0
Uninsured	4,660.0	5,620.0	6,592.0	6,825.0
Self-Ins. B/R	1,541.0	2,500.0	3,293.0	3,082.0
Administration	9,270.0	9,743.0	10,599.0	12,540.0
Other	520.0	610.0	473.0	198.0
Total	98,101.0	97,633.0	99,997.0	111,292.0

Special Compensation Fund Deficit Balance History
(Dollars in Thousands)

	<u>F.Y. 1987</u>	<u>F.Y. 1988</u>	<u>F.Y. 1989</u>	<u>F.Y. 1990</u>
Balance	(63,976.0)	(65,829.0)	(55,438.0)	(48,753.0)

Both revenues and expenditures have increased dramatically (23% in revenue and 13.5% in expenditures) for 1990 compared to 1988. Revenues are currently assessed at 31% of indemnity benefits (wage replacement and functional impairment) paid by all insurers and self-insurers in the prior year. As workers' compensation benefits rise due to annual adjustment, and/or more individuals are receiving benefits, more revenue is generated if the assessment rate remains the same. Likewise, if more employees receive uninsured, supplemental, or second injury benefits, expenditures increase.

The current deficit of \$48.8 million represents claims for reimbursement from insurers and self-insurers for supplemental and second injury benefits they have paid but that the agency does not yet have funds to reimburse. Since assessments are made and revenue collected every 6 months, this deficit means insurers or self-insurers wait about 8 months for reimbursement from the time they submit their claim. The deficit has decreased by over \$17 million since F.Y. 1988 resulting in a substantial reduction of time between submission and reimbursement of supplemental and second injury benefits to insurers.

POLICY ISSUES:

Arguments have been made by representatives of employer groups that the operational costs for administering the workers' compensation system should be a cost of society as a whole and not just Minnesota employers. Additionally, arguments have been made to fund the uninsured benefit program from the General Fund. To do otherwise allows those complying with the law to bear the entire burden of costs that allow their uninsured competitors to underbid them for available work. Finally, there has been some thought to funding the state's Occupational Safety and Health Compliance activity from the Special Compensation Fund and add the cost of ensuring safe workplaces in Minnesota as a cost of doing business rather than a public expense.

The Commissioner's goal for the next biennium is to reduce the deficit to \$40 million, or a 6-month period between request and reimbursement of claims submitted by insurers. The 6-month period would be roughly equal to the time it takes for an injured worker to have a hearing at the Office of Administrative Hearings and receive any due benefits. The current assessment rate of 31% adds 31 cents to the costs of workers' compensation in Minnesota for every dollar of indemnity benefits paid. The long-term goal is to reduce the assessment.

PLAN:

Historical trends reveal that revenue collected per assessment percentage point has been increasing by an average of 5.7% per year and expenditures (excluding administrative expenses) have increased an average of 3.7% per year. Assuming these same growth rates, revenue will increase by \$6,755,000 in F.Y. 1992 and \$13,895,000 in F.Y. 1993 while benefit payments are expected to increase by \$3,787,000 in F.Y. 1992 and \$7,714,000 in F.Y. 1993. An increase in the authorization of administrative expenses from the Special Compensation Fund of \$1,695,000 in F.Y. 1992 and \$2,348,000 for F.Y. 1993 is requested. These estimates would result in reducing the deficit as follows:

End of F.Y. 1991 = \$44,167,000
End of F.Y. 1992 = \$38,310,000
End of F.Y. 1993 = \$29,895,000

As a result, the Commissioner proposes to continue administrative funding from the Special Compensation Fund and does not propose funding the state OSHA Compliance activity from the Special Compensation Fund at this time.

GOVERNOR'S RECOMMENDATION:

The Governor concurs with the agency's plan.

1992-1993 B I E N N I A L B U D G E T
(DOLLARS IN THOUSANDS)

AGENCY: LABOR & INDUSTRY,DPT
PROGRAM: WC SPECIAL COMP FUND

ACTIVITY RESOURCE ALLOCATION:	FY 1989	FY 1990	Est. FY 1991	FY 1992			FY 1993		
				Adjusted Base	Agency Plan	Governor Recomm.	Adjusted Base	Agency Plan	Governor Recomm.
SPECIAL FUND BENEFITS	102,684	99,343	99,250	106,470	112,327	112,327	110,424	118,839	118,839
LOGGER EXPENSE AND REIMBURSEMENT			375	750	750	750	750	750	750
TOTAL EXPENDITURES BY ACTIVITY	102,684	99,343	99,625	107,220	113,077	113,077	111,174	119,589	119,589
DETAIL BY CATEGORY:									
STATE OPERATIONS	102,684	99,343	99,625	107,220	113,077	113,077	111,174	119,589	119,589
TOTAL EXPENDITURES BY CATEGORY	102,684	99,343	99,625	107,220	113,077	113,077	111,174	119,589	119,589
SOURCES OF FINANCING:									
DIRECT APPROPRIATIONS:									
STATUTORY APPROPRIATIONS:									
WORKERS COMP SPECIAL	102,684	99,343	99,625	107,220	113,077	113,077	111,174	119,589	119,589
TOTAL FINANCING	102,684	99,343	99,625	107,220	113,077	113,077	111,174	119,589	119,589

ACTIVITY: Program-Wide Decision **1992-93 Biennial Budget**
PROGRAM: Workers' Compensation Special Compensation Fund
AGENCY: Labor and Industry, Department of

DECISION ITEM: Workers' Compensation Special Fund Deficit
Reduction - Information

<u>Dollars in Thousands</u>			
<u>F.Y. 1992</u>	<u>F.Y. 1993</u>	<u>F.Y. 1994</u>	<u>F.Y. 1995</u>

AGENCY PLAN:

Expenditures

Workers Special Compensation Fund	\$ 5,857	\$ 8,415	\$ 8,415	\$ 8,415
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Requires statutory change: _____ Yes X No

Statutes Affected:

ITEM SUMMARY:

This is an information item only. An open appropriation is made to the department to pay certain claims from the Special Compensation Fund. The fund had an estimated deficit of \$44 million in F.Y. 1991. The department estimates that this deficit will be reduced by \$5.8 million in F.Y. 1992 and \$8.4 million in F.Y. 1993. The projected Special Compensation Fund deficit balance is listed below:

Dollars in Thousands

	<u>F.Y. 1989</u> actual	<u>F.Y. 1990</u> actual unaudited	<u>F.Y. 1991</u> estimated	<u>F.Y. 1992</u> estimated	<u>F.Y. 1993</u> estimated
Special Compensation Fund Balance	(55,438)	(48,753)	(44,167)	(38,310)	(29,895)

RATIONALE:

The Special Compensation Fund deficit represents the dollar amount of annual claims for reimbursement filed with the department by insurers or self-insured employers for which funds are not yet available. As a result, insurers and self-insured employers currently must wait approximately 9 to 11 months after submitting a claim for reimbursement of amounts they have paid to injured workers under the second injury or supplementary benefit programs.

The target has been to reduce the deficit to the point at which reimbursements could consistently

be paid within 6 months and then to reduce the assessment and maintain this timeline for reimbursement. Regardless of the level of administrative funding for the Department of Labor and Industry, the Office of Administrative Hearings, and the Workers' Compensation Court of Appeals for the next biennium, this target should be reached by the end of F.Y. 1992. Unless the level of assessment or expenditures changes from currently projected levels, a reduction in the assessment could be considered in F.Y. 1993 which would help to slightly reduce costs for employers. The current assessment amounts to 31% of indemnity benefits paid by all insurers and self insurers in the prior year.

GOVERNOR'S RECOMMENDATION:

The Governor concurs with the agency's plan.

PROGRAM PURPOSE:

The Department's Workplace Regulation and Enforcement program directly supports the agency's mission and the long-term goals of preventing workplace injuries and disease and promoting and maintaining fair wages and working conditions by carrying out its activities' specific responsibilities: The goals are accomplished through:

- Ensuring the safety of the public and employees through inspection of boilers, pressure vessels, boats for hire, high pressure piping systems, ammonia piping systems, and elevators. Also, ensuring the safety of the public and employees by assuring that boiler operators, piping system installers and contractors, and elevator contractors are competent and qualified.
- Ensuring safe and healthful working conditions for all working men and women in Minnesota workplaces.
- Providing small private-sector high-hazard industry employers with consultative services to assist them in implementing and maintaining effective safety and health programs to reduce workplace accidents, injuries, and diseases.
- Regulating and enforcing employment standards as outlined in the Minnesota Fair Labor Standards Act and Minnesota minimum and prevailing wage, child labor, lie detector, fee employment, and entertainment agencies laws.
- Developing and providing public information programs and material that help program constituents understand their obligations and rights under the law.
- Regulating the operation of apprentice training programs which provide a skilled labor force for Minnesota workplaces.

PERFORMANCE:

In 1989, the Minnesota legislature expanded the program's responsibilities for elevator inspection to include existing elevators. Three inspectors currently inspect new, altered, and existing elevators and similar equipment. They also investigate complaints and accidents. The program has also adopted recent code changes, and conducted a survey which, for the first time, is working to identify the number, location, and age of the state's elevators, and has seen increased building within the state.

The Department proposed the 1990 Safety Awareness Law, supported by both employers, employees, and the safety community, which will require employers in industries with higher-than-average hazards to establish a written workplace accident and injury reduction program to promote safe and healthful working conditions. This will help employers with poor safety records to reduce their number of workplace accidents, injuries, and diseases.

Bi-monthly construction breakfast meetings were conducted as a forum for the exchange of ideas and to provide relevant information on safety services and recent safety developments in the construction area. The Department also conducted a construction "blitz" to focus attention on educating employers and employees about construction hazards. This is an innovative approach to providing needed information to the construction industry, responsible for half of Minnesota's workplace fatalities each year.

Workplace safety and health training, education, and consultation were provided to over 12,000 Minnesota employers and employees through:

- Publications dealing with diverse safety and health issues, and brochures such as "Safety Makes

Business Sense" that emphasized the connection between a good safety program and reduced workers' compensation rates;

- Special emphasis programs focused on training employers and employees to comply with the requirements of the 1990 Minnesota Safety Awareness Act, developing safety curricula in vocational technical colleges, and working with nursing homes; and
- Conducting 270 consultation visits (exceeding the federal benchmark by 35), providing technical assistance, training, and information to small high-hazard employers so that these employers were able to make the suggested improvements and help prevent workplace accidents. Also, the consultation hygienist function previously directed by the Minnesota Health Department was merged into the safety functions of Labor and Industry. This consolidation allows for cross-training of the two safety professional groups and creates a much more effective and efficient operation.

The OSHA Compliance activity's "worst first" inspection scheduling procedures, along with our nationally unique method of basing inspection on number of workers' compensation first reports of injury, have helped the agency meet its goal of reducing Minnesota workplace accidents and injuries. This approach has helped to achieve a lost workday incidence rate of 3.4 in Minnesota as compared to a national average of 3.7.

A special emphasis program on the meat and poultry processing industries, focusing on ergonomics and repetitive motion injuries, has also been conducted. These are industries where Minnesota's average number of accidents is higher than the national average. This special emphasis, along with implementation of egregious penalty authority for employers committing flagrant safety violations with intentional or careless disregard for their workers, has resulted in an increased awareness of safety for employees working in hazardous industries and workplaces. The corrective actions employers are required to take will provide for a safer workplace for these employees.

The Labor Standards activity has continued its approach of promoting voluntary compliance through constituent education and training. Since most non-compliance is due to lack of knowledge about the law this activity enforces, 31 seminars were held for 1,169 employers and employee representatives throughout the state during F.Y. 1990. Labor Standards resolves its 60,000 annual inquiries without developing a backlog of cases.

Apprenticeship affirmative action compliance reviews were increased by 180%. This increased monitoring will help assure that the sponsors are maintaining culturally and gender diverse apprenticeship programs. The right to have an apprenticeship program was withdrawn from one large state firm because of its refusal to adhere to equal opportunity guidelines.

PROSPECTS:

OSHA enforcement activity leads the state's efforts to reduce accidents and injuries by enforcing standards that require employers to provide safe and healthful working conditions. This activity helps employers control workers' compensation costs by eliminating hazards and preventing accidents and injuries.

The OSHA Compliance activity is responsible for the enforcement of the Minnesota Safety Awareness Act. This responsibility will create an increase in constituent training needs and require promulgation of rules. Training for inspection staff will also be required to insure effective enforcement.

Implementation of the egregious citation policy and the doubling of penalties in 1988 have contributed to increased numbers of contested cases and will continue to significantly add to the workload of legal staff.

The Special Emphasis Program on Meat and Poultry Processing will continue into F.Y. 1993. This style of inspection requires a much greater amount of investigator time for records review and other

PROGRAM: Workplace Regulation and Enforcement
(Continuation)
Agency: Labor and Industry, Department of

1992-93 Biennial Budget

forms of documentation. Special training may be needed to ensure that inspectors stay proficient in ergonomics.

The Labor Standards activity is responsible for setting the prevailing wage rate for state-funded construction projects. However, over the past year the agency has been the subject of several lawsuits filed by businesses contesting the right to require the payment of prevailing wages on certain projects. There is no indication that this litigation activity will cease in the near future. In response to these legal challenges, the program anticipates increased legal costs for representing the Department in these matters.

An increased workload is expected to tax current staff in the Code Enforcement activity since its activities are labor and travel intensive, considering the size of the state and disbursement of industries. In addition, despite the fact that municipal inspection is allowed for high pressure piping and elevators, currently only St. Paul and Minneapolis do their own inspection. Municipal inspection is the sole choice of the municipality. The need and demand for unit inspection activity is also expected to increase due to continued economic growth in the food and wood products industries.

Because ammonia piping is extensively used in agriculture-related industries, excluding family farms, the program is working closely with the state Department of Agriculture to develop cooperative approaches to safety regulation. This is expected to increase program effectiveness in controlling accidents in agri-business. However, more staff time will be required to monitor and enforce this activity to ensure proper compliance with standards and rules.

It is anticipated that the American Disabilities Act and the program's Elevator Survey will increase the need for elevator inspection. Proposals for regulating amusement rides and construction of the Mall of America Project, which will include 125 elevators, and several amusement rides, may also require additional human and fiscal resources.

A proposal by the federal Department of Labor to revise the regulations for the registration of apprenticeship programs will drastically affect the program's Voluntary Apprenticeship activity if it is implemented. Administrative and field monitoring costs will rise significantly due to additional federal requirements proposed in the rule changes.

PLAN:

The projected increases in the cost of goods and services, including salaries, will result in funding demands that exceed the program's base by \$201,000 in F.Y. 1992 and \$301,000 in F.Y. 1993.

The Workplace Regulation and Enforcement program proposes the following base reallocation decisions:

<u>Code Enforcement</u>	<u>F.Y. 1992</u> \$143,000	<u>F.Y. 1993</u> \$212,000
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The Code Enforcement activity is a revenue-generating activity. It is required by law to produce enough revenues to pay for its direct and indirect costs. The agency fee structure is based on this mandate and can generate enough revenue to allow for expanded inspection activity and related support staff requirements for boiler, piping, and elevator inspection. An estimated \$4.6 million in total fees for the biennium will be sufficient to cover all projected direct and indirect costs including a 4.5% inflationary increase each year.

<u>OSHA Compliance</u>	<u>F.Y. 1992</u> (\$76,000)	<u>F.Y. 1993</u> (\$108,000)
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The reductions for this activity will result in the director assuming more administrative functions

and increased administrative assistance from the Technical Services unit. It will also necessitate a reallocation of investigative workload and a restructuring of scheduling procedures in order to continue to meet federal benchmarks.

Professional staff development will be handled by in-house experts rather than outside consultants. Division training, usually centralized in the metro area, will be held on a local level in each branch office. Repairs will be kept to a minimum. Travel will be curtailed by these reductions particularly as it relates to out-of-state conferences and division training meetings.

Basic service levels for division constituents will continue. However, implementation of new initiatives will be limited. Ongoing initiatives will be extended beyond their anticipated deadlines (e.g. meat packing special emphasis program). These reductions will also impact clerical support resulting in minor delays in over-the-counter services.

<u>Labor Standards</u>	<u>F.Y. 1992</u> (\$85,000)	<u>F.Y. 1993</u> (\$120,000)
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Overall cost reductions in this activity will have a minimal impact on investigative services to our clientele. Outreach functions for this unit will be consolidated in a comprehensive outreach effort for the program. Additionally, the redistribution of workload and cross-training among staff will also compensate for this funding shortfall.

<u>Apprenticeship</u>	<u>F.Y. 1992</u> (\$40,000)	<u>F.Y. 1993</u> (\$73,000)
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Increased costs are expected to reduce the unit's effectiveness in establishing new apprenticeship programs. The unit's ability to provide informational resources through print materials (i.e., informational brochures) will also be seriously curtailed. Networking with professional colleagues to exchange information and expertise as related to this activity will be limited.

The Workplace Regulation and Enforcement program also recommends statutory changes to increase the employment agency, search firm, and entertainment agency license and examination fees to cover the costs of administering this activity. Current resources are not sufficient to cover anticipated costs. The increased fees will generate an additional \$19,000 each fiscal year.

GOVERNOR'S RECOMMENDATION:

The Governor concurs with the agency's plan for this program, except for a biennial reduction of \$144,000 from the General Fund for restoring the underfunding of the F.Y. 1991 salary supplement. Funding for this item must be reallocated from department resources. (See agency-wide decision item "Financing Inflationary Costs" for more detail.)

1992-1993 B I E N N I A L B U D G E T
(DOLLARS IN THOUSANDS)

AGENCY: LABOR & INDUSTRY,DPT
PROGRAM: WORKPLACE REGULATION & ENFORCEMENT

ACTIVITY RESOURCE ALLOCATION:	FY 1989	FY 1990	Est. FY 1991	FY 1992			FY 1993		
				Adjusted Base	Agency Plan	Governor Recomm.	Adjusted Base	Agency Plan	Governor Recomm.
=====	=====	=====	=====	=====	=====	=====	=====	=====	=====
CODE ENFORCEMENT	1,366	1,511	1,628	1,654	1,797	1,725	1,652	1,864	1,792
LABOR STANDARDS	587	592	656	665	680	680	663	669	669
APPRENTICESHIP REGULATION	414	433	446	458	452	452	457	435	435
OSHA COMPLIANCE	3,378	3,260	3,361	3,227	3,221	3,221	3,281	3,302	3,302
OSHA CONSULTATION	188	324	299	521	521	521	539	539	539
=====	=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL EXPENDITURES BY ACTIVITY	5,933	6,120	6,390	6,525	6,671	6,599	6,592	6,809	6,737
DETAIL BY CATEGORY:									
=====									
STATE OPERATIONS	5,933	6,120	6,390	6,525	6,671	6,599	6,592	6,809	6,737
=====	=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL EXPENDITURES BY CATEGORY	5,933	6,120	6,390	6,525	6,671	6,599	6,592	6,809	6,737
SOURCES OF FINANCING:									
=====									
DIRECT APPROPRIATIONS:									
GENERAL	2,160	3,991	4,001	4,082	4,228	4,156	4,077	4,294	4,222
SP REV DIRECT APPROP	1,366								
STATUTORY APPROPRIATIONS:									
FEDERAL	2,381	2,115	2,339	2,393	2,393	2,393	2,465	2,465	2,465
AGENCY	26	14	50	50	50	50	50	50	50
=====	=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL FINANCING	5,933	6,120	6,390	6,525	6,671	6,599	6,592	6,809	6,737

PROGRAM: General Support
Agency: Labor and Industry, Department of

1992-93 Biennial Budget

PROGRAM PURPOSE:

The General Support program provides agencywide leadership and direction for Labor and Industry and the administrative support necessary for the Department's line units to meet the agency mission and long-term goals set by the Commissioner.

Agency Leadership

Leadership and direction are provided by the Commissioner, the Deputy Commissioner, and the Assistant Commissioners of Workers' Compensation and Regulation and Enforcement. This group is supplemented with the Assistant to the Commissioner, the Agency Communications Director, the Agency General Counsel, and the Research and Education Director who provide input to the Commissioner, the Deputy, and Assistants.

The responsibility of this group is to define the mission and long-term goals of Labor and Industry, determine and provide guidelines for policy decisions to meet the mission and goals, and lead all planning and organization development activities. It is further responsible for insuring the efficient and effective day-to-day operation of the Department.

Administrative Support

Administrative Support activities within this program include:

- Human resource management, including recruitment, selection, and classification of employees. This activity ensures that Labor and Industry meets its commitment to maintain a skilled and culturally diverse workforce. It also acts as a resource center for employee training and development. Finally, this activity is responsible for administration and interpretation of the collective bargaining agreements and plans covering Labor and Industry employees.
- Financial management, including assisting in the assembling of the agency biennial budget, establishing the agency annual budget, providing day-to-day assistance to agency managers in administering that budget, and ensuring the prompt payment of agency bills.
- Information management, including provision of agencywide coordinated information management systems and support to process, store, and retrieve information required for activity and program monitoring and evaluation, records management, research, and statistical analysis. This activity also provides agencywide mail, word processing, and photo reproduction services for the Department's line units.
- Highly sophisticated research for the programs administered by the Department and dissemination of information on agency programs to agency clients and the public.
- Central support services for the efficient procurement of equipment and other services for the agency line units.

PERFORMANCE:

The Department of Labor and Industry continues in multiple and varied programs to meet its mission of "Helping Minnesota Work". Senior-level management in the agency provides direction for agency programs to meet this mission. Long-term goals have been articulated as noted in the agency narrative. Strategic planning has been completed at the agency level and within the Workers' Compensation program. Planning continues and is nearing completion in the Regulation and Enforcement program. Strategic information planning has been completed as required by the Information Policy Office.

To help meet its goal of preventing workplace injuries and diseases, the agency developed the Safety Awareness Act of 1990, approved by the 1990 Legislature. This act requires businesses with below-average safety performance to create written accident and injury reduction programs and training for employees on how to work safely. This legislation is significant because 85% of all workplace accidents involve workers with less than 2 hours of training. Additionally, the OSHA Compliance activity has implemented its authority to issue egregious penalties for employers committing flagrant safety violations with intentional or careless disregard for their workers. These penalties are the most severe issued by OSHA. This new policy not only makes it clear to the most unsafe employers that their behavior will not be tolerated, but also has a deterrent effect on other employers who may consider engaging in such practices. The OSHA Compliance activity is also placing special emphasis on correcting hazardous conditions in the meat packing and poultry processing industries. During calendar years 1990 through 1992 this activity will conduct comprehensive inspections of every meat packing and poultry processing plant in the State of Minnesota. These industries have injury incidence rates several times that of the industry average in Minnesota. Our special emphasis program will focus on the crippling repetitive motion injuries contributing to this high incidence rate.

Our Workers' Compensation Regulation and Enforcement program implemented a computerized file tracking system for the agency's 200,000 active workers' compensation files. Reduction in retrieval time has significantly reduced delay and accompanying frustration to both Labor and Industry employees who use these files daily and external agency clients who need the files to effectively resolve disputes. This \$140,000 investment has already paid for itself. The program has been able to reassign 4 clerks from the file retrieval area to other program areas where greater needs exist.

The Workers' Compensation Regulation and Enforcement program also focused enforcement activities against employers without workers' compensation insurance, particularly in the northwestern and southwestern border areas of the state. These enforcement activities "level the playing field" for Minnesota employers competing against employers in North and South Dakota and Iowa for Minnesota business opportunities.

Labor and Industry continues its efforts to provide expedient and effective dispute resolution processes in the Workers' Compensation program. Backlogs of cases in our dispute resolution activities which were eliminated in the 1988-89 biennium have remained eliminated through 1990-91. Discontinuance of benefits conferences are being held within 15 days, the best in the history of the Department and significant because an employer must continue to pay benefits until this hearing is held. Compliance with statutory requirements to pay benefits within 14 days of a claim is at 96% on-time payment compared to 43% nationally.

The Department also published in March 1990 a "Health Care Costs and Cost Containment in Workers' Compensation" study. This extensive 2-year research study is the nation's first comprehensive study on workers' compensation medical costs. The study's principal findings have received recognition from 2 nationally recognized publications, the Workers' Compensation Monitor and the Self-Insurer. The Department will be presenting a medical cost containment package to the 1991 legislature based on the study's findings.

PROSPECTS:

Agency Leadership

Agency leadership faces several significant challenges over the coming biennium. These challenges are primarily in the Workers' Compensation Regulation and Enforcement program, the Labor Standards and OSHA Compliance activities in the Workplace Regulation and Enforcement program, and the Information Management activity within the General Support program.

Workers' compensation is a top-priority concern for some Minnesota employer groups. There will be efforts to change the current statute to reduce the cost of the system. Labor and Industry will be a key player in the dialogue regarding any law changes. The Department is the authoritative source of information for all the major parties in the system--business, labor, insurers, attorneys, and

PROGRAM: General Support
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Agc Labor and Industry, Department of

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health care providers. It is impossible at this point to accurately predict what, if any, changes in the law will occur and how the agency will have to react to administer those changes. However, our experience with this system is that any significant legislative change in the law will create uncertainty, which in turn will increase litigation, delay, and cost.

Employers who do business in Minnesota without workers' compensation insurance continue to operate at an unfair competitive advantage over insured employers. The Department will continue to intensify its efforts to enforce Minnesota's mandatory workers' compensation insurance coverage provisions.

M.S. Chapter 177.41 reflects the state's policy of paying the prevailing wage rate in the construction and maintenance of public buildings and other public works. The law states that "It is in the public interest that public buildings and other public works be constructed and maintained by the best means and highest quality of labor reasonably available and that persons working on public works be compensated according to the real value of the services that they perform. It is therefore the policy of this state that wages for laborers, workers, and mechanics on projects financed in whole or part by state funds should be comparable to wages paid for similar work in the community as a whole."

Labor and Industry is charged with setting that prevailing wage rate for Minnesota. Over the past year, the agency has been the subject of several lawsuits filed by businesses contesting the Department's rights to require the payment of prevailing wages on certain state-financed projects. In response to these legal challenges, the Department anticipates increased expenditures to cover the legal costs of its representation in these matters. The Department of Administration plans to present a study on prevailing wage administration to the 1991 legislature.

Labor and Industry has a significant partnership with the federal government in the area of occupational safety and health. Our OSHA Compliance activity, which is funded on a 50/50 basis between federal and state government, has been delegated the authority by the federal Department of Labor to enforce provisions of the Occupational Safety and Health Act on behalf of the federal government. Consistent with that delegation, the State of Minnesota is required to maintain a program "as effective as" federal OSHA. In the next 2 years, this will require a significant amount of federal standards adoption as well as a complete overhaul of Minnesota OSHA's voluminous enforcement policy and procedure manual to align it with federal requirements. Minnesota OSHA is currently staffed just at the "benchmark" level which the federal government requires to maintain "as effective as" status. These additional federal requirements will further strain OSHA Enforcement resources, barely able to keep current with existing federal OSHA requirements.

The need for skilled tradesworkers of color and tradeswomen continues unabated. Training to prepare people of color and women for entry into skilled trades apprenticeship programs is recognized as a significant component of any effort to improve these groups' representation in the skilled trades. Labor Education Advancement Program (LEAP) grants go to qualifying organizations that meet these preparation needs. However, the State of Minnesota currently invests slightly over \$200,000 distributed across 4 grantee organizations to address this significant social and economic issue. Increased funding for expansion of current grantees' programs and initial funding for distribution to a wider network of organizations of color and women is needed to reach more potentially skilled tradesworkers.

Administrative Support

Labor and Industry also collects statistics on Minnesota workplace injuries for the Federal Bureau of Labor Statistics (BLS). BLS is finalizing plans to completely revamp how injury statistics are collected as well as instituting a new program to get an accurate count of workplace-related fatalities.

Both of these initiatives require that Labor and Industry seek additional funding from the state to match increased funding at the federal level to implement these new systems; the BLS activity is a 50/50, state/federal funding split. Even if this funding were available, it is doubtful that the combined federal and state funding will cover the anticipated costs to implement these new systems.

The Department is currently immersed in several significant information management projects whose goal is to streamline our current administrative processes to ensure the prompt delivery of statutory benefits and other services to our workers' compensation clientele. These projects will allow the agency to take a more proactive and interactive approach with our clientele regarding responsibilities under the Minnesota workers' compensation statute. However, natural growth within our mainframe computer system combined with the computer resources required for these projects will far exceed the capability of our current central processing unit to handle this work without significant degradation of response time to the end users of the system. Additionally, failure to implement these projects will require continued dedication of human resources to many clerical activities that could be easily automated, thereby freeing up workers' compensation personnel to concentrate energies on substantive decision making and other professional level administrative and enforcement activities.

PLAN:

For F.Y. 1992, General Fund salary increases plus other fixed cost inflationary increases will equal \$37,000. F.Y. 1993 General Fund increases will equal \$75,000. There will not be sufficient General Fund revenue available in the F.Y. 1992-93 budget to absorb these increased costs. To meet these cost increases, the following decisions have been made regarding the General Fund funding of the General Support program.

Agency Reallocations Decisions:

To reduce General Fund costs for which revenue does not exist in F.Y. 1992 and 1993, the agency proposes to cut both salary and non-salary costs in F.Y. 1992 and F.Y. 1993. The impact of this cost cutting in the General Funded areas of this program is as follows:

- | | | |
|--|-----------------------------|-----------------------------|
| 1. <u>Agency Administration</u> | <u>F.Y. 1992</u> (\$18,000) | <u>F.Y. 1993</u> (\$36,000) |
| The major impact of reducing this activity by \$18,000 in F.Y. 1992 and \$36,000 in F.Y. 1993 will be the reduction in training coordination currently provided to assist employees in their continued development. | | |
| 2. <u>Information Management Services</u> | <u>F.Y. 1992</u> (\$19,000) | <u>F.Y. 1993</u> (\$39,000) |
| The major impact of reducing this activity by \$19,000 in F.Y. 1992 and \$39,000 in F.Y. 1993 will be a reduction in both professional and technical services. This will affect both training, currently provided to enhance employee skills, and consulting services. | | |

The General Support program's Special Compensation Funded areas will generate sufficient revenue while continuing to significantly reduce the Fund deficit by \$14,396,000 over the biennium and to cover the costs of the following base reallocation decisions.

- | | | |
|---|---------------------------|---------------------------|
| 1. <u>Agency Administration</u> | <u>F.Y. 1992</u> \$50,000 | <u>F.Y. 1993</u> \$81,000 |
| The anticipated cost increases for this activity are due to fixed cost increases in salaries and other supplies and expenses. | | |
| 2. <u>Research and Education</u> | <u>F.Y. 1992</u> \$14,000 | <u>F.Y. 1993</u> \$25,000 |
| The anticipated cost increases for this activity are due to fixed cost increases in salaries and other supplies and expenses. | | |

PROGRAM: General Support
(Continuation)
Agency: Labor and Industry, Department of

1992-93 Biennial Budget

<u>3. Information Management Services</u>	<u>F.Y. 1992</u>	<u>F.Y. 1993</u>
Inflationary Increases	\$222,000	\$279,000
Computer Upgrade	287,000	267,000

In F.Y. 1992, \$222,000 of the increased costs are created by the anticipated increases in salaries and other non-salary costs. There is also a cost increase of \$287,000 in this fiscal year to provide first-year funding for a computer mainframe upgrade. This upgrade is necessary to accommodate natural growth in our computer system and to implement significant computer projects necessary to achieve workers' compensation claims processing efficiencies, without a significant degradation in end-user response time. Failure to obtain this upgrade will result in response times to end users increasing from the current average of 5 seconds to 45 seconds by January, 1992. This is a totally unacceptable response time as each one-second increase in response time would cost the agency \$70,000.

In F.Y. 1993, \$279,000 of increased costs are fixed salary and other non-salary cost increases and \$267,000 of this cost increase is the second year's payment for the computer mainframe upgrade.

GOVERNOR'S RECOMMENDATION:

The Governor concurs with the agency's plan for this program, except for a biennial reduction of \$310,000 from the Workers' Special Compensation Fund for restoring the underfunding of the F.Y. 1991 salary supplement. Funding for this item must be reallocated from department resources. (See agency-wide decision item "Financing Inflationary Costs" for more detail.)

1992-1993 B I E N N I A L B U D G E T
(DOLLARS IN THOUSANDS)

AGENCY: LABOR & INDUSTRY,DPT
PROGRAM: GENERAL SUPPORT

				FY 1992			FY 1993		
			Est.	Adjusted	Agency	Governor	Adjusted	Agency	Governor
ACTIVITY RESOURCE ALLOCATION:	FY 1989	FY 1990	FY 1991	Base	Plan	Recomm.	Base	Plan	Recomm.
=====	=====	=====	=====	=====	=====	=====	=====	=====	=====
AGENCY ADMINISTRATION	2,065	1,985	2,064	2,134	2,184	2,169	2,186	2,267	2,252
RESEARCH AND EDUCATION	513	488	459	450	464	462	471	496	494
INFORMATION MANAGEMENT SERVICES	1,425	2,102	2,261	2,264	2,773	2,635	2,267	2,813	2,675
=====	=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL EXPENDITURES BY ACTIVITY	4,003	4,575	4,784	4,848	5,421	5,266	4,924	5,576	5,421
DETAIL BY CATEGORY:									
=====									
STATE OPERATIONS	3,781	4,360	4,569	4,633	5,206	5,051	4,709	5,361	5,206
LOCAL ASSISTANCE	222	215	215	215	215	215	215	215	215
=====	=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL EXPENDITURES BY CATEGORY	4,003	4,575	4,784	4,848	5,421	5,266	4,924	5,576	5,421
SOURCES OF FINANCING:									
=====									
DIRECT APPROPRIATIONS:									
GENERAL	1,226	1,137	1,378	1,355	1,355	1,355	1,367	1,367	1,367
SP REV DIRECT APPROP	36								
WORKERS COMP SPECIAL	2,435	2,940	2,915	2,964	3,537	3,382	2,976	3,628	3,473
STATUTORY APPROPRIATIONS:									
GENERAL	14								
SP REV DIRECT APPROP	15								
SPECIAL REVENUE	39	174	218	220	220	220	242	242	242
FEDERAL	238	324	273	309	309	309	339	339	339
=====	=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL FINANCING	4,003	4,575	4,784	4,848	5,421	5,266	4,924	5,576	5,421

ACTIVITY: Information Management Services
PROGRAM: General Support
AGENCY: Labor and Industry, Department of

1992-93 Biennial Budget

DECISION ITEM: Upgrade Mainframe Computer

	Dollars in Thousands			
	<u>F.Y. 1992</u>	<u>F.Y. 1993</u>	<u>F.Y. 1994</u>	<u>F.Y. 1995</u>

AGENCY PLAN:

Expenditures

Workers Special	\$ 287	\$ 267	\$ 267	\$ 267
Compensation Fund				

GOVERNOR'S RECOMMENDATION:

Expenditures

Workers Special	\$ 287	\$ 267	\$ 267	\$ 267
Compensation Fund				

Requires statutory change: _____ Yes X No

Statutes Affected:

ITEM SUMMARY:

To upgrade an existing information system to handle increasing data volumes and meet customer needs. The \$20,000 difference between F.Y. 1992 and F.Y. 1993 for the computer upgrade is attributable to 2 factors: 1) initial operator training costs for the new system; 2) installation costs including electrical wiring, local moving, physical equipment installation, and other one-time expenses. In later fiscal years, the expense for the mainframe upgrade is expected to be the same as that for F.Y. 1993.

RATIONALE:

The mainframe upgrade seeks to improve both customer service and employee efficiency as well as to avoid increased salary costs in the future. This is accomplished through better response time for current operations and the ability to support increased automation of agency programs and functions.

In the absence of a mainframe upgrade, current users of the agency's system will see substantial degradation in response time, adding at least 5 seconds per transaction in each year. By F.Y. 1993, response time would have degraded by about 21 seconds. Each one second decrease in system response time is about 390 hours of productive work time per month; over 3,500 hours per year. At the average agency wage, this translates into about \$70,000 per year in lost salary and productivity per second of additional response time. In the first year the added delays would amount to about \$350,000 in lost productivity. In later years the amount would be much higher. (See "Minnesota Department of Labor and Industry Strategic Information Plan," September 1990, submitted to the Information Policy Office, Appendix A.)

The recommended system upgrade will improve both customer service and employee efficiency by allowing agency employees to serve each customer more quickly, and overall, to serve a greater number of customers. For example, we are currently able to serve 5 clients in a specific amount of time, whereas in a year or two without the upgrade we would only be able to serve 2 clients in that same amount of time due to the degradation in response time. Without the additional capacity which the upgrade would provide, the cost benefit of current and future automation projects would be reduced due to the present systems' inability to handle the volume of data the Department needs to collect for operations, research, and program evaluation.

IPO RECOMMENDATION:

The Information Policy Office supports this project. It would be funded through the Special Compensation Fund. The upgrade is seen as the foundation for Labor and Industry's long-term approach to information systems. The image processing pilot project will re-engineer the work place to significantly increase productivity and has the potential for substantial cost savings. The department should develop and implement a method to measure both the effects of technology changes and the efforts to re-engineer the work place. The image processing project should follow state standards for records stored on optical disks.

GOVERNOR'S RECOMMENDATION:

The Governor concurs with the IPO's recommendation and agency's plan.

1992-93 BIENNIAL BUDGET

PROGRAM STRUCTURE

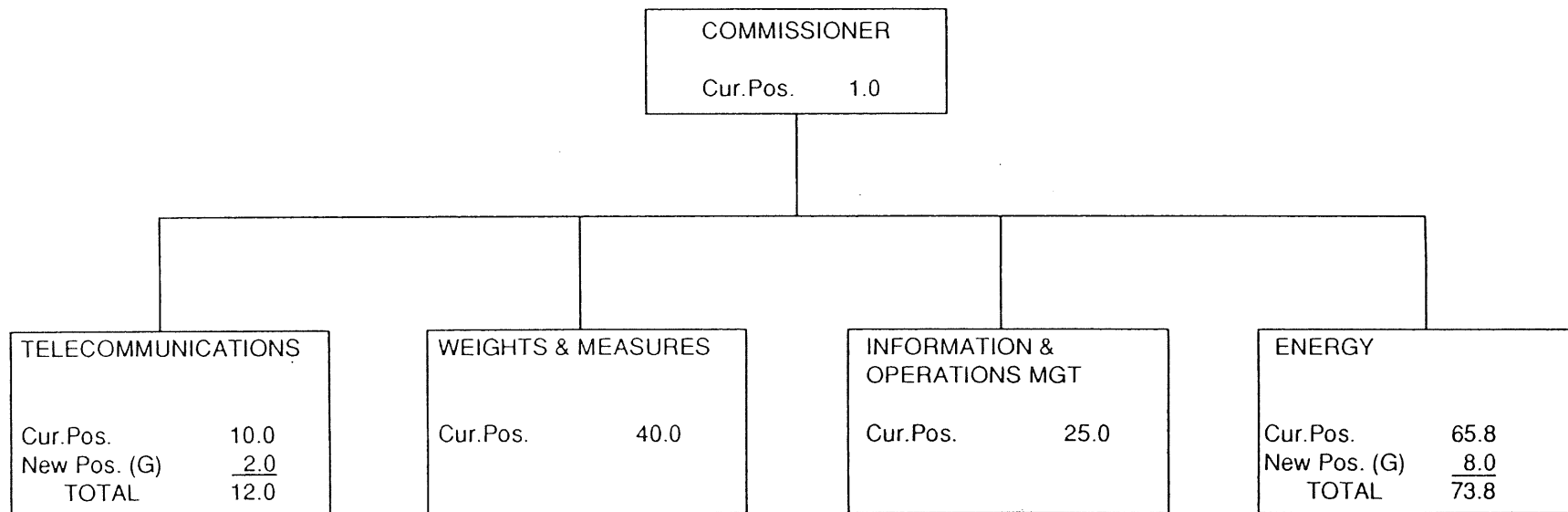
AGENCY: PUBLIC SERVICE, DEPARTMENT OF

PROGRAM

PAGE

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Weights and Measures	157
Information and Operations Management	160
Energy	162

Department of Public Service Organization Chart 7/1/90



Department of Public Service

Position and Employee Status Information

Position Reconciliation:

Authority:	Current FY 91	Requested For 6/30/93
Legislative Complement:		
General Fund	125.8	134.8
Special Revenue Direct	6.0	6.0
Federal	<u>10.0</u>	<u>8.0</u>
Total Permanent Positions	141.8	148.4
Other Complement (FTE)	<u>3.0</u>	<u>3.0</u>
TOTAL Positions	144.8	151.8
Employees on 6/30/90	129	

Employees by Employment Status:

	6/30/90
Full-Time Unlimited	119
Full-Time Temporary	1
Part-Time Unlimited	5
Part-Time Temporary	4
TOTAL	129

MISSION:

The Minnesota Department of Public Service (DPSv) is the lead agency in developing, advocating and implementing equitable policies regarding energy, telecommunications, and standards for weighing and measuring devices used in commerce, all of which are essential to the well-being of Minnesota's citizens and its economy.

The department strives to accomplish its mission through a combination of regulatory intervention before the Minnesota Public Utilities Commission (MPUC) and the Federal Energy Regulatory Commission, enforcing MPUC orders, testing and inspecting commercial weights and measures, analyzing and authorizing energy conservation programs, and promoting efficient development and use of energy resources through public information and educational programs.

The department has strengthened its ability to perform its mission by implementing a strategic planning process, during which we sought input from all parties with an interest or stake in the department's activities. One result of the process was the decision to change the department's organizational structure to better respond to the structural changes in the industries we serve and to enhance our ability to carry out our statutory responsibilities in this new environment.

The department's activities are now carried out under four program areas: Energy, Telecommunications, Weights and Measures, and Information and Operations Management. Following is a summary of the major changes resulting from the reorganization.

- Energy utility regulation staff were merged with a newly constituted Energy Division. This change consolidates all energy utility rate and service activities with conservation and information programs into 1 division.
- Telecommunications regulation is now a separate program. This change recognizes the unique regulatory climate surrounding telephone utilities resulting from recent statutory changes.
- Management, accounting, clerical and publications resources were merged into 1 Information and Operations Management program. This change centralizes numerous functions in order to avoid duplicate or conflicting efforts among separate units.

MAJOR POLICY DRIVERS:

The primary issues that are expected to influence policy decisions in the next biennium will involve the Energy, Telecommunications and Weights and Measures divisions as follows:

Energy

- Environmental consequences of using energy, particularly fossil fuels, is a major issue facing Minnesota and the world. One way to limit these effects is through Integrated Resource Planning, which promotes efficient energy use as the least cost method of meeting the necessary generating capacity rather than building more plants.
- New technologies in lighting, heating and cooling, and electric motor operations offer great energy saving potential. Since the department now has approval authority over utility sponsored conservation programs, we have the opportunity to encourage greater use of this potential.
- Increased competition among regulated industries as well as changes in the activities and structure of those industries will create new challenges for regulators in balancing the responsibility for consumer welfare against a company's right to recover costs. Also, increasing mergers, acquisitions and diversification within the industry will require close scrutiny to ensure that regulated monopoly customers are not subsidizing competitive services.

- Minnesota's increasing vulnerability to petroleum and price disruptions call for constant monitoring of the petroleum refining, distribution and storage infrastructure in order to effectively facilitate the appropriate distribution of the state's petroleum supply.

- Reduced federal funding for low-income energy users creates significant problems for Minnesota's low-income community. This need has been addressed, in part, by the Low-Income Energy Act of 1989, in which the Legislature established standards for funding conservation programs targeted at low-income energy users and gave the department the responsibility of enforcing those standards.

Telecommunications

- Newly revised statutes pertaining to telecommunications regulation encourages greater competition in the marketplace. An increase in the number of companies, each requiring different levels of regulatory oversight has increased the demand on department resources.
- Since telephone companies are allowed greater flexibility in adjusting rates, the department must carefully monitor regulated telephone monopolies to make sure they do not use their established market position to thwart development of effective competition.
- Rapid technological changes in the telecommunications industry has a great impact on Minnesota's ability to compete in an increasingly global economy. Effective implementation of sophisticated new systems can only be accomplished with appropriate regulatory policies.

Weights and Measures

- Increasingly sophisticated weighing systems have not proved to be more reliable in maintaining accuracy; consequently, there is greater need for enforcement services, training and new computer-aided calibration equipment to ensure accurate commercial transactions for Minnesota's citizens.
- Increased concern over the environment and petroleum supply issues calls for careful monitoring of gasoline quality, the sales practices of gasoline retailers, and the storage, handling and sale of alternative fuels, such as ethanol-blended fuels. These concerns, along with more stringent federal air pollution standards, increase the need to investigate alternative fuels. The division is currently evaluating and testing sophisticated mass flow measurement systems for the sale of compressed natural gas for automotive use.

EXPLANATION OF BUDGET ISSUES AND ALTERNATIVES:

The department has determined that current program requirements, statutory requirements, projected increases in the cost of goods and services (including salaries) will result in funding demands which exceed the agency's base funding by \$841,000 in F.Y. 1992 and \$1,120,000 in F.Y. 1993. Adding these resources will not affect the General Fund since the activities to which they will be applied are fee-funded as per M.S.Ch.216B.62 and 237.295.

Reallocations by Program

(Dollars in Thousands)

	<u>General Fund</u> <u>F.Y. 1991</u>	<u>F.Y. 1992</u> <u>Change From</u> <u>F.Y. 1991</u>	<u>F.Y. 1993</u> <u>Change From</u> <u>F.Y. 1991</u>
Energy	3,097		
Staff and Support		427	440
Inflation		125	224
Telecommunications	542		
Staff and Support		115	120
Inflation		22	45
Weights and Measures	1,992		
Inflation and Vehicle Fuel		96	178
Information and Operations	1,365		
Inflation	<u> </u>	<u>56</u>	<u>113</u>
Total	6,996	841	1,120

Without these requested resources, the department will be forced to limit or even discontinue its advocacy, administration and enforcement functions in the area of public utility regulation.

In the meantime, the department is pursuing changes in financing or delivery of services that should aid in its efforts to meet its responsibilities in program areas where agency reallocations were insufficient. This includes continuing to look for opportunities to work with private organizations and other agencies in accomplishing mutual goals.

GOVERNOR'S RECOMMENDATION:

The Governor concurs with the agency's plan.

1992-1993 BIENNIAL BUDGET
(DOLLARS IN THOUSANDS)

AGENCY: PUBLIC SERVICE,DPT OF

PROGRAM RESOURCE ALLOCATION:	FY 1989	FY 1990	Est. FY 1991	FY 1992			FY 1993		
				Adjusted Base	Agency Plan	Governor Recomm.	Adjusted Base	Agency Plan	Governor Recomm.
TELECOMMUNICATIONS	475	544	692	699	836	836	698	863	863
WEIGHTS & MEASURES	1,810	1,982	1,992	2,061	2,157	2,157	2,058	2,236	2,236
INFORMATION & OPERATIONS MGMT	1,335	1,438	1,565	1,583	1,639	1,639	1,578	1,691	1,691
ENERGY	6,987	7,206	6,902	5,322	5,874	5,874	4,499	5,163	5,163
TOTAL EXPENDITURES BY PROGRAM	10,607	11,170	11,151	9,665	10,506	10,506	8,833	9,953	9,953
SOURCES OF FINANCING:									
DIRECT APPROPRIATIONS:									
GENERAL	6,266	6,586	6,996	7,076	7,917	7,917	7,057	8,177	8,177
SPECIAL REVENUE	4								
STATUTORY APPROPRIATIONS:									
GENERAL		9							
SP REV DIRECT APPROP	64								
SPECIAL REVENUE	3,913	4,169	3,684	2,035	2,035	2,035	1,250	1,250	1,250
FEDERAL	360	406	471	554	554	554	526	526	526
TOTAL FINANCING	10,607	11,170	11,151	9,665	10,506	10,506	8,833	9,953	9,953

BASE RECONCILIATION REPORT
for 1992-1993 Biennium

AGENCY: PUBLIC SERVICE, DPT OF

	ALL FUNDS		GENERAL FUND		OTHER STATE FUNDS		FEDERAL FUNDS	
	F.Y. 92	F.Y. 93	F.Y. 92	F.Y. 93	F.Y. 92	F.Y. 93	F.Y. 92	F.Y. 93
F.Y. 91 FUNDING LEVEL	11,151	11,151	6,996	6,996	3,684	3,684	471	471
NON RECURRING EXPENDITURES	<7>	<7>	<7>	<7>				
SALARY ANNUALIZATION	85	63	85	63				
DOCUMENTED RENT/LEASE INCR.	2	5	2	5				
FEDERAL RECEIPTS	55	55					55	55
BASE TECHNICAL ADJUSTMENTS	<1,621>	<2,434>			<1,649>	<2,434>	28	
TOTAL	9,665	8,833	7,076	7,057	2,035	1,250	554	526
BIENNIAL TOTAL		18,498		14,133		3,285		1,080

ACTIVITY:
PROG#

1992-93 Biennial Budget

RATIONALE:

AGENCY: Public Service, Department of

DECISION ITEM: 4% Annual Inflation Adjustment-Fee Funded

	Dollars in Thousands			
	F.Y. 1992	F.Y. 1993	F.Y. 1994	F.Y. 1995

AGENCY PLAN:

Expenditures				
General Fund	\$ 299	\$ 560	\$ 560	\$ 560
Revenues				
General Fund	\$ 299	\$ 560	\$ 560	\$ 560

GOVERNOR'S RECOMMENDATION:

Expenditures				
General Fund	\$ 299	\$ 560	\$ 560	\$ 560
Revenues				
General Fund	\$ 299	\$ 560	\$ 560	\$ 560

Requires statutory change: X Yes No
Statutes Affected: 239.78 Inspection Fees (Energy Resource Mgmt. only)

ITEM SUMMARY:

The proposed inflation adjustments are funded from fees or assessments (see revenues above). This is a request for an inflation adjustment of 4% for both salary and expense for all state program funding. The only exception is an additional \$18,000 per fiscal year for vehicle fuel in the Weights and Measures Program which represents a \$.30 per gallon increase over the previous year's budget.

PROGRAM/AREA (Dollars in Thousands)	Salary	F.Y. 1992		Salary	F.Y. 1993	
		Expense	Total		Expense	Total
Telecommunications	19	3	22	38	7	45
Weights and Measures	65	31	96	130	48	178
Information & Operations Mgmt.	46	10	56	94	19	113
Energy Reg. & Res. Mgmt.						
Utility Regulation	49	12	61	99	25	124
Resource Management	44	20	64	63	37	100
Total	223	76	299	424	136	560

Telecommunications. A previous Decision Item requested 2 new positions to keep up with the increased workload due to technology and regulatory requirements. Not providing an annual 4% inflation adjustment for the Telecommunications Program would result in reducing staff and support costs by 1/2 position in F.Y. 1992 and 1 position and support costs in F.Y. 1993. This would further inhibit the Department's ability to evaluate new telecommunication technologies and monitor company profits. The result would be less complete investigations and reduced protection for ratepayers.

Weights and Measures. To ensure effective coverage for the entire state, regular inspection cycles have been established, i.e., 12 months for Greater Minnesota and, because of greater density, 18 months for the Twin Cities metropolitan area. Not providing the inflation increase would require a reduction in staff by 2 positions and support costs in F.Y. 1992 and 4 positions and support costs in F.Y. 1993. The staff reductions would significantly lengthen the inspection cycles. By F.Y. 1993 the inspection cycles would increase from 12 months to approximately 14 months for Greater Minnesota and from 18 months to approximately 21 months for the metropolitan area. In addition livestock scale inspection services would have to be discontinued which would discriminate against rural, outstate clients and consumers.

Information and Operations Management. Not providing a 4% annual inflation adjustment would require the elimination of 1 position and support costs in F.Y. 1992 and 2 positions and support costs in F.Y. 1993. These reductions would seriously limit the Department's ability to provide essential support services to the department's program units and to the public. Examples of these services include the following: library services; computer services and training; and public information regarding utility services and filings, conservation programs and commodity measurement.

ENERGY REGULATION AND RESOURCE MANAGEMENT:

Utility Regulation. Eight new positions and support costs have been requested to meet the increasing demands for Integrated Resource Planning and utility-sponsored Conservation Improvement Programs (CIP). Not providing an inflation adjustment would result in staff reduction by 1 position and support costs in F.Y. 1992 and 2 positions and support costs in F.Y. 1993. The reduction would come from utility regulation and federal intervention activities, requiring a reduction in intervention activities at the federal level and, on the state level, discontinuation of participation in service area and cogeneration buyback rate disputes. This action would significantly impair Minnesota's ability to influence federal energy policy and reduce the likelihood of resolution of service area and cogeneration disputes. Program development staff would be removed from the Community Energy Service activity. The department also would have to significantly limit its involvement in Integrated Resource Planning (IRP), severely hampering its ability to protect Minnesotans from high-cost environmentally damaging energy sources.

Resource Management. Not providing a 4% annual inflation adjustment would require the elimination of 1 position and support costs for F.Y. 1992 and 2 positions and support costs for F.Y. 1993. These reductions would limit the Department's ability to fulfill its new responsibilities to develop conservation programs for local implementation under CIP, to provide accurate and timely information on petroleum supplies and prices, to efficiently process and monitor for the department and other state agencies grant and loan programs tied to federal funding, and to evaluate innovative energy policy options and alternative fuels. The department is proposing legislation which will permit recovering the cost of monitoring petroleum prices and supplies, viz., the work performed by 2 staff analysts, as part of the fee for petroleum inspection (M.S. 239.78). This is the only statutory change included in this inflation adjustment proposal. The current petroleum inspection fee is \$.25 per

(Continuation)

1992-93 Biennial Budget

ACTIVITY:

PROGRAM:

AGENCY: Public Service, Department of

1,000 gallons of bulk fuel entering the state. The proposed addition of petroleum price and supply monitoring costs to this fee base would increase the cost by \$.03 per 1,000 gallons. This fee is charged at the bulk distributor level. This addition to the fee would recover the revenue needed to fund the requested inflation adjustment for these management activities (Energy Technologies, Energy Analysis, and Community Energy).

GOVERNOR'S RECOMMENDATION:

The Governor concurs with the agency's plan.

PROGRAM PURPOSE:

The Department's Telecommunications Unit represents and protects Minnesota's consumers in all aspects of the regulation of the state's telephone industry. The mission of the unit is to administer and advocate policies that provide reliable telephone services at reasonable and fair prices, promote orderly development of the industry, and support the role of telecommunications in the state's economic development. The unit strives to achieve this mission through activities that:

- ensure reliable telephone service by reviewing telephone company petitions filed with the Public Utilities Commission (PUC), making recommendations promptly so that proposals are deliberated by the PUC before the price changes go into effect, enforcing commission orders and statutory requirements, and by advocating the general public interest in matters before the PUC.
- promote new business while protecting against fraud or other inappropriate activities by developing and administering well-reasoned and fair policy recommendations based on analysis of current and future trends in economic and technological environments.
- monitor the profit levels of local regulated telephone companies, which includes providing the opportunity for companies to earn a reasonable return on investment, participating in all proceedings that examine the level of reasonable expenses and profits, and watching for cross-subsidization practices.
- collect and interpret data involving the industry's transition from a regulated monopoly to increasing competitiveness to determine if a market is sufficiently competitive to protect the public interest.
- promote the use and development of new technologies while considering the impact on customer service, customer welfare and profitability of companies.

PERFORMANCE:

Overall, this unit has been successful in its goal to expedite the processing of filings, as required by recent statutory changes. The unit has also been successful in its efforts to respond to a changing marketplace for telecommunications services.

Since the mid-1980s the telephone industry has moved from a natural monopoly to a more openly competitive market, increasing the number of telephone companies in the state. Currently, Minnesota has 100 local exchange companies, approximately 50 certified long-distance companies, and approximately 500 companies which have been certified to install, maintain and operate coin-telephone and non coin-telephone service. This represents a growth of about 240% over the last 5 years. Even though the PUC and the Legislature have promoted policies to reduce the regulatory burden for many of these companies, most services remain regulated to some degree. Therefore, the industry must comply with registration or certification requirements as well as the filing of tariffs or price lists and annual reports.

The Telecommunications Unit must review certification requests, analyze proposed prices for telephone services, review and investigate companies' earnings, make recommendations to the PUC, then enforce the commission's orders. The unit has basically achieved its goal to process filings within the required 10 to 30 day time allowance, as compared to the 10-month time frame allowed before the 1987 legislative requirement went into effect. This avoids costly customer refunds should the commission disapprove a price increase that has already been put into effect.

Local exchange services remain non-competitive and therefore companies providing those services require the greatest regulatory scrutiny. The Telecommunications Unit must closely monitor the

profits of all local service companies to ensure fair business practice and that monopoly ratepayers do not subsidize competitive services.

In addition, during this time of rapid technological advances, the goal of providing valuable new technologies to Minnesota's customers has become increasingly important. The unit has increased its efforts to administer new statutory provisions (of M.S.Ch.237) that are intended to entice telephone companies to implement riskier investment and marketing programs that will increase their opportunities for growth and enable Minnesota to be more competitive globally. One example is the development of an incentive plan, implemented by U.S. West, which requires the company to share excess earnings with customers while reducing risk and possible expense for the company and its shareholders.

PROSPECTS:

During this time of transition, as the telephone industry is moving from an arena of regulated monopolies toward a more competitive environment, most of Minnesota's telephone services still require some level of regulatory oversight. The unit must continue to protect the cost and quality of service available to Minnesota's customers, including the business sector.

Information transmission, through such devices as computer modems and FAX machines, is vital to business survival and, therefore, to the state's economic development. It is imperative that the unit be able to review the increasingly complex filings within a condensed period of time.

The explosion of new technologies, such as fiber optics, digital switching, high speed data transmission and telecommuting, has been a driving force in changing the market structure as well as changing the complexity of filings. Understandably, as technology becomes more complex, so does the nature of the work for staff analysts. Many filings are now based on engineering issues which are beyond the expertise of unit staff. In order to assure reasonable rates and quality telephone service for Minnesota's customers, the unit has had to hire engineering consultants to review filings. However, because of the cost of such services, we have done so only on the most complex and highest priority cases.

Another effect of new technology is reduced maintenance and labor costs for the industry, leading to an increase in company profits. This raises rate of return issues and the potential for cross-subsidization, thus increasing the need for investigations. Currently, the unit does not have the staff resources to complete these investigations, which are necessary to protect customers from inflated rates. Also, the unit anticipates future rate cases based on companies' increasing profits, which also will demand more staff time.

Alternatives:

- To meet the increasing demand produced by these changes in regulation, technology and the market structure, the unit must increase its staff resources. Currently, because of the new, statutorily imposed time constraints on processing filings, staff has been focusing its efforts on completing miscellaneous filings and handling an increasing number of customer complaints about service. Additional staff members would supply the necessary expertise to handle the more complex cases and would provide the resources needed to increase profit investigations and to better meet the unit's enforcement responsibilities.

Despite the unit's successes in expediting the filing process, it is unable to adequately meet all its obligations without additional staff and support funds. A description of the required staff positions is listed in the following section.

- The alternative to adding staff resources would be to continue to operate under our present strategy of concentrating staff efforts on meeting filing deadlines and either relying on telephone company experts or hiring outside consultants when certain expertise is needed. The problems inherent in this system are the reliability of company experts, who may not represent ratepayers' welfare, and the loss in productivity through familiarizing consultants with Minnesota Statutes.

PROGRAM: Telecommunications Regulation
(Continuation)
Agency: Public Service, Department of

1992-93 Biennial Budget

For the present staff to attempt to meet all its responsibilities, including more exhaustive investigations into company profits, the level of filing reviews would have to be reduced. Either way, the ratepayer is at risk of paying inflated rates or receiving less than adequate service.

PLAN:

Two positive Base Reallocation Decisions funded from cost assessments to the regulated telephone companies are proposed to fund the increased budget needs of the Telecommunications Program.

The first positive Base Reallocation Decision is a request for two additional positions. Given the increasingly complex demands created by current economical and technological trends, coupled with the strain of meeting the mandated deadline for processing filings, the unit is requesting a 4% per year inflation increase and two additional positions to be added to our complement. These resources are fee-funded and will not affect the general fund. The request can be broken down as follows:

Telecommunications Engineer

As mentioned above, without engineering expertise, we are forced to rely on telephone company engineers for routine filings, or to do without. In the most complex cases, an outside consultant has been hired. In the past 12 months alone, we have spent approximately \$37,500 in engineering consultant fees. The addition of a full-time engineer would significantly enhance the Department's ability to thoroughly analyze critical telecommunications cost issues for the Public Utilities Commission in a cost effective way. Cost of salary and support: \$60,000.

Statistical Analyst

Due to a growing potential for telephone companies to increase earnings, a statistical analyst with expertise in rate of return analysis is needed. This person would provide periodic estimates of current cost of equity and debt; testify in contested earnings cases; and review statistical analyses provided by regulated telephone companies in numerous filings, such as traffic samples included in EAS (extended area service) filings. The cost of an outside consultant with such skills averages \$100 to \$125 per hour. Without this analyst, we would need a consultant for 2 to 3 projects annually, at a cost of approximately \$20,000 per project. Cost of salary and support: \$55,000.

The second fee funded positive Base Reallocation Decision is to cover the cost of inflation. A 4% per year inflation increase costs \$22,000 in F.Y. 1992 and \$45,000 in F.Y. 1993.

GOVERNOR'S RECOMMENDATION:

The Governor concurs with the agency's plan.

1992-1993 BIENNIAL BUDGET
(DOLLARS IN THOUSANDS)

AGENCY: PUBLIC SERVICE,DPT OF
PROGRAM: TELECOMMUNICATIONS

				FY 1992			FY 1993		
ACTIVITY RESOURCE ALLOCATION:	FY 1989	FY 1990	Est. FY 1991	Adjusted Base	Agency Plan	Governor Recomm.	Adjusted Base	Agency Plan	Governor Recomm.
=====	=====	=====	=====	=====	=====	=====	=====	=====	=====
TELECOMMUNICATIONS	475	544	692	699	836	836	698	863	863
=====	=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL EXPENDITURES BY ACTIVITY	475	544	692	699	836	836	698	863	863
=====	=====	=====	=====	=====	=====	=====	=====	=====	=====
DETAIL BY CATEGORY:									
=====									
STATE OPERATIONS	475	544	692	699	836	836	698	863	863
=====	=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL EXPENDITURES BY CATEGORY	475	544	692	699	836	836	698	863	863
=====	=====	=====	=====	=====	=====	=====	=====	=====	=====
SOURCES OF FINANCING:									
=====									
DIRECT APPROPRIATIONS:									
GENERAL	459	422	542	549	686	686	548	713	713
STATUTORY APPROPRIATIONS:									
SPECIAL REVENUE	16	122	150	150	150	150	150	150	150
=====	=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL FINANCING	475	544	692	699	836	836	698	863	863

ACTIVITY: Telecommunications
PROGRAM: Telecommunications
AGENCY: Public Service, Department of

1992-93 Biennial Budget

DECISION ITEM: Additional Telecommunication Staff-Fee Funded

	Dollars in Thousands			
	<u>F.Y. 1992</u>	<u>F.Y. 1993</u>	<u>F.Y. 1994</u>	<u>F.Y. 1995</u>
AGENCY PLAN:				
Expenditures				
General Fund	\$ 115	\$ 120	\$ 120	\$ 120
Revenues				
General Fund	\$ 115	\$ 120	\$ 120	\$ 120
GOVERNOR'S RECOMMENDATION:				
Expenditures				
General Fund	\$ 115	\$ 120	\$ 120	\$ 120
Revenues				
General Fund	\$ 115	\$ 120	\$ 120	\$ 120

Requires statutory change: _____ Yes X No
Statutes Affected:

ITEM SUMMARY:

This is a request for 2 additional positions and the associated support costs. These costs would be funded through assessments to regulated telephone companies and would have no net impact on the general fund. The additional positions requested are for a telecommunications engineer and a statistical analyst.

RATIONALE:

One Telecommunication Engineer position. The explosion of new telecommunications technology has changed the industry's structure as well as the number and complexity of filings with the Department. The increasing complexity of telecommunications technology especially has changed the demands placed on the Telecommunications unit. Engineering issues are far more prominent than just a few years ago and the Telecommunications staff does not include a telecommunications engineer. To assure reasonable rates and quality of telephone service for Minnesota's customers, the unit has had to hire engineering consultants to review many filings. Because of their cost, we have done so only on the most complex and highest priority cases.

One Statistical Analyst position. Another effect of new technology is reduced maintenance and labor costs for the industry, leading to an increase in company profits. This raises rate of return issues because of partial deregulation, and the potential for cross-subsidization between regulated and unregulated services. These matters require investigations to protect customers from inflated rates. Currently, the unit does not have the staff resources to complete these investigations. Also, the unit anticipates future rate cases based on companies' increasing profits, which also will demand more staff time.

To better meet our enforcement responsibilities, the unit must increase its staff resources. Currently, because of limited resources and the new, statutorily imposed time constraints on processing filings, staff is focused primarily on timely completion of miscellaneous filings. Also, a significant amount of staff time is devoted to an increasing number of customer complaints about service.

The alternative would be to continue concentrating staff efforts on meeting filing deadlines and either relying on telephone company experts or hiring outside consultants when special expertise is needed. The problems inherent in this system are the reliability of company experts, who may not represent ratepayers' welfare, and the loss in productivity through familiarizing consultants with Minnesota Statutes.

GOVERNOR'S RECOMMENDATION:

The Governor concurs with the agency's plan.

125
303
69,583
5,304
10,674

railroad scales
law enforcement scales
samples of prepackaged foods and agricultural commodities
gasoline and fuel oil samples
petroleum storage tanks

PROGRAM PURPOSE:

The division's mission is to assure accurate and uniform measurements in the commerce of weighed and measured commodities for all Minnesota consumers, businesses, and government levels. To achieve this mission, the division provides programs that:

- offer the highest level of mass measurement accuracy in the nation, outside of the National Institute of Standards and Technology (NIST). Mass, volume, and length measurement services are provided by the division's laboratory, which is certified by the NIST.
- ensure uniform and accurate commercial weighing and measuring by inspecting and testing all of the state's gasoline pumps, grocery scales, grain elevator scales, railroad scales, and a wide variety of other equipment, and by issuing repair orders for noncomplying equipment or, in cases of serious violation, removing equipment from service until it can be repaired.
- certify accuracy of repairs of weighing and measuring equipment by offering a voluntary program for service technicians. Participants in this "placing-in-service" program have their repair work monitored and are allowed to place new and repaired equipment into service. Registration and equipment calibration are renewed annually.
- provide quality assurance for motor and heating fuel through a statewide sampling and testing program. Samples from major terminals and refineries are tested weekly and retail outlets are tested on a random sampling basis.
- provide uniform highway load enforcement by testing permanent and portable law enforcement scales for state and local police agencies.
- guarantee, by regular inspection, that commodities packaged by weight or measure carry accurate statements of weight or measure. Emphasis is on prepackaged food and agricultural commodities.
- enhance environmental quality by posting motor oil and battery recycling information at all retail outlets where they are sold.

PERFORMANCE:

The Weights and Measures Division receives fees for its services and is virtually self-supporting. It is organized to provide a high level of service with a small staff and minimal overhead costs. The entire state is served by 6 inspectors of heavy capacity scales, 19 inspectors of light capacity scales/volumetric, 3 specialists (railroad scales, high volume meters, and checkweighing) and 2 laboratory metrologists.

To ensure effective coverage for the entire state, the division establishes inspection cycles of 12 months for Greater Minnesota and 18 months for the Twin Cities metropolitan area. In 1990, as a result of this program, the division inspected:

31,047	gasoline pumps
3,535	bulk fuel meters
1,123	LPG meters
213	milk meters and chemical meters
10,207	small scales (grocery, hardware, etc.)
300	livestock scales
1,771	vehicle scales
418	fertilizer hopper scales
454	grain and feed hopper scales

During F.Y. 1990, the division responded to 450 consumer complaints relating to weights and measures and gasoline quality. All complaints were investigated within 7 days, and results of each investigation were reported to the complainant.

A statewide problem with regular gasoline was uncovered by the division in 1989. Service station operators were improperly selling unleaded gasoline as leaded regular. A combined effort by the department and the attorney general stopped the practice.

Test equipment was calibrated and annual registrations renewed for 416 service technicians participating in the division's placing-in-service program.

The division's small staff makes efficiency especially important to accomplishing its mission. During this biennium the division improved efficiency by:

- upgrading computer capabilities to improve clerical performance.
- presenting a rules compliance training session to 120 registered service technicians, reducing the incidence of weighing and measuring device repair problems.
- reducing and holding the number of delinquent placing-in-service permits to less than 8% by providing early notification of expiration dates and by persistent efforts to bring delinquent registrants in for annual permit renewal and equipment calibration.
- replacing 1,000 50-pound test weights with 25-pound weights. The reduced lifting requirements meet National Institute of Occupational Safety and Health standards and are expected to reduce costly work-related injuries.

Accuracy is also essential to achieving the division's mission. The division's laboratory provides precision measurement services that are highly valued by, and vital to, Minnesota industry. Capabilities have been improved to the highest level attainable outside of the National Institute of Standards and Technology. Specific measures to improve accuracy include:

- participating in a measurement assurance program with NIST and using an NIST computer program to improve results and reduce uncertainties in precision mass calibrations. Minnesota has the only state laboratory in the nation involved in this program.
- purchasing a set of "backup" standard weights and measures that will reduce reliance on the primary standards and improve their long term stability.

PROSPECTS:

The services the division performs are essential to protect Minnesota consumers and businesses and strengthen the state's economy. At the same time, the cost of the services must be kept to a minimum so that the state can realize their full benefit. The division is committed, therefore, to continuing to provide excellent service while holding down user fees and reducing compliance costs for Minnesota businesses. In addition, the division must meet the challenge of handling a larger workload: weighing and measuring devices have increased in the Twin Cities area, as a result of that area's population growth, while remaining stable in the rest of the state. Increasing concern over the environment, particularly urban air pollution caused by transportation fuel, will make monitoring of gasoline quality, sales, and measurement even more important. Weighing systems also are becoming more sophisticated and efforts to improve training and update equipment must continue.

Emphasis on efficiency will continue to be extremely important if the division is to meet these challenges and accomplish its mission. The division's strategies for the coming biennium focus on improving efficiency of its own operations and taking actions to reduce compliance costs for business.

PLAN:

Reducing division costs. Critical areas in which the division expects to reduce its own costs and thereby hold down user fees are in work-related injuries by replacing 50-pound test weights with 25-pound test weights. It also plans to reduce fuel consumption costs by redesigning the division's basic light capacity/volumetric inspection vehicle and by reducing its load. Individual vehicle fuel consumption will drop approximately 50% and at the end of the normal 9 to 10 year replacement cycle, total fuel consumed by the division will have been reduced by 25%.

Further improvements in the efficiency of the division's services will be made by restructuring inspection areas in the Twin Cities area to reduce inspection cycle length, thus allowing effective coverage of this area with existing resources. The division will also design and implement new individual performance standards to improve employee performance.

Reducing compliance costs. Compliance costs for Minnesota businesses will be reduced by updating and simplifying department rules. These actions include:

- repealing obsolete and excessively restrictive rules governing railroad scales. Rural grain elevators are installing increasing numbers of rail scales; new rules will substantially reduce installation and maintenance costs.
- updating rules governing weighing and measuring equipment to ensure that Minnesota maintains uniformity with other states. Weighing and measuring equipment is designed to meet uniform national standards. If Minnesota should fall out of step with national standards or requirements, standard equipment could not be sold in Minnesota without costly modifications.
- giving businesses more flexibility in choosing types of scales, and reducing installation costs by revising rules governing installation of truck scales.
- reducing packaging costs and promoting uniformity in packaged commodities by adopting rules published and recommended by the NIST. Uniform rules eliminate excessive costs incurred by packagers who must meet standards in several states.

After implementing the above cost containment measures, the Weights and Measures Division requests a fee funded positive Budget Reallocation Decision to cover the cost of inflation. A 4% inflation increase plus an additional \$18,000 per fiscal year for vehicle fuel will cost \$96,600 in F.Y. 1992 and \$178,000 in F.Y. 1993. The Weights and Measures Division uses approximately 60,000 gallons of vehicle fuel per year for its fleet of inspection vehicles. The \$18,000 per fiscal year represents an estimated increase of \$.30 per gallon over the previous year's price.

GOVERNOR'S RECOMMENDATION:

The Governor concurs with the agency's plan.

1992-1993 B I E N N I A L B U D G E T
(DOLLARS IN THOUSANDS)

AGENCY: PUBLIC SERVICE,DPT OF
PROGRAM: WEIGHTS & MEASURES

				FY 1992			FY 1993		
			Est.	Adjusted	Agency	Governor	Adjusted	Agency	Governor
ACTIVITY RESOURCE ALLOCATION:	FY 1989	FY 1990	FY 1991	Base	Plan	Recomm.	Base	Plan	Recomm.
=====	=====	=====	=====	=====	=====	=====	=====	=====	=====
WEIGHTS & MEASURES	1,810	1,982	1,992	2,061	2,157	2,157	2,058	2,236	2,236
=====	=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL EXPENDITURES BY ACTIVITY	1,810	1,982	1,992	2,061	2,157	2,157	2,058	2,236	2,236
=====	=====	=====	=====	=====	=====	=====	=====	=====	=====
DETAIL BY CATEGORY:									

STATE OPERATIONS	1,810	1,982	1,992	2,061	2,157	2,157	2,058	2,236	2,236
=====	=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL EXPENDITURES BY CATEGORY	1,810	1,982	1,992	2,061	2,157	2,157	2,058	2,236	2,236
=====	=====	=====	=====	=====	=====	=====	=====	=====	=====
SOURCES OF FINANCING:									

DIRECT APPROPRIATIONS:									
GENERAL	1,806	1,973	1,992	2,061	2,157	2,157	2,058	2,236	2,236
SPECIAL REVENUE	4								
STATUTORY APPROPRIATIONS:									
GENERAL		9							
=====	=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL FINANCING	1,810	1,982	1,992	2,061	2,157	2,157	2,058	2,236	2,236
=====	=====	=====	=====	=====	=====	=====	=====	=====	=====

PROGRAM: Information and Operations Management
Agency: Public Service, Department of

1992-93 Biennial Budget

PROGRAM PURPOSE:

The mission of the Information and Operations Management Division is to provide for the efficient operation of the department, facilitate the smooth flow of information among divisions and to the public, and coordinate department activities with other governmental agencies and the private sector to accomplish goals in the public interest. Programs and services in the division are designed to:

- Provide information to the public about regulatory issues concerning Minnesota's electric, natural gas and telecommunications industries to allow more informed economic decision-making and foster sound regulatory policy.
- Create partnerships with other levels of government, constituent groups, regulated client groups and the public sector to achieve goals consistent with enhancing the environment and the quality of life in Minnesota.
- Document and respond to consumer/business inquiries about regulatory policies and procedures as defined by the Legislature and Minnesota Public Utilities Commission, and maintain a regulatory library.
- Provide leadership and essential support services for all divisions of the department and to assist department employees in efficiently carrying out the goals and objectives as described in the Agency Narrative.

PERFORMANCE:

The department has adopted a 5-year plan and has begun to implement the plan through a cooperative effort involving divisions, employees and stakeholders. The strategic planning process has allowed the department to take full advantage of several operational efficiencies, including the organizational strengths made possible by the December 1987 transfer of the Energy Division from the Department of Trade and Economic Development to the DPSv.

Through the planning process, some of the following issues emerged: A renewed commitment to protecting the environment; the need to use energy efficiently; the need to respond to the impact of a changing economic structure and new technologies on the gas, electric and telecommunications industries; and an insatiable appetite for public information. These issues have placed new demands on the department that require the ability to adapt to change. To accommodate change, the division has provided leadership by organizing and implementing a strategic planning process as outlined in the Agency Narrative.

In F.Y. 1990, more than ever before, consumers and businesses are contacting the department to obtain information on the telecommunications, gas and electric utilities. The calls have increased substantially, prompting the division to keep records for the first time of the amount of consumer requests. Last year, staff responded to over 1,000 requests for copies of documents relating to regulatory filings. The increased demand corresponds to an increase in the actual number of petition filings from regulated industries for F.Y. 1990, 1,112 filings, compared to 1,036 in F.Y. 1989 and 934 in F.Y. 1988.

The division has taken a more proactive role in educating the public about regulatory and energy/environmental issues. The strategic planning process identified the need to focus more attention on these areas and the division has responded with a coordinated effort to identify potential audiences, develop the department's message and seek new methods for disseminating information to the public. For example, the department identified the need to reach the student age population and other audiences to provide the message that "saving energy helps protect the environment." The division produced an energy/environmental video program and accompanying literature that was distributed to every elementary and junior high school in Minnesota and is available to the general public through a video library service. As a result, every community in Minnesota has access to a program that stresses this important issue.

The department has recognized the value of coordinated efforts with other state agencies, business and industry and the public and has made a commitment to make such partnerships a priority. Under the leadership of the department, an interagency work group was formed to study energy usage in state government and recommend areas for improvement.

The study resulted in formation of an Energy/Environmental Planning Management Team of senior cabinet-level officials and has had the effect of elevating energy conservation to a priority level in state government. Other partnerships have been formed through the various divisions of the department and the division has been actively seeking new opportunities for cooperative efforts.

The department has made a significant effort to improve internal communications and enhance productivity by linking virtually the entire staff through a computer network. The system has allowed individual units to share information and resources, reduce paper work and office waste, speed the processing of consumer requests, and create an enhanced environment for staff to utilize creative talents.

PROSPECTS:

The department's strategic planning effort has opened the door to many new opportunities. However, realizing the full potential this affords will require continuing diligence to implement the plan and sensitivity to the changing regulatory environment and the needs of our clients.

The department is striving to enhance the value of the massive amount of data it is required to store by increasing the accessibility to that data through computer technology. The department is working with the Public Utilities Commission (PUC) to develop an administrative database, a computer based system designed to provide easy access to information about regulatory matters, allow regulated industries to file rate cases directly by computer, and improve the efficiency of the assessment process. Initially, the system will improve the efficiency of both the PUC and DPSv. In the future, it will be made available for access by the public. The system has the potential to place Minnesota at the forefront of computer technology in the regulatory area.

The department involvement in the Energy/Environmental Planning Management Team will be a major priority for the next 2 years. The Team has pledged to reduce energy usage and costs in state government, which is an appropriate response to today's budget constraints and tomorrow's environmental consequences. The department will place a greater emphasis on establishing similar partnerships with business, industry and the public.

In the area of public information, new developments in technology and a changing regulatory framework will require innovative approaches to educating the public. The burgeoning telecommunications industry and a greater focus on energy conservation by utilities is providing new requirements for public education efforts. The division will utilize its creative talents and in-house production capabilities to produce programs and materials to reach new segments of the population. Results of the 1990 Census will be helpful in identifying these audiences. Greater efforts will be made to reach minorities, low-income groups, business and industry, and individual consumers.

PLAN:

The Information and Operations program is requesting a fee funded positive Base Reallocation Decision to cover the cost of a 4% inflation increase. A 4% inflation increase will cost \$56,000 in F.Y. 1992 and \$169,000 in F.Y. 1993.

GOVERNOR'S RECOMMENDATION:

The Governor concurs with the agency's plan.

1992-1993 B I E N N I A L B U D G E T
(DOLLARS IN THOUSANDS)

AGENCY: PUBLIC SERVICE,DPT OF
PROGRAM: INFORMATION & OPERATIONS MGMT

				FY 1992			FY 1993*		
			Est.	Adjusted	Agency	Governor	Adjusted	Agency	Governor
ACTIVITY RESOURCE ALLOCATION:	FY 1989	FY 1990	FY 1991	Base	Plan	Recomm.	Base	Plan	Recomm.
=====	=====	=====	=====	=====	=====	=====	=====	=====	=====
INFORMATION & OPERATIONS MGMT	1,335	1,438	1,565	1,583	1,639	1,639	1,578	1,691	1,691
=====	=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL EXPENDITURES BY ACTIVITY	1,335	1,438	1,565	1,583	1,639	1,639	1,578	1,691	1,691
=====	=====	=====	=====	=====	=====	=====	=====	=====	=====
DETAIL BY CATEGORY:									

STATE OPERATIONS	1,335	1,438	1,565	1,583	1,639	1,639	1,578	1,691	1,691
=====	=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL EXPENDITURES BY CATEGORY	1,335	1,438	1,565	1,583	1,639	1,639	1,578	1,691	1,691
=====	=====	=====	=====	=====	=====	=====	=====	=====	=====
SOURCES OF FINANCING:									

DIRECT APPROPRIATIONS:									
GENERAL	1,224	1,274	1,365	1,383	1,439	1,439	1,378	1,491	1,491
=====	=====	=====	=====	=====	=====	=====	=====	=====	=====
STATUTORY APPROPRIATIONS:									
SPECIAL REVENUE		37	57	57	57	57	57	57	57
FEDERAL	111	127	143	143	143	143	143	143	143
=====	=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL FINANCING	1,335	1,438	1,565	1,583	1,639	1,639	1,578	1,691	1,691
=====	=====	=====	=====	=====	=====	=====	=====	=====	=====

PROGRAM PURPOSE:

The division's mission is to ensure reliable, affordable, and environmentally sound energy supplies for Minnesotans now and into the future. The division strives to achieve this mission through programs that:

- protect consumers from unreasonable or unfair utility rates and practices through intervention and advocacy before the Public Utilities Commission (PUC) and the Federal Energy Regulatory Commission (FERC) on matters affecting utility rates, jurisdiction, quality of service, and the need for new energy production facilities.
- avoid unnecessary power plant construction, with its high cost and adverse environmental effects, by reviewing electric supply plans and mandating appropriate utility investments in conservation programs, including programs directed to low-income residents.
- assure the state's ability to cope with supply/price issues by actively monitoring and maintaining statewide data on energy supplies, demand, price, forecasts, trends, and technologies.
- enable consumers to use energy economically by providing unbiased, accurate information on energy use and by providing guidance and technical assistance to local governments, community organizations, utilities, and others in designing conservation programs.
- ensure that Minnesota consumers receive the benefits of recent technologies improving the efficient use of energy, including renewable sources, and protect Minnesotans from inefficient and unsafe building construction by training the professionals who implement these technologies and by designing and enforcing energy codes, lighting standards, and insulation product standards.
- represent Minnesota's interests in national energy policy development and through advocacy and intervention at the Federal Energy Regulatory Commission (FERC), U. S. Department of Energy (DOE), the Environmental Protection Agency (EPA), and other national agencies.

PERFORMANCE:

- Minnesota significantly improved its energy efficiency during the past 10 years. The average residential housing unit in Minnesota uses 14% less energy today than in 1980. Energy use per real dollar of gross state product decreased by 23%. Renewable energy use is almost identical to its 1980 level, despite a decade of having to compete with moderately-priced traditional fuels.
- The division has played an important role in helping Minnesotans achieve these improvements. During this biennium, 50,000 consumers contacted the division's Energy Information Center, approximately 25,000 homes received on-site conservation services, 1,500 building operators attended energy workshops, and 420 public buildings received detailed engineering analyses. Projects implemented through the division's energy loan program cut energy costs in tax supported institutions by \$7 million during the F.Y. 1990-91 biennium. During the biennium the division demonstrated renewable energy technologies to some 50 groups, including farmers, industries, institutions, and small businesses.
- The division -- through its leadership on inter-agency workgroups and through recommendations to the PUC -- has helped create an effective process for addressing and resolving energy/environmental issues affecting both current regulatory practices and long term energy policy.
- During its first year of implementing the utility-sponsored Conservation Improvement Program (CIP), the division expects to oversee in excess of \$20 million in utility conservation investments and services. These investments will save approximately 6,500 billion cubic feet of natural gas and

100 megawatts of electric power -- enough energy to heat 52,000 homes for 1 year and light 100,000 homes for 1 year. Further, through programs targeted to low-income consumers, CIP will provide a cost savings of \$50 per year to over 18,000 households.

- Since 1985, the division has directly participated in achieving annual rate reductions for Minnesota consumers totalling nearly \$285 million below that requested by utility companies. During the same period, the division's intervention in FERC cases resulted in an additional \$146.85 million savings for Minnesotans. The division also continues successfully to resist changes in federal coal royalty assessments that would cost Minnesota electric ratepayers \$3 million a year.

PROSPECTS:

How energy is used and managed is creating major worldwide issues, and they are occurring at a time when the division has not yet recovered from a period of staff and program retrenchment. The importance of these issues requires even more effective leadership to assure Minnesotans reliable, affordable, and environmentally sound energy supplies. The impact of these issues on the division's major energy program areas is discussed below.

Utility regulation and planning. Despite improvements in energy efficiency, energy consumption continues to grow in Minnesota. Of particular concern is the rapid growth in demand for electricity and petroleum products. Electricity sales in 1988 were up 34% from 1980 and petroleum consumption has grown by 14% since 1981. Given the environmental costs of these resources and the high cost of obtaining them from foreign sources, implementing available conservation and renewable energy technologies is imperative.

This is reflected in the major revolution occurring nationwide in regulation of energy utilities. Focus has shifted from traditional rate of return regulation to demand/supply planning, requiring earlier and more active involvement by regulators. The PUC adopted Integrated Resource Planning rules to provide a forum for assessing utilities' resource plans and options. Through intervention in this process, the division expects to direct utilities' investments away from traditional, fossil-fuel burning supply options toward cost-effective conservation, load management, and renewable energy sources.

Expansion of utility-sponsored conservation programs is an integral part of the move to meet energy supply needs by reducing demand. The 1989 Minnesota legislature, in passing the Low Income Energy Bill, significantly expanded the utility-sponsored CIP and transferred authority for implementing CIP to the division. The statute also gives new standing to non-utility conservation providers. In addition to implementing CIP, the division will train utility staff and conservation service providers, lead in establishing a conservation program for state government, develop new programs, and identify potential for expanded conservation efforts.

Consumer information services. The need for reliable, unbiased information on conservation is growing along with public awareness of the relation of energy conservation to the environment, the economy, and national security. New technologies hold potential for significant energy savings in homes, schools, factories, stores, and farms. The challenge for the division will be to reach the decisionmakers who determine adoption of new technologies and the technicians in charge of operation and maintenance.

Energy supply/demand monitoring and analysis. The division is the statewide clearinghouse for energy data and statistics. Changes occurring in the utility regulatory process, coupled with trends showing Minnesota's increasing vulnerability to petroleum supply disruptions, will require increased attention through the biennium. Focus must expand to include regional power supply plans and petroleum distribution networks. This level of effort will be necessary to maintain our ability for contingency planning and to provide appropriate data for utility power supply planning.

Energy technologies. Many renewable technologies have progressed to where they are commercially viable. Utility-sponsored renewable resource pilot projects offer the best opportunity to advance commercialization. During the coming biennium, the energy technologies program will assist these projects and also evaluate the technical aspects of utility conservation programs.

Alternatives

- To meet the responsibilities in utility regulation and planning described above, the division needs additional resources. CIP and Integrated Resource Planning are integrally related and additional resources will help implement both. Having recently undergone a major department reorganization, the division is positioned to use its existing resources more effectively. For example, staff responsible for electric and gas utility regulation at the state and federal levels now report to the same management activity as other energy policy analysts, allowing the division to pool its existing resources to implement these programs effectively.

Despite its best efforts to reallocate and target existing resources, the division cannot fully implement these programs without additional staff and support funds. A description of each of these additional staff positions is provided in the plan below.

- The alternative to adding resources would be to remove staff from other division responsibilities to implement CIP. Analysis and advisory staff would likely come from the utility regulation and federal intervention activities, requiring the division to scale back its activities at the federal level and, on the state level, to decline to participate in service area disputes. This action would significantly impair Minnesota's ability to influence federal energy policy and rates affecting Minnesota consumers, and would reduce the likelihood of settlement and resolution of local service area disputes. Program development staff would be removed from the Community Energy Service activity.

The division would also have to limit its involvement in Integrated Resource Planning and review of utility filings, severely hampering its ability to protect Minnesotans from high-cost, environmentally damaging energy sources.

PLAN:

I. Additional resources for utility regulation and planning.

To finance the Energy Program's budget needs, the DPSv is proposing 3 positive Base Reallocation Decisions to be financed by assessments and fees.

The first positive Base Relocation Decision involves 8 new positions for Integrated Resource Planning and Conservation Improvement Programs.

The need for Integrated Resource Planning and utility-sponsored conservation programs in Minnesota is widely recognized. Organizations calling attention to this need include the Environmental Quality Board and other state agencies, the special task force on energy and environmental planning, the PUC, environmental organizations, and senior citizen groups. The division believes that the first alternative described above is the only realistic and acceptable plan for the coming biennium. As noted, existing resources will be reallocated and refocused, but an additional 8 complement and \$427,000 in F.Y. 1992 and \$440,000 in F.Y. 1993 in support are requested for this biennium. These resources are fee supported and will not affect the General Fund. The request can be broken down as follows:

Two advisory staff. When implementing CIP, the division must create a "Chinese Wall" between its advocacy staff and the decisionmaker to ensure all parties a fair process. The division has temporarily reallocated 2 utility regulation staff to provide advisory support to the commissioner. To provide this support on a continuing basis, 2 additional staff are needed. These staff are also typically classed in the public utility rate analyst series. Cost of salary and support: \$90,000.

One production cost expert/system planner. Review of utilities' Integrated Resource Plans and development of alternate plans will require additional staff to evaluate direct and indirect costs, risks, and equity. These staff would expand the division's expertise by adding a knowledge of generation technologies, power supply markets, simulation models, and financial impacts. Cost of salary and support: \$50,000.

One engineer. An engineer is needed to specialize in evaluating the feasibility, cost, and effects of utility demand-side resource plans. Cost of salary and support: \$50,000.

One end-use forecaster. Key to the development of resource plans is the forecast of electricity demand. Although the division currently reviews utility forecasts through the Environmental Quality Board's Advanced Forecast process, it does not develop independent load forecasts. This position would be classified in the statistical analyst series. Cost of salary and support: \$50,000.

Program operating costs. In addition to these staff, the division expects to require additional resources for ongoing operation of the program, including consulting workgroup planning sessions, data base management, and program design. Cost: \$50,000 in each year of the biennium.

One CIP advocacy staff. Prior to the transfer of CIP authority from the PUC the division had a total of 2 analysts reviewing and analyzing the 7 annual CIP filings. This additional staff is needed to review and analyze the additional 6 utilities covered by the CIP statute. These staff are typically economists or public policy experts and are classed in the public utility rates analyst series. Cost of salary and support: \$47,000.

Two program development specialists. The division provides support and technical assistance to conservation service providers seeking to implement CIP projects. The division also develops new CIP projects to ensure that utilities meet the statutory requirement to make "significant" conservation investments. The division has reallocated staff from its Community Energy Program to provide initial support; to provide continuing support, the division requests 2 additional staff. These positions are typically classed in the information specialist series. Cost of salary and support: \$90,000.

The second positive Base Reallocations is an inflation adjustment for the Utility Rate Regulation Management Activity. The cost of this management activity is recovered by assessing the costs to the regulated utility companies. The cost of a 4% inflation increase for this activity is \$61,100 for F.Y. 1992 and \$134,000 for F.Y. 1993.

The third positive Base Reallocation Decision involves a 4% inflation for the Energy Technologies, Energy Analysis and Community Energy management activities. A 4% inflation increase in each year would cost \$64,000 in F.Y. 1992 and \$127,000 in F.Y. 1993. The DPSv is proposing legislation which will permit the cost of monitoring energy price and supply to be recovered under M.S.239.78 which is a fee for petroleum inspection. The current petroleum inspection fee is \$.25 per 1,000 gallons of bulk fuel entering the state. The proposed addition of petroleum price and supply monitoring to this fee base would increase the cost by \$.03 per 1,000 gallons. This fee is charged at the bulk distributor level.

II. Revenue enhancements for petroleum monitoring.

The critical nature of petroleum supplies and prices requires resources for monitoring petroleum. The division will pursue legislation expanding use of petroleum inspection fees assessed against suppliers to include petroleum supply and price monitoring. This additional fee funding will be used to support existing positions. Estimated revenue enhancement to the General Fund: \$100,000.

GOVERNOR'S RECOMMENDATION:

The Governor concurs with the agency's plan.

1992-1993 B I E N N I A L B U D G E T
(DOLLARS IN THOUSANDS)

AGENCY: PUBLIC SERVICE,DPT OF
PROGRAM: ENERGY

ACTIVITY RESOURCE ALLOCATION:	FY 1989	FY 1990	Est. FY 1991	FY 1992			FY 1993		
				Adjusted Base	Agency Plan	Governor Recomm.	Adjusted Base	Agency Plan	Governor Recomm.
ENERGY	6,987	7,206	6,902	5,322	5,874	5,874	4,499	5,163	5,163
TOTAL EXPENDITURES BY ACTIVITY	6,987	7,206	6,902	5,322	5,874	5,874	4,499	5,163	5,163
DETAIL BY CATEGORY:									
STATE OPERATIONS	3,169	3,272	3,622	3,712	4,264	4,264	3,674	4,338	4,338
LOCAL ASSISTANCE	3,818	3,934	3,280	1,610	1,610	1,610	825	825	825
TOTAL EXPENDITURES BY CATEGORY	6,987	7,206	6,902	5,322	5,874	5,874	4,499	5,163	5,163
SOURCES OF FINANCING:									
DIRECT APPROPRIATIONS:									
GENERAL	2,777	2,917	3,097	3,083	3,635	3,635	3,073	3,737	3,737
STATUTORY APPROPRIATIONS:									
SP REV DIRECT APPROP	64								
SPECIAL REVENUE	3,897	4,010	3,477	1,828	1,828	1,828	1,043	1,043	1,043
FEDERAL	249	279	328	411	411	411	383	383	383
TOTAL FINANCING	6,987	7,206	6,902	5,322	5,874	5,874	4,499	5,163	5,163

ACTIVITY: Energy Regulation and Resource Management
PROGRAM: Energy Regulation and Resource Management Division
AGENCY: Public Service, Department of

1992-93 Biennial Budget

DECISION ITEM: Eight Positions for Integrated Resource Planning and Conservation Improvement Programs-Fee Funded

	Dollars in Thousands			
	F.Y. 1992	F.Y. 1993	F.Y. 1994	F.Y. 1995
AGENCY PLAN:				
Expenditures				
General Fund	\$ 427	\$ 440	\$ 440	\$ 440
Revenues				
General Fund	\$ 427	\$ 440	\$ 440	\$ 440
GOVERNOR'S RECOMMENDATION:				
Expenditures				
General Fund	\$ 427	\$ 440	\$ 440	\$ 440
Revenues				
General Fund	\$ 427	\$ 440	\$ 440	\$ 440

Requires statutory change: _____ Yes X No
Statutes Affected:

ITEM SUMMARY:

This is a request for 8 additional positions and their associated expenses. These resources would be funded through assessments of regulated energy utilities and would have no net impact on the General Fund. The additional positions requested can be broken down as follows: 2 advisory staff, 1 advocacy staff and 2 program development specialists for Conservation Improvement Program (CIP) responsibilities; 1 production cost expert/system planner, 1 engineer, and 1 end-user forecaster for Integrated Resource Planning (IRP) responsibilities; plus program operating costs.

RATIONALE:

The need for IRP and utility-sponsored CIPs in Minnesota is widely recognized. Organizations calling attention to this need include the Environmental Quality Board and other state agencies, the state agency task force on Energy/Environmental Planning, the Public Utilities Commission (PUC), environmental organizations, and senior citizen groups. These developments have directly affected the Department. The 1989 Minnesota Legislature significantly expanded CIP and transferred implementing authority from the PUC to the Department. In 1990, the PUC adopted IRP rules to provide a forum for assessing utilities' resource plans and options. Through these processes, the Department expects to direct utility investments toward cost-effective conservation, load-management and renewable-energy resources.

The Department recently underwent a major reorganization to, in part, allow it to use its existing resources more effectively. Greater efficiencies have been realized, especially in the Energy Division.

Nevertheless, CIP and IRP cannot be fully implemented without additional staff and short funds.

Two Advisory Staff for CIP. When implementing CIP, the department must create a barrier to ex parte communications between its advocacy staff and the decision maker to ensure all parties a fair process. The department has temporarily reallocated 2 utility regulation staff to provide advisory support to the Commissioner. Two additional staff positions are required to provide this support on a continuing basis. The department requests that these be unclassified positions in as much as they are policy advisory in nature.

One Advocacy Staff for CIP. Prior to the transfer of CIP from the PUC the department had two analysts reviewing and analyzing the 7 annual CIP filings. The CIP statute now covers 6 additional utilities. The additional staff position is needed to handle this additional workload.

Two Program Development Specialists for CIP. The department provides support and technical assistance to conservation service providers seeking to implement CIP projects. The department also develops new CIP projects to ensure that utilities meet the statutory requirement to make "significant" conservation investments. The department has reallocated staff from its Community Energy Program to provide initial support; to provide continuing support, the department requests 2 additional staff.

One Production Cost Expert/System Planner for IRP. Review of utilities' Integrated Resource Plans to be filed beginning in July of 1991 and the development of alternate plans as contemplated by the IRP process will require additional staff to evaluate direct and indirect costs, risks and equity. This staff would significantly enhance the department's ability to fulfill its unique role in the IRP process by adding expertise in the area of generation (i.e., supply side) technologies.

One Engineer for IRP. Evaluation of the feasibility, cost and effects of utility demand-side resource plans also is critical to the Integrated Resource Planning process. An engineer who can specialize in evaluations of demand-side technologies and plans is required to fully accomplish this task.

One End-Use Forecaster. Key to the development of resource plans is an accurate assessment of the need for more electricity, i.e., a forecast of electricity demand. Although the department currently reviews utility forecasts through the Environmental Quality Board's Advanced Forecast process, it does not develop its own load forecasts. The ability to develop an independent forecast would significantly reduce the likelihood of inaccurate forecast information for decision makers.

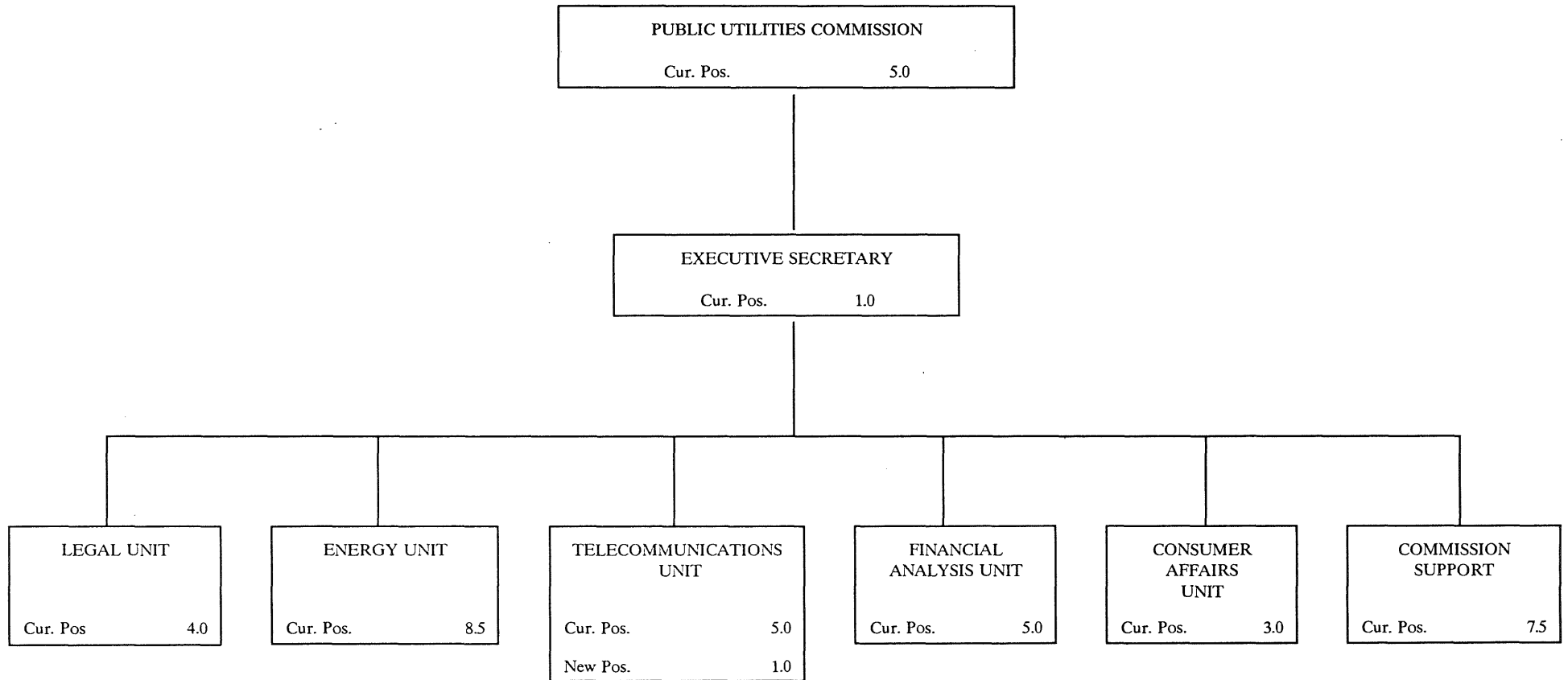
The alternative to providing the additional resources for CIP would be to remove staff from other responsibilities in order to implement CIP. Analysis and advisory staff would likely come from the utility regulation and federal intervention activities, requiring a reduction in intervention activities at the federal level and, on the state level, discontinuation of participation in service area disputes and cogeneration buyback rate disputes. This action would significantly impair Minnesota's ability to influence federal energy policy and rates affecting Minnesota consumers, and would reduce the likelihood of settlement and resolution of service area and cogeneration disputes. Program development staff would be removed from the Community Energy Service activity.

Without the additional IRP resources, the Department would have to significantly limit its involvement in IRP, severely hampering its ability to protect Minnesotans from high-cost, environmentally damaging energy sources.

GOVERNOR'S RECOMMENDATION:

The Governor concurs with the agency's plan.

PUBLIC UTILITIES COMMISSION ORGANIZATION CHART 11-1-90



Public Utility Commission

Position and Employee Status Information

Position Reconciliation:

Authority:	Current F.Y. 1991	Requested For 6-30-93
Legislative Complement:		
General Fund	<u>39.0</u>	<u>40.0</u>
Total Permanent Positions	39.0	40.0
Other Complement (FTE)	<u>5.0</u>	<u>5.0</u>
TOTAL Positions	44.0	45.0
Employees on 6-30-90	37.0	

Employees by Employment Status:

	<u>6-30-90</u>
Full-Time Unlimited	33
Full-Time Temporary	1
Part-Time Unlimited	<u>3</u>
TOTAL	37

MISSION:

The Public Utilities Commission (PUC) sets fair, just and reasonable rates (prices) for retail electric, natural gas and telephone service in Minnesota. To the maximum reasonable extent, the commission sets electric and natural gas rates to encourage energy conservation and renewable energy. The commission requires that utilities deliver electric, natural gas and telephone service that is safe, adequate and reliable.

Other agencies such as the Office of the Attorney General, the Department of Administration, the State Planning Agency and Department of Public Service intervene in commission proceedings to represent either the public interest or specific points of view. Commissioners and staff meet with agencies such as the Environmental Quality Board, the Pollution Control Agency and the Department of Natural Resources. These meetings coordinate the treatment of common issues such as air quality, water use and resource planning.

The Commission administers the Telephone Assistance Program (TAP) with the Department of Human Services. TAP benefits low income Minnesotans who are senior or disabled. A 10¢ surcharge on every telephone access line is used to fund a monthly credit of up to \$3.50 that is matched by a waiver of the federal long-distance access charge.

MAJOR POLICY DRIVERS:

The commission directly regulates 3 industries that together collect \$5 billion in annual revenue. Each of these industries plays a vital role not only in consumer spending and lifestyles, but also in commercial activity and industrial production. Commission regulation is necessary because local distribution companies in each industry - electric, natural gas and telecommunications - monopolize major portions of service distribution.

The commission regulates numerous companies that range in size and sophistication from small businesses with a few employees to large corporations with thousands of employees. It is essential that the commission have an adequate complement of well-trained professionals, support personnel and equipment. New companies and increasing mergers, acquisitions and diversification require careful oversight to protect monopoly customers. The most likely alternative to Commission regulation would be to return to a system of municipal regulation. Such a system would be less effective, because regulatory expertise would be scattered among the various cities. It would also be less efficient, since proceedings now held by the Commission would be repeated dozens or even hundreds of times.

PERFORMANCE:

In F.Y. 1990, the commission's Consumer Affairs Office received 3,372 complaints or inquiries from the public, 1,124 per staff person. It handled a total of 11,162 incoming telephone calls and 13,588 outgoing calls. The combination of incoming and outgoing telephone calls represents 8,250 per staff person. It resolved 563 cold weather rule disputes, 188 per staff person.

The commission opened 1,078 dockets, 28 per complement position, in F.Y. 1990. Dockets are usually opened by utilities' requests for approval of rates or tariffs; dockets are also opened when the commission or the Department of Public Service initiates an investigation. Each docket represents a separate issue or group of issues for the commission to resolve. Dockets range in size and complexity from automatic fuel cost adjustments involving a few thousand dollars to general rate cases involving over one billion dollars in annual revenues.

To resolve issues raised by the regulatory community or its own investigations, the commission issued approximately 200 notices and held 140 commission hearings in F.Y. 1990. Additionally, public hearings are held in various parts of the state on particular issues. The commission issued 265

formal orders, and hundreds of informal orders resolving 691 separate utility rate or service issues.

Approximately, 1.5% of commission orders are appealed. There were 4 such appeals decided in F.Y. 1990. Of the 4 decisions, 2 upheld the commission, 1 increased the commission's authority but remanded the case to the commission, and one case was remanded to the commission to correct deficiencies in procedure. By this measure the commission performs excellently - 99% of its decisions are either not appealed or are upheld on appeal.

The above summary statistics only describe the surface of the commission's accomplishments during F.Y. 1990. Each order describes the history of the issues covered by the order, the parties' positions on the issues, and an explanation of the commission's decision. Orders are written to withstand close scrutiny if appealed to the Minnesota Court of Appeals or the Supreme Court. The average length of an order is 4 pages. In a rate case, the commission could take up to 100 pages to delineate fair and reasonable rates for a single utility. The commission is a quasi-judicial, quasi-legislative body, and the quality of its decisions is more important than quantity. A qualitative analysis of the commission's orders is beyond the scope of this budget document.

The budget instructions suggest that performance can be measured by a comparison with other states. A readily available measure of the commission's efficiency relative to other states is staff size. For comparison with other state utilities commissions, the commission and the department have a combined regulatory staff of 85.0.

The average staff size in the 50 states and the District of Columbia is 189. The largest utilities commission staff is California's at 987 and the smallest is Delaware's at 20. Two states similar to Minnesota in size and proximity are Iowa and Wisconsin, which respectively have staffs of 95 and 180. Minnesota, which ranks 20th in population, ranks 34th in utility regulatory staff size.

Regulatory staff size relative to the state's population is an approximate measure of efficiency. Minnesota has a regulatory staff size of 19.5 per million of state population. By this measure of efficiency the commission ranks 4th out of the 51 jurisdictions. The 3 states with more efficient commissions are Texas, North Carolina and Louisiana. The Minnesota Public Utilities Commission (with the department) is one of the most efficient utility regulatory agencies in the country.

A recent survey of commercial and industrial energy users by the Minnesota Department of Trade and Economic Development found that 59% of those responding were satisfied with the costs of both natural gas and electricity. At the same time, 89% of respondents were satisfied with the reliability of their gas and electric service. Since cost and reliability tend to be inversely related, the high level of satisfaction with both is good news.

Each customer pays about one-tenth of 1% of his or her utility bill to support the work of the commission and the Department of Public Service. Since 1985, the commission has ordered rates that were nearly \$285 million below those requested by energy utilities. During the same period, the commission ordered \$35 million in rate reductions for telephone companies. The amounts saved are roughly 10 times the cumulative budgets of the commission and the department during that period.

EXPLANATION OF BUDGET ISSUES AND ALTERNATIVES:

1. Telecommunications Industry Changes. The partial deregulation of the telecommunications industry has resulted in a proliferation of telephone companies offering a variety of long distance services. From F.Y. 1989 to F.Y. 1990, the number of new service and rate change filings made by local and long distance telephone companies increased by 24.8% from 387 to 483. Partial deregulation has increased the commission's workload. This is a continuation of a trend that began several years ago with the federally-ordered divestiture of AT&T.

Minnesota has 95 local exchange carriers. Local dial tone from them remains a monopoly requiring careful regulation. However, local exchange carriers are offering an increasing variety of competitive services. Protecting monopoly ratepayers from cross-subsidization (the use of revenues from monopoly services to fund competitive ventures) continues to be a prime concern

of the commission.

On 10-1-90, the commission approved the merger of Northwestern Bell into Pacific Northwest Bell and Mountain Bell to form U.S. West Communications. Northwestern Bell operated in 5 states and had annual revenues in an excess of \$2 billion. U.S. West operates in 14 states and will have annual revenues of \$8 billion. To coordinate regulation of U.S. West, regulatory commissions in its area have formed a regional oversight committee. The committee meets regularly to exchange information and discuss policy. Minnesota has participated in the Regional Oversight Committee, but has had to limit its involvement because of its limited staff size.

The commission requests 1.0 additional full time equivalent complement position to analyze some of the filings associated with telephone industry changes. This position would analyze new-service and rate change filings. It also would allow the commission to participate more fully in the Regional Oversight Committee.

2. Telephone Company Incentive Regulation. In the 1989 session, the legislature authorized the commission to adopt an innovative form of rate regulation involving incentive plans. The purpose of incentive plan regulation is to increase telephone companies' incentives to achieve operating efficiencies. Incentive plan regulation tries to combine the best features of competition with the best features of regulation, and to avoid the disadvantages of each. Under incentive plans, companies have incentives to become more efficient; ratepayers share the financial benefits of increased efficiency; and regulatory oversight of service quality continues.

The commission adopted its first incentive plan, for U.S. West (Northwestern Bell) in June, with modifications in September, 1990. No other companies have requested incentive plan regulation at this time. However, if the other large telephone companies decide to request approval of incentive plans, the commission's workload could increase significantly.

3. Extended Area Service (EAS). Legislation was enacted in the 1990 session (M.S. Sec. 237.161) requiring that the commission poll subscribers in telephone exchanges desiring EAS. The commission is currently reviewing 20 exchanges with a total of 44,000 customers for possible inclusion in the St. Paul/Minneapolis calling area. The commission has received petitions from an additional 13 exchanges involving 33 separate routes in other parts of Minnesota.

The new EAS law requires that the 12,000 subscribers in the 8 exchanges located within the 7 county metro area be polled by 7-1-91. The commission would prefer to poll all 20 exchanges that have applied for inclusion in the metro EAS. The cost of polling all 20 will be \$80,000. The commission will ask the Legislative Advisory Commission (LAC) at its December, 1990 meeting for this amount of money.

The \$80,000 cost of balloting the 20 metro petitions does not include the cost of polling the 13 exchanges in Greater Minnesota or any additional exchanges that may apply in the future. The cost of polling the Greater Minnesota exchanges and metro exchanges that may apply during the next biennium will be \$31,000 annually. The commission requests that this amount be added to its budget.

An alternative to budgeting \$31,000 annually for EAS balloting would be to set up a Revolving Fund with an initial appropriation of \$10,000. Instead of returning \$31,000 to the General Fund each year, the commission would return its EAS balloting assessments to the Revolving Fund. Since the revolving fund would turn over about 3 times annually, it would require an initial appropriation of \$10,000.

4. Electric Utility Resource Planning. The commission adopted electric utility resource planning rules in August, 1990. The rules require regulated electric utilities to file resource plans for

commission review. The plans will identify each utility's need for additional generation or transmission capacity, load management, and conservation resources. Although utilities have engaged in resource planning for many years, the filing of supply- and demand-side resource plans will mark the first time that they have been formally shared with the commission outside of a rate case or certificate of need process. The rules will ensure that supply-side resources such as power plants will compete equally with demand-side resources such as energy conservation.

The commission hopes to review the first resource plans with its existing staff complement. This is possible for 2 reasons: 1) Conservation Improvement Program initial decisions were transferred to the Department of Public Service by the 1989 session of the legislature, making the equivalent of 0.5 position available for resource planning; and 2) the commission has designed the resource planning process to create efficient exchange of information rather than protracted contested cases. This presumes that resource planning does not involve major contested cases, which would require significantly more staff time.

5. Conservation Improvement Program (CIP) Appeals. When the authority to make decisions requiring that gas and electric utilities have conservation improvement programs was transferred to the Department of Public Service in 1989, the legislature created a right of appeal to the commission. The first appeals of department CIP decisions are expected in F.Y. 1991. Although the exact number of CIP appeals is unknown at this time, the commission has written CIP appeals rules and expects to spend the equivalent of 0.2 position handling CIP appeals.
6. Energy Rate Cases and Other Contested Cases. The commission expects an unusually large number of energy rate cases and other contested energy cases during the coming biennium. Midwest Gas and Interstate Power Company's gas utility have filed applications for rate increases that will be decided in F.Y. 1992. The commission is aware of 3 or 4 other energy utilities likely to file rate increase applications to be decided in F.Y. 1992. Deteriorating economic conditions and increasing inflation make it likely that additional utilities will request rate increases. The result will be an unusually high rate case workload during F.Y.s 1992 and 1993.

Other contested cases will add to the commission's already large energy workload. Northern States Power Company anticipates a shortage of storage space for spent nuclear fuel at its Prairie Island nuclear generating plant. NSP would like to install a new dry cask storage facility at the plant to store spent nuclear fuel. NSP has informed the commission that it will apply for a certificate of need for the new storage facility. The commission's decision likely will be made in F.Y. 1992. The commission also is expecting at least 1 certificate of need application for a large natural gas pipeline.

7. Move-related New Audio Equipment. The commission is now housed in space leased from Ramsey County. In cooperation with the Department of Administration, the commission has made plans to move after the lease expires. When the commission moves, it will need new audio equipment in its large and small hearing rooms. The cost of the new audio equipment will be \$25,000.
8. Full Funding of Base Salaries. Of the commission's \$2.2 million budget in the 1991 fiscal year, salary costs represent 82%. To maintain its existing complement, the commission requests that its base salary be fully funded. Regulated industries are becoming increasingly competitive in some aspects of their business, without shedding all of the monopoly characteristics that require regulation. Uncertain economic conditions create pressure on companies to protect stockholders, through mergers, diversification, and questionable rate changes, at the expense of consumers. Increasing competition and an uncertain economy create demands for analysis that are best met by a full complement of staff. The alternative of not funding the base salary would presume that increasingly complex industries can be analyzed with fewer staff. Such a presumption would adversely affect the quality of the commission's work.
9. Inflation Adjustment for General Fund Appropriation. The commission maintains its efficiency and productivity through purchasing equipment and supplies and by updating its computer hardware and software. This is especially important in a regulatory setting, where regulated

industries have the ability to update their equipment, computer software, and supplies. On some financial and economic issues, the commission must keep pace with the industries by purchasing equipment and computer software that will allow it to perform the same types of analysis that industry performs. The commission requests that its General Fund appropriation be increased by 4% each year to allow it to keep up with expense increases.

The alternative of not keeping up with inflation would push the commission in the direction of not keeping up with the regulated industries. As equipment, supplies, and software become outdated, staff effectiveness is reduced, as industry counterparts become relatively more efficient, productive and expert at modern analytical methods.

A summary of the proposed budget reallocation decisions is as follows (\$ in Thousands):

<u>Issue</u>	<u>F.Y. 1992</u>	<u>F.Y. 1993</u>
Telecommunications Industry Changes	31	32
Extended Area Service Balloting	31	31
Move-related New Audio Equipment	25	
Full Funding of Base Salaries	59	62
Inflation Adjustment of Appropriation	85	172
Total	231	297

REVENUES/RECEIPTS:

The commission's efforts are supported by fees assessed to regulated companies. Assessments cover the operating and overhead costs of the commission, its staff and its attorney general staff. Virtually 100% of expenses are returned to the General Fund each year by this assessment process.

GOVERNOR'S RECOMMENDATION:

The Governor concurs with the agency's plan with the exception of restoring the underfunding of the F.Y. 1991 salary supplement. Funding for this item, in the amount of \$59,000 in F.Y. 1992 and \$62,000 in F.Y. 1993, must be reallocated from department resources.

1992-1993 B I E N N I A L B U D G E T
(DOLLARS IN THOUSANDS)

AGENCY: PUBLIC UTIL COMMSN
PROGRAM: PUBLIC UTILITIES COMM

				FY 1992			FY 1993		
ACTIVITY RESOURCE ALLOCATION:	FY 1989	FY 1990	Est. FY 1991	Adjusted Base	Agency Plan	Governor Recomm.	Adjusted Base	Agency Plan	Governor Recomm.
=====	=====	=====	=====	=====	=====	=====	=====	=====	=====
PUBLIC UTILITIES COMM	3,477	4,662	5,424	5,400	5,631	5,572	5,668	5,965	5,903
=====	=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL EXPENDITURES BY ACTIVITY	3,477	4,662	5,424	5,400	5,631	5,572	5,668	5,965	5,903
DETAIL BY CATEGORY:									
=====									
STATE OPERATIONS	2,104	2,310	2,505	2,535	2,766	2,707	2,528	2,825	2,763
LOCAL ASSISTANCE	1,373	2,352	2,919	2,865	2,865	2,865	3,140	3,140	3,140
=====	=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL EXPENDITURES BY CATEGORY	3,477	4,662	5,424	5,400	5,631	5,572	5,668	5,965	5,903
SOURCES OF FINANCING:									
=====									
DIRECT APPROPRIATIONS:									
GENERAL	1,944	2,146	2,213	2,243	2,474	2,415	2,236	2,533	2,471
STATUTORY APPROPRIATIONS:									
GENERAL	5								
SPECIAL REVENUE	1,528	2,516	3,211	3,157	3,157	3,157	3,432	3,432	3,432
=====	=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL FINANCING	3,477	4,662	5,424	5,400	5,631	5,572	5,668	5,965	5,903

BASE RECONCILIATION REPORT
for 1992-1993 Biennium

AGENCY: PUBLIC UTIL COMMSN

	ALL FUNDS		GENERAL FUND		OTHER STATE FUNDS		FEDERAL FUNDS	
	F.Y.92	F.Y.93	F.Y.92	F.Y.93	F.Y.92	F.Y.93	F.Y.92	F.Y.93
F.Y.91 FUNDING LEVEL	5,424	5,424	2,213	2,213	3,211	3,211		
SALARY ANNUALIZATION	30	23	30	23				
DEDICATED RECEIPTS AND FUNDS	<54>	221			<54>	221		
TOTAL	5,400	5,668	2,243	2,236	3,157	3,432		
BIENNIAL TOTAL		11,068		4,479		6,589		

ACTIVITY**PROGRAM:****AGENCY:** Public Utilities Commission**1992-93 Biennial Budget****DECISION ITEM:** Funding Inflationary Increases**AGENCY PLAN:****Expenditures**

	<u>F.Y. 1992</u>	<u>F.Y. 1993</u>	<u>F.Y. 1994</u>	<u>F.Y. 1995</u>
General Fund	\$ 85	\$ 172	\$ 172	\$ 172

Revenues

General Fund	\$ 85	\$ 172	\$ 172	\$ 172
--------------	-------	--------	--------	--------

GOVERNOR'S RECOMMENDATION:**Expenditures**

General Fund	\$ 85	\$ 172	\$ 172	\$ 172
--------------	-------	--------	--------	--------

Revenues

General Fund	\$ 85	\$ 172	\$ 172	\$ 172
--------------	-------	--------	--------	--------

Requires statutory change: _____ Yes X No

Statutes Affected:

ITEM SUMMARY:

The commission requests that its General Fund appropriation be increased by 4% each year to allow it to keep up with expense increases.

RATIONALE:

Since 82% of the Commission's budget consists of salaries, the biggest impact on not keeping up with inflation is on salary expenses. As monopoly utilities expand into partially or totally deregulated services, the regulation of them becomes more complex. Reducing salary budget in a time of increased complexity would be a step in the wrong directions. The commission requests that its general fund appropriation be increased by 4% each year to allow it to keep up with expense increases.

The commission maintains its efficiency and productivity through purchasing equipment and supplies and by updating its computer hardware and software. This is especially important in a regulatory setting, where regulated industries have the ability to update their equipment, computer software, and supplies. On some financial and economic issues, the commission must keep pace with the industries by purchasing equipment and computer software that will allow it to perform the same types of analysis that industry performs.

The alternative of not keeping up with inflation would push the commission in the direction of not

keeping up with the regulated industries. As equipment, supplies, and software become antiquated, staff effectiveness is reduced. This would allow industry counterparts to become relatively more efficient, productive and expert at modern analytical methods.

The effect on salaries of not providing an inflation adjustment would be to reduce staff by two positions in fiscal year 1992 and four positions in fiscal year 1993. Four positions is over 10% of the Commission's complement. The time required to process and decide matters without statutory deadlines would increase significantly.

GOVERNOR'S RECOMMENDATION:

The Governor concurs with the agency's plan.

ACTIVITY:**PROGRAM:****AGENCY:** Public Utilities Commission**DECISION ITEM:** Full Funding of 1990-91 Salary Levels

1992-93 Biennial Budget

GOVERNOR'S RECOMMENDATION:

The Governor does not recommend restoring the underfunding of the F.Y. 1991 salary supplement for this agency. Funding for this item must be reallocated from other department resources.

	Dollars in Thousands			
	<u>F.Y. 1992</u>	<u>F.Y. 1993</u>	<u>F.Y. 1994</u>	<u>F.Y. 1995</u>

AGENCY PLAN:**Expenditures**

General Fund	\$ 59	\$ 62	\$ 62	\$ 62
--------------	-------	-------	-------	-------

Revenues

General Fund	\$ 59	\$ 62	\$ 62	\$ 62
--------------	-------	-------	-------	-------

GOVERNOR'S RECOMMENDATION:**Expenditures**

General Fund	\$ -0-	\$ -0-	\$ -0-	\$ -0-
--------------	--------	--------	--------	--------

Revenues

General Fund	\$ -0-	\$ -0-	\$ -0-	\$ -0-
--------------	--------	--------	--------	--------

Requires statutory change: _____ Yes X No**Statutes Affected:****ITEM SUMMARY:**

This request would restore the underfunding of the F.Y. 1991 salary supplement. Of the commission's \$2.2 million budget in the 1991 fiscal year, salary costs represent 82%. To maintain its existing complement, the commission requests that its base salary be fully funded.

RATIONALE:

Regulated industries are becoming increasingly competitive in some aspects of their business, without shedding all of the monopoly characteristics that require regulation. Uncertain economic conditions create pressure on companies to protect stockholders, through mergers, diversification, and questionable rate changes, at the expense of consumers. Increasing competition and an uncertain economy create demands for analysis that are best met by a full complement of staff.

The alternative of not funding the base salary would presume that increasingly complex industries can be analyzed with fewer staff. Such a presumption would adversely affect the Commission's work products.

ACTIVITY:
PROGRAM:
AGENCY: Public Utilities Commission

1992-93 Biennial Budget

GOVERNOR'S RECOMMENDATION:

DECISION ITEM: Telecommunications Rates Analyst

the Governor concurs with the agency's plan.

	Dollars in Thousands			
	F.Y. 1992	F.Y. 1993	F.Y. 1994	F.Y. 1995
AGENCY PLAN:				
Expenditures				
General Fund	\$ 31	\$ 32	\$ 32	\$ 32
Revenues				
General Fund	\$ 31	\$ 32	\$ 32	\$ 32

GOVERNOR'S RECOMMENDATION:

Expenditures				
General Fund	\$ 31	\$ 32	\$ 32	\$ 32
Revenues				
General Fund	\$ 31	\$ 32	\$ 32	\$ 32

Requires statutory change: _____ Yes X No
Statutes Affected:

ITEM SUMMARY:

The commission requests 1.0 additional full time equivalent complement position to analyze some of the filings associated with telephone industry changes. This position would analyze new-service and rate change filings. It also would allow the commission to participate more fully in the Regional Oversight Committee. One new position would be an increase of 20% in the Commission's telephone unit staff. Increasing staff at a rate lower than the rate of increase in work load (24.8% last year alone) reflects the Commission's commitment to having a more efficient work force.

RATIONALE:

The partial deregulation of the telecommunications industry has resulted in a proliferation of telephone companies offering a variety of long distance services. From fiscal year 1989 to fiscal year 1990, the number of new service and rate change filings made by local and long distance telephone companies increased by 24.8 percent from 387 to 483. This is a continuation of a trend that began several years ago. Ten years ago only one long distance telephone company provided service in Minnesota. Now there are 45. Partial deregulation has increased the Commission's workload.

Minnesota has 95 local exchange carriers. Local dial tone from them remains a monopoly requiring careful regulation. However, local exchange carriers are offering an increasing variety of competitive services. Protecting monopoly ratepayers from cross-subsidization (the use of revenues from monopoly services to fund competitive ventures) continues to be a prime concern of the Commission.

On October 1, 1990, the Commission approved the merger of Northwestern Bell into Pacific Northwest Bell and Mountain Bell to form U.S. West Communications. Northwestern Bell operated in five states and had annual revenues in excess of \$2 billion. U.S. West operates in 14 states and will have annual revenues of \$8 billion. To coordinate regulation of U.S. West, regulatory commissions in its area have formed a Regional Oversight Committee. The committee meets regularly to exchange information and discuss policy. Minnesota has participated in the Regional Oversight Committee, but has had to limit its involvement because of its limited staff size.

ACTIVITY:
PROGRAM:
AGENCY: Public Utilities Commission

1992-93 Biennial Budget

DECISION ITEM: Purchase of Audio System

Dollars in Thousands			
F.Y. 1992	F.Y. 1993	F.Y. 1994	F.Y. 1995

AGENCY PLAN:

Expenditures					
General Fund	\$ 25	\$ -0-	\$ -0-	\$ -0-	
Revenues					
General Fund	\$ 25	\$ -0-	\$ -0-	\$ -0-	

GOVERNOR'S RECOMMENDATION:

Expenditures					
General Fund	\$ 25	\$ -0-	\$ -0-	\$ -0-	
Revenues					
General Fund	\$ 25	\$ -0-	\$ -0-	\$ -0-	

Requires statutory change: _____ Yes X No
Statutes Affected:

ITEM SUMMARY:

The commission is now housed in space leased from Ramsey County. In cooperation with the Department of Administration, the commission has made plans to move after the lease expires. When the Commission moves, it will need new audio equipment in its large and small hearing rooms. The commission will need an additional appropriation to equip the hearing rooms in the new building. The cost of the new audio equipment will be \$25,000.

RATIONALE:

This request would cover the equipment and installation cost of new speakers and wiring in the commission's large hearing room. The existing speakers are 16 years old and would not survive a move. The existing wiring is not salvageable. The existing microphones, stands, amplifier, equalizer and mixers are portable and will be moved to the new location.

The commission's current small hearing room does not have a sound system. Natural acoustics are just barely adequate in that room for the conduct of meetings. The commission has plans for a larger small hearing room in its new location. Natural acoustics will not be adequate in a larger room. Therefore, the Commission will need an entirely new small hearing room sound system in its new location.

These costs will only be incurred once, probably in the first year of the biennium. If the move is not incurred and the costs are delayed until fiscal year 1993, the commission would need to carry forward the costs from fiscal year 1992. An itemization of the costs is as follows:

Large Hearing Room	
Materials (Speakers and Wiring only)	\$5,000
Labor	4,000
Small Hearing Room	
Materials (Audio System)	7,200
Labor	5,000
Four-track Recording System	3,800
Total	\$25,000

GOVERNOR'S RECOMMENDATION:

The Governor concurs with the agency's plan.

ACTIVITY:**PROGRAM:**

AGENCY: Public Utilities Commission

1992-93 Biennial Budget

used be to a toll call in return for paying a higher monthly bill. To be granted EAS, exchanges must meet three criteria: 1) the exchange must be adjacent to the existing metro calling area, 2) a telephone traffic study must show that at least fifty percent of the subscribers in the petitioning exchange are making one or more calls per month to the other exchange, and 3) if the first two criteria are met, a polling of the customers in the petitioning exchange must show that a majority of the customers favors EAS.

The Commission has conducted pollings for EAS petitions in the past. However, under those pollings, the results were simply used by the Commission as additional information to be considered when deciding whether to approve an EAS route. Under Minn. Stat. sec. 237.161, the polling determines the final decision. Because the polling results determine the outcome, the Commission needs additional resources to create a careful, competent, and reliable polling process.

An alternative to budgeting \$31,000 annually for EAS balloting would be to set up a revolving fund with an initial appropriation of \$10,000. Instead of returning \$31,000 to the general fund each year, the Commission would return its EAS balloting assessments to the revolving fund. Since the revolving fund would turn over about three times annually, it would require an initial appropriation of \$10,000.

GOVERNOR'S RECOMMENDATION:

The Governor concurs with the agency's plan.

DECISION ITEM: Extended Area Service (EAS) Balloting

	Dollars in Thousands			
	<u>F.Y. 1992</u>	<u>F.Y. 1993</u>	<u>F.Y. 1994</u>	<u>F.Y. 1995</u>
AGENCY PLAN:				
Expenditures				
General Fund	\$ 31	\$ 31	\$ 31	\$ 31
Revenues				
General Fund	\$ 31	\$ 31	\$ 31	\$ 31

GOVERNOR'S RECOMMENDATION:

Expenditures				
General Fund	\$ 31	\$ 31	\$ 31	\$ 31
Revenues				
General Fund	\$ 31	\$ 31	\$ 31	\$ 31

Requires statutory change: _____ Yes X No
 Statutes Affected:

ITEM SUMMARY:

Legislation was enacted in the 1990 session (Minn. Stat. sec. 237.161) requiring that the Commission poll subscribers in telephone exchanges desiring EAS. The Commission requests \$31,000 annually to cover the costs of these polls.

RATIONALE:

The Commission is currently reviewing twenty exchanges, with a total of 44,000 customers, for possible inclusion in the Saint Paul/Minneapolis calling area. The Commission has received petitions from an additional thirteen exchanges involving 33 separate routes in other parts of Minnesota.

The new EAS law requires that the 12,000 subscribers in the 8 exchanges located within the seven county metro area be polled by July 1, 1991. The Commission received \$30,000 from the Legislative Advisory Commission at its December, 1990, meeting for balloting these exchanges. The Commission requests \$31,000 annually to ballot additional exchanges beyond those provided for by the LAC.

Under EAS, local calling replaces the current toll calling at an additional monthly amount. In other words, customers in a community or exchange can place a local call to a community or exchange that

MISSION:

The Minnesota Department of Gaming was established to analyze, monitor, evaluate and make recommendations relating to all forms of gambling in the state, for the purpose of insuring the cleanest, honest and most effective operations of the industry. It undertakes studies; conducts conferences; prepares reports and participates in the board actions of the three principal agencies involved in gambling--the Racing Commission; the Lottery Board and the Lawful Gambling Board.

Personnel matters involving high-level operations fall under the department's advisory wing, as do policy questions, strategies and various operations.

Programs are pursued to promote greater coordination among the disparate agencies and to raise the pertinent specific and general questions that keep an enterprise on course.

The objective is to develop a strategic plan that can serve as a road map into a misty future.

The department advises the Governor and the Legislature on all aspects of gambling operations and policy, as well as on personnel issues. A comprehensive report, dealing with all aspects of the industry, past, present and future is prepared.

The department assumes an advisory, hortatory, recommending role vis a vis the various agencies involved in any facet of gambling operations, from taxation to enforcement to regulations.

MAJOR POLICY DRIVERS:

Big time, high-volume gambling has a brief but hectic history in the state. It has grown in an ad hoc, episodic fashion that was not informed by a comprehensive perspective or a dominant holistic approach.

As a result of its explosive growth, gambling and gambling issues have been a central concern of lawmakers in recent years. The issues of control and of evaluating and adopting an approach to such future issues as slot machines, off-track betting, casino gambling, Indian gaming, table games, video pull-tabs, riverboat gambling and the many possible permutations offered by a rapidly growing industry that is wont to adopt sophisticated technology and which is driven by enormous energies, need to be fully understood, evaluated, and included in a comprehensive state policy towards gambling.

EXPLANATION OF BUDGET ISSUES AND ALTERNATIVES:

Every effort is made to keep costs to a minimum. Except for modest salary adjustments, the same small budget is envisioned for F.Y. 1992-93 as occurred in F.Y. 1990-91.

An annual report to the Governor and Legislature is to be prepared and studies, symposia and conferences, on gambling, organized. Decisions relating to the day to day operations of the gambling entities will continue to flow from positions on the boards and committees of those bodies.

GOVERNOR'S RECOMMENDATION:

The Governor concurs with the agency's plan.

1992-1993 B I E N N A L B U D G E T
(DOLLARS IN THOUSANDS)

AGENCY: GAMING
PROGRAM: GAMING ADMINISTRATION

				FY 1992			FY 1993		
			Est.	Adjusted	Agency	Governor	Adjusted	Agency	Governor
ACTIVITY RESOURCE ALLOCATION:	FY 1989	FY 1990	FY 1991	Base	Plan	Recomm.	Base	Plan	Recomm.
=====	=====	=====	=====	=====	=====	=====	=====	=====	=====
GAMING ADMINISTRATION		139	251	202	202	202	201	201	201
=====	=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL EXPENDITURES BY ACTIVITY		139	251	202	202	202	201	201	201
=====									
DETAIL BY CATEGORY:									

STATE OPERATIONS		139	251	202	202	202	201	201	201
=====	=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL EXPENDITURES BY CATEGORY		139	251	202	202	202	201	201	201
=====									
SOURCES OF FINANCING:									

DIRECT APPROPRIATIONS:									
GENERAL		139	251	202	202	202	201	201	201
=====	=====	=====	=====	=====	=====	=====	=====	=====	=====
STATUTORY APPROPRIATIONS:									
=====	=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL FINANCING		139	251	202	202	202	201	201	201

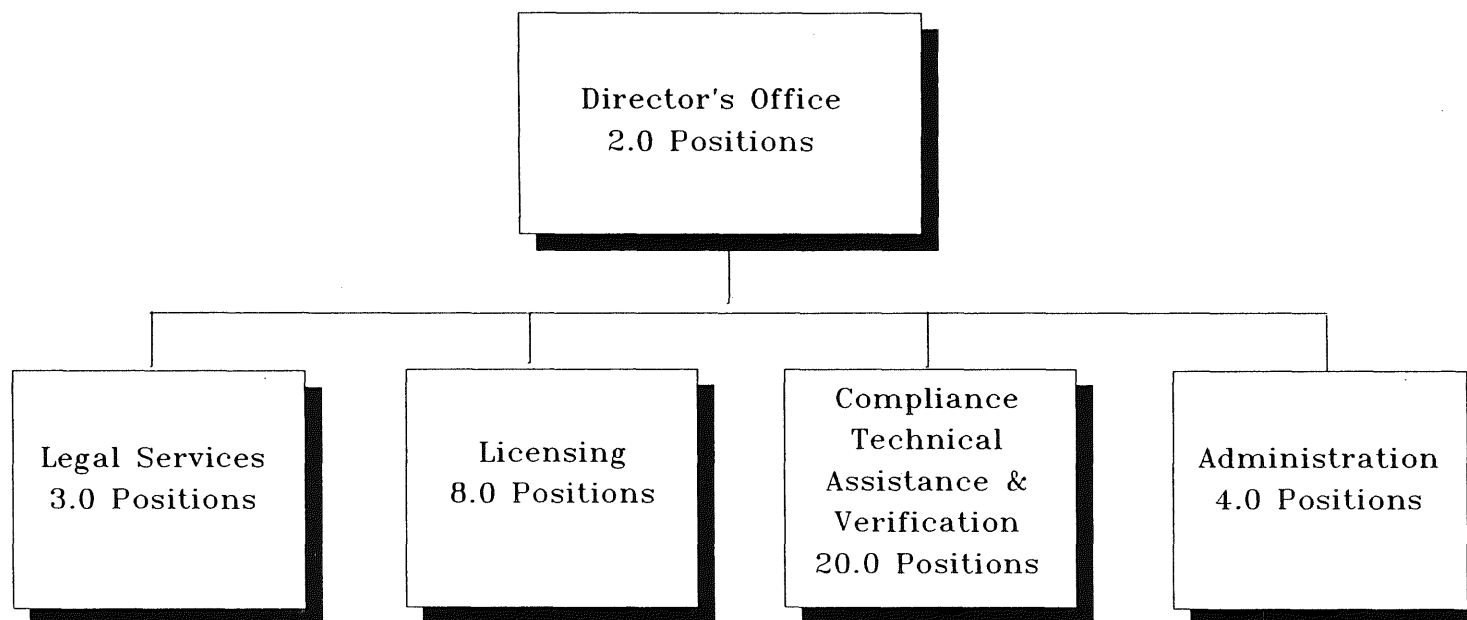
BASE RECONCILIATION REPORT
for 1992-1993 Biennium

AGENCY: GAMING

	ALL FUNDS		GENERAL FUND		OTHER STATE FUNDS		FEDERAL FUNDS	
	F.Y. 92	F.Y. 93	F.Y. 92	F.Y. 93	F.Y. 92	F.Y. 93	F.Y. 92	F.Y. 93
F.Y. 91 FUNDING LEVEL	251	251	251	251				
APPROPRIATIONS CARRIED FWD	<51>	<51>	<51>	<51>				
SALARY ANNUALIZATION	2	1	2	1				
TOTAL	202	201	202	201				
BIENNIAL TOTAL		403		403				

Lawful Gambling Control Division

Organization Chart 7/1/90



Total Complement 37.0

GAMBLIN CONTROL

Position and Employee Status Information

Position Reconciliation:

Authority:	Current <u>FY 91</u>	Requested <u>For 6/30/93</u>
Legislative Complement:		
General Fund	<u>37.0</u>	<u>37.0</u>
Total Permanent Positions	37.0	37.0
Other Complement (FTE)	<u>1.0</u>	<u>0</u>
TOTAL Positions	38.0	37.0
Employees on 06/30/90	13	

Employees by Employment Status:

	<u>6/30/90</u>
Full-Time Unlimited	10
Full-Time Temporary	<u>3</u>
TOTAL	13

MISSION:

The mission of the Lawful Gambling Control Division is to ensure that lawful gambling (bingo, pull-tabs, tipboards, paddlewheels and raffles) is conducted in the public interest with integrity of operations maintained and net profits expended only on lawful purpose as mandated by the Legislature.

The division accomplishes its regulatory mission through license renewals annually and through conducting comprehensive compliance and verification reviews of all licensed organizations. Compliance with law and rule must be preceded by an effective technical assistance and educational effort. This is accomplished primarily by technical assistance seminars for gambling managers and chief executive officers of organizations. Sixty (60) of these two-day sessions have been held in calendar year 1990. Manufacturers and distributors of gambling product as well as bingo hall lessors are regulated. In addition to the 1,947 licenses issued to various nonprofit organizations, exempt permits are issued to organizations which conduct 5 or fewer gambling events and award prizes of less than \$50,000 in a calendar year.

The division's Licensing Section, Compliance Verification and Technical Assistance Section, Special Compliance Section and Administrative Section provide the following mission-related objectives.

- to provide consistent technical assistance regarding licensing requirements to assure compliance with law and rules.
- to communicate through the publishing of a bi-monthly newsletter.
- to conduct gambling manager seminars.
- to provide effective regulation of lawful gambling.
- to coordinate regulatory information between the Departments of Revenue and Public Safety and the Attorney General's Office in order to avoid duplication of effort and provide consistent regulation
- to provide technical assistance to local units of government to assure effective local regulation where applicable.
- to assess, identify, and respond to all segments of the industry.
- to ensure that net profits are expended only on lawful purpose.
- to ensure the integrity of lawful gambling in the State of Minnesota.

MAJOR POLICY DRIVERS:

The impact of legalized lawful gambling since its inception in 1985 is major in virtually every Minnesota community. Community-based organizations conducting lawful gambling are the major source of funding programs and projects throughout the state. Gross receipts are estimated at \$1.3 billion. All segments of the industry employ approximately 12,000 Minnesotans, and the citizens of the state continue to demonstrate an interest in gambling.

State regulation has not been adequate. The 1990 Legislature addressed inadequate regulation by passing into law a comprehensive set of reforms and, most importantly, increased regulatory personnel by 24 (of 42 positions requested).

The reform have been extensive and necessary. Licensed nonprofit organizations require continuing

education as the industry expands, becomes more sophisticated, and competing requests for funding grow. The cornerstone of the regulatory and technical assistance effort is the compliance and verification review procedure scheduled to begin in December 1990.

EXPLANATION OF BUDGET ISSUES AND ALTERNATIVES:

Action taken by the 1990 Legislature did not project an increased demand for additional resources in a number of critical areas. The creation of 3 regional offices in Greater Minnesota, the training of new staff, the relocation of the central office from the Department of Revenue to the present location in Roseville, and several changes in licensing have required budget restructuring.

The division is striving to provide effective regulation, timely licensing approval, and technical assistance to a demanding, aggressive, and vocal clientele within the established budget.

AGENCY REALLOCATIONS

The mission of this agency is to ensure lawful gambling is conducted in the public interest with integrity and that net profits are expended only on lawful purposes. To achieve this goal, full staffing is required.

Salary/Fringe	F.Y. 1992	\$143,000	F.Y. 1993	\$192,000
This agency proposes reallocating \$143,000 for F.Y. 1992 and \$192,000 for F.Y. 1993 to fully fund positions necessary to provide effective regulation and technical assistance. If positions are not adequately funded, our agency would be unable to provide the above services in a timely manner.				

In-State Travel	F.Y. 1992	(\$18,000)	F.Y. 1993	(\$57,000)
Since full staffing is this agency's first priority, a reduction in travel expenses is necessary. This will reduce the number of on site reviews.				

Equipment	F.Y. 1992	(\$125,000)	F.Y. 1993	(\$135,000)
A reduction of \$125,000 in F.Y. 1992 and \$135,000 in F.Y. 1993 is necessary to fund salaries.				

Printing/Communications	F.Y. 1992	(\$4,000)	F.Y. 1993	(\$4,000)
To cover inflationary costs for the next biennium we plan to publish the Gaming News bi-monthly rather than monthly.				

Printing	F.Y. 1992	\$4,000	F.Y. 1993	\$4,000
Expected increases in printing costs.				

Communications	F.Y. 1992	(\$4,000)	F.Y. 1993	(\$4,000)
By publishing the Gaming News bi-monthly rather than monthly, postage costs will be reduced.				

Communications	F.Y. 1992	\$4,000	F.Y. 1993	\$4,000
Anticipated increases in postal rates.				

GOVERNOR'S RECOMMENDATION:

The Governor concurs with the agency's plan.

1992-1993 B I E N N I A L B U D G E T
(DOLLARS IN THOUSANDS)

AGENCY: LAWFUL GAMBLING CONTROL
PROGRAM: LAWFUL GAMBLING CONTROL

				FY 1992			FY 1993		
ACTIVITY RESOURCE ALLOCATION:	FY 1989	FY 1990	Est. FY 1991	Adjusted Base	Agency Plan	Governor Recomm.	Adjusted Base	Agency Plan	Governor Recomm.
=====	=====	=====	=====	=====	=====	=====	=====	=====	=====
LAWFUL GAMBLING CONTROL	113	644	1,962	1,980	1,980	1,980	1,978	1,978	1,978
=====	=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL EXPENDITURES BY ACTIVITY	113	644	1,962	1,980	1,980	1,980	1,978	1,978	1,978
DETAIL BY CATEGORY:									
=====									
STATE OPERATIONS	113	644	1,962	1,980	1,980	1,980	1,978	1,978	1,978
=====	=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL EXPENDITURES BY CATEGORY	113	644	1,962	1,980	1,980	1,980	1,978	1,978	1,978
SOURCES OF FINANCING:									
=====									
DIRECT APPROPRIATIONS:									
GENERAL	113	644	1,962	1,980	1,980	1,980	1,978	1,978	1,978
STATUTORY APPROPRIATIONS:									
=====	=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL FINANCING	113	644	1,962	1,980	1,980	1,980	1,978	1,978	1,978

BASE RECONCILIATION REPORT
for 1992-1993 Biennium

AGENCY: LAWFUL GAMBLING CONTROL

	ALL FUNDS		GENERAL FUND		OTHER STATE FUNDS		FEDERAL FUNDS	
	F.Y.92	F.Y.93	F.Y.92	F.Y.93	F.Y.92	F.Y.93	F.Y.92	F.Y.93
F.Y.91 FUNDING LEVEL	1,962	1,962	1,962	1,962				
SALARY ANNUALIZATION	18	13	18	13				
DOCUMENTED RENT/LEASE INCR.		3		3				
TOTAL	1,980	1,978	1,980	1,978				
BIENNIAL TOTAL		3,958		3,958				

ACTIVITY
PROGR

1992-93 Biennial Budget

AGENCY: Lawful Gambling Control Division, Department of
Gaming

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DECISION ITEM: Financing Inflationary Costs - Informational

Dollars in Thousands			
<u>F.Y. 1992</u>	<u>F.Y. 1993</u>	<u>F.Y. 1994</u>	<u>F.Y. 1995</u>

AGENCY PLAN:

Expenditures

General Fund - Inflation	\$ 151	\$ 200	\$ 200	\$ 200
- Reallocations	(151)	(200)	(200)	(200)
Agency Totals	\$ 0	\$ 0	\$ 0	\$ 0

Revenues

General Fund	\$ 0	\$ 0	\$ 0	\$ 0
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Requires statutory change: _____ Yes X No

ITEM SUMMARY:

Estimated 3% increase in salary costs each fiscal year. To fully fund salaries, this agency proposes reallocating \$143,000 to salaries in F.Y. 1992. This will be accomplished by reducing travel by \$18,000 and the equipment budget by \$125,000. In F.Y. 1993 a reduction of \$57,000 from travel and \$135,000 from equipment is necessary to fund an anticipated increase of \$192,000 in personnel costs. Inflationary costs in printing and communications estimated at 6% for the biennium. Publishing the Gaming News bi-monthly rather than monthly will save \$8,000 each year. The \$8,000 will be used to fund increased postage and printing costs.

RATIONALE:

Full staffing is necessary to provide effective regulation as mandated by major legislative reforms of 1990. In order to fully fund salary obligations within base level funding, a reduction in travel and equipment budgets is necessary. A reduced travel budget will result in fewer on site compliance reviews being conducted. Equipment purchases in F.Y. 1992-93 will be minimal.

GOVERNOR'S RECOMMENDATION:

The Governor concurs with the agency's plan.

MISSION:

The Minnesota Racing Commission (MRC) is a regulatory agency that was created in 1983 to supervise and control the pari-mutuel horse racing industry in Minnesota. The MRC is charged with establishing criteria and standards for licensing of all race tracks where pari-mutuel wagering is conducted, as well as all personnel employed or operating at such facilities. The MRC, through its rule-making authority, has established criteria and standards for the provision of security and law enforcement at licensed race tracks as well as veterinary services and oversight. Further, the MRC has the responsibility for collecting and distributing all taxes and fees related to pari-mutuel horse racing to the General and Breeders' Funds.

The primary goal of the commission is to ensure the integrity of horse racing within the state of Minnesota.

MAJOR POLICY DRIVERS:

The regulation of horse racing in Minnesota requires that the Commission's resources be allocated among several areas: licensing, security and enforcement; administration of breeders' fund monies (including that designated for equine research, purse supplements and awards); oversight of track veterinary operations (including daily drug testing); and daily audit of pari-mutuel financial transactions including collection of taxes and distribution to General or Special Revenue funds.

Presently, the MRC regulates the conduct and operation of one horse racing track only: Canterbury Downs in Shakopee. The facility is a world class race track which stables approximately 1,600 horses, with over 2,000 people employed at the racetrack (grandstand and backstretch) during the live racing meet, and has generated wagering totalling \$644 million during 6 live racing seasons (1985-1990). Thoroughbred and quarter horses have raced in all meets (including 1990). A short standard bred (harness) racing meet was held in 1986.

Although racing was extremely well received during its first 2 years, fan participation has declined significantly during each of the last 4 years. The Commission is concerned that the estimated level of contribution to the state's economy (over \$150 million in 1988) be sustained. The 1990 season was no exception to the continued decline in handle and attendance, with both reaching all time lows for the sport in the state. The declines can be explained in part because of new ownership (finalized only a week before the season opened, leaving little time for recruitment of horses and pre-season promotion) as well as greater competition for the wagering and entertainment dollar generally. For the first time, track management requested and received approval from the Commission to conduct a 141 day winter simulcast meet beginning October 10. Attendance and handle for this meet to date (67,023 and \$15.6 million respectively through 1-1-91) have exceeded expectations.

Though favorable for the state General Fund and the industry, the conduct of a Winter Simulcast meet in addition to the live race meet requires the investment of additional Commission resources to continue effective regulation of the industry. As required by statute, a Presiding Steward (with the same powers as the Board of Stewards during the live racing meet) was hired to oversee the video/audio transmission. Oversight and audit of pari-mutuel transactions at the track is still necessary, and Commission security and licensing personnel must continue to serve patrons and licensees. As in the case with live racing, monies earned from simulcast wagering must include equitable distributions to the state's horsemen and women in the form of purse supplements for Minnesota-bred horses during the next live racing meet. Should new forms of wagering facilities be permitted by the Legislature within the 1992-1993 biennium, the Commission will need to be further staffed to assure the integrity of racing (its statutory mandate) and will require additional resources for the existing staff.

EXPLANATION OF BUDGET ISSUES AND ALTERNATIVES:

With the year-round operation of Canterbury Downs, growth in the breeding industry (Minnesota-bred foals registered with the Commission now total almost 4,000, a 10-fold increase since 1985), proposed county fair standard bred racing and potential off-track betting, the Commission will be hard-pressed to adequately regulate the industry in the next biennium without budget adjustments.

The current budget policy for the 1992-93 budget request requiring agencies to absorb any estimated bargaining unit and managerial increases creates a severe predicament for the Racing Commission. Currently the Commission has 8 authorized full-time employment positions; 7 of which are presently filled (the Deputy Director position is vacant).

Even though the Commission had been taking steps to fill that position, without previously available salary supplement appropriation the Commission will remain in the position of continuing to function without a Chief Assistant even though the Commission's workload continues to increase.

However, the Commission recognizes the severe budget constraints needed to avoid further budget problems and in that regard will adjust responsibly.

Without available appropriations for the above categories, the MRC proposes to reallocate within its base to accommodate F.Y. 1992 additional funding requirements in the following manner. To cover the increased cost (\$13,000) of the Presiding Steward during winter simulcasting we need part of the savings from the vacant Deputy Director, which is fully funded under the current appropriation. As was previously mentioned, the Commission has been intending to fill the Deputy position and, along with administrative assistant duties, assign the incumbent additionally as a state steward which would make the position eligible for reimbursement by the racetrack; in effect, no net increase in State outlays. However, as we have proposed absorbing any salary increases during the next biennium with current appropriation levels we will need a base adjustment for this proposal (which will be offset with reimbursement fees). Being permitted to do this will allow the Commission to meet the anticipated salary increase obligation (approximately \$22,000 at 4.5%) for F.Y. 1992 along with per diem increases (\$3,000) and the cost of equine drug testing which is fully reimbursed by the track.

In F.Y. 1993, even with an estimated saving of \$51,000 from moving the Presiding Steward position into that of the Deputy, the Commission would be forced to cut expenditures by \$8,000 to fund a 3% increase in salaries for professional and seasonal regulatory staff in addition to the aforementioned increased costs. A 4.5% salary increase would force the Commission to cut costs by at least \$17,000, an amount which would be impossible for the Commission to absorb without seriously impeding its regulatory function. To meet a 3% salary increase obligation, the Commission would cut its travel budget along with effectively and reasonably appoint required seasonal employees during live racing. This would allow reallocation of the estimated \$8,000. This would, however, retard maintenance of vital communication with the officials of the Association of Racing Commissioners International and other racing jurisdictions. Additional other costs which may have a significant impact on the Commission's F.Y. 1993 budget include increased costs of postage and gasoline.

Though we are doing what we can to reallocate resources to cover the expected shortfall in state revenues, the commission fears that its efforts to meet its regulatory responsibilities will be compromised in a time when that responsibility is most critical due to the expansion of both the pari-mutuel wagering/entertainment and agribusiness aspects of the industry.

GOVERNOR'S RECOMMENDATION:

The Governor concurs with the agency's plan.

1992-1993 B I E N N I A L B U D G E T
(DOLLARS IN THOUSANDS)

AGENCY: MINN RACING COMM
PROGRAM: PARI-MUTUEL RACING

ACTIVITY RESOURCE ALLOCATION:	FY 1989	FY 1990	Est. FY 1991	FY 1992			FY 1993		
				Adjusted Base	Agency Plan	Governor Recomm.	Adjusted Base	Agency Plan	Governor Recomm.
PARI-MUTUEL RACING	928	1,016	1,136	1,146	1,152	1,152	1,145	1,163	1,163
MINN BREEDERS FUND	736	470	954	955	955	955	955	955	955
TOTAL EXPENDITURES BY ACTIVITY	1,664	1,486	2,090	2,101	2,107	2,107	2,100	2,118	2,118
DETAIL BY CATEGORY:									
STATE OPERATIONS	1,364	1,398	1,776	1,787	1,793	1,793	1,786	1,804	1,804
LOCAL ASSISTANCE	300	88	314	314	314	314	314	314	314
TOTAL EXPENDITURES BY CATEGORY	1,664	1,486	2,090	2,101	2,107	2,107	2,100	2,118	2,118
SOURCES OF FINANCING:									
DIRECT APPROPRIATIONS:									
GENERAL	829	904	980	990	1,046	1,046	989	1,058	1,058
STATUTORY APPROPRIATIONS:									
SPECIAL REVENUE	835	582	1,110	1,111	1,061	1,061	1,111	1,060	1,060
TOTAL FINANCING	1,664	1,486	2,090	2,101	2,107	2,107	2,100	2,118	2,118

BASE RECONCILIATION REPORT
for 1992-1993 Biennium

AGENCY: MINN RACING COMM

	ALL FUNDS		GENERAL FUND		OTHER STATE FUNDS		FEDERAL FUNDS	
	F.Y.92	F.Y.93	F.Y.92	F.Y.93	F.Y.92	F.Y.93	F.Y.92	F.Y.93
F.Y.91 FUNDING LEVEL	2,090	2,090	980	980	1,110	1,110		
SALARY ANNUALIZATION	6	2	6	2				
DOCUMENTED RENT/LEASE INCR.	4	7	4	7				
DEDICATED RECEIPTS AND FUNDS	1	1			1	1		
TOTAL	2,101	2,100	990	989	1,111	1,111		
BIENNIAL TOTAL		4,201		1,979		2,222		

ACTIVITY:
PROGRAM:
AGENCY: Minnesota Racing Commission

1992-93 Biennial Budget

DECISION ITEM: Financing Inflationary Costs - Informational

AGENCY PLAN:	Dollars in Thousands			
	F.Y. 1992	F.Y. 1993	F.Y. 1994	F.Y. 1995
Expenditures				
General Fund - Inflation	\$ 22	\$ 42	\$ 42	\$ 42
- Reallocations		(8)	(8)	(8)
	22	34	34	34
Revenues				
General Fund	\$ 22	\$ 34	\$ 34	\$ 34
Special Revenue Fund	(22)	(34)	(34)	(34)

Requires statutory change: X Yes No
Statutes Affected: M.S.240.155

ITEM SUMMARY:

Salary projections assumed a 4.5% increase for F.Y. 1992 and 3% increase for F.Y. 1993. Salary costs were fully funded assuming no vacancies.

RATIONALE:

The Minnesota Racing Commission is a small agency with only 8 authorized full-time positions, 1 of which is currently vacant. It proposes to fund salary increases in the following manner: In F.Y. 1992, the revenue which will be reimbursed to the General Fund from moving the Steward position to the vacant Deputy position would free up the \$22,000 needed; In F.Y. 1993, \$34,000 made available from moving the steward position to the General Fund would be combined with an \$8,000 reallocation of the agency's travel budget.

GOVERNOR'S RECOMMENDATION:

The Governor concurs with the agency's plan.

ACTIV
 PROGRA Agency-Wide
 AGENCY: Minnesota Racing Commission

1992-93 Biennial Budge

Per Diem Increase:

Additional revenue estimated at \$3,000 annually will be required to pay for a proposed increase in Racing Commissioner's Per Diem, from the current \$35/day under M.S.240.02, Subd.3. The proposed law would allow Commissioners to receive the same compensation provided for other members of boards and commissions under Section 15.0575, Subd.3, \$55/day. This item would be funded by savings resulting from moving the Steward position to the General Fund.

Eighteen thousand dollars annually is needed to fund the expected increased cost of drug testing of horses who race at Canterbury Downs. The amount is fully reimbursed by the race track to the General Fund. It is not included in the revenue figure listed since it is considered normal growth of non-dedicated revenue to the General Fund.

RATIONALE:

Executive budget policy requires preparation of a 1992-1993 budget request that allows no wage or inflationary increases that cause an increase in appropriated dollars over the previous biennium. The restructuring in this budget component with these guidelines is indicated in the above summaries and on the companion inflationary page.

Approving this restructuring along with allowing the Commission the management option and flexibility as to the utilization of its currently authorized Deputy Director position in administrative and regulatory tasks will greatly enhance the Commission's regulatory capabilities.

GOVERNOR'S RECOMMENDATION:

The Governor concurs with the agency's plan.

	Dollars in Thousands			
	F.Y. 1992	F.Y. 1993	F.Y. 1994	F.Y. 1995
AGENCY PLAN:				
Expenditures				
General Fund				
Pari-Mutuel Racing	\$ 34	\$ 35	\$ 35	\$ 35
Prog: Pari-Mutuel Racing	34	35	35	35
Agency Total	\$ 34	\$ 35	\$ 35	\$ 35
Revenues				
General Fund	\$ 28	\$ 17	\$ 17	\$ 17
Special Revenue Fund	(28)	(17)	(17)	(17)

GOVERNOR'S RECOMMENDATION:

Expenditures				
General Fund				
Pari-Mutuel Racing	\$ 34	\$ 35	\$ 35	\$ 35
Prog: Pari-Mutuel Racing	34	35	35	35
Agency Total	\$ 34	\$ 35	\$ 35	\$ 35
Revenues				
General Fund	\$ 28	\$ 17	\$ 17	\$ 17
Special Revenue Fund	(28)	(17)	(17)	(17)

Requires statutory change: X Yes _____ No
 Statutes Affected: M.S. 240.155 and M.S. 240.02

ITEM SUMMARY:

Move Deputy/Steward position to General Fund:

Under current law, one-half of the cost of retaining a Presiding Steward for the Winter Simulcast and all of the cost of this Steward during live racing is reimbursed to a Special Revenue Reimbursement Account (\$50,000 in F.Y. 1992; \$51,000 in F.Y. 1993). The Commission's Deputy Director position funded under its General Fund appropriation is vacant. Combining the Deputy and Steward positions will allow the General Fund to receive this reimbursement, in effect a cost savings of 75% of the position's salary.

This item would require a statutory change to M.S. 240.155 allowing money received by the Commission as reimbursement for compensation of a Steward who is an employee of the Commission to be deposited in the General Fund.

Fund Unreimbursed Cost of Presiding Steward:

Even if the Steward/Deputy position is moved into the General Fund, 1/4 of that salary must be paid out of the General Fund appropriation (\$13,000 in F.Y. 1992; \$14,000 in F.Y. 1993). This increase was not anticipated in the F.Y. 1991 spending plan because the Winter Simulcast was held for the first time beginning October, 1990. This item would be funded by savings resulting from moving the Steward position to the General Fund.

MISSION:

The Lottery's mission is to provide secure gaming opportunities designed to maximize public participation and acceptance, within the guidelines of the lottery statute. More specifically, the Lottery will offer a wide range of paper and electronic gaming options designed to appeal to a variety of the state's citizens and visitors. This mission is intended to maximize the contributions to those projects and programs identified by the legislature to receive lottery proceeds.

Background:

The legislature established the Minnesota State Lottery during the 1989 legislative session after the citizens in Minnesota approved a constitutional amendment in 1988. The enabling legislation created the Lottery as 1 of 3 divisions under the Department of Gaming.

Organization:

Unlike traditional state agencies, the Commissioner of Gaming acts in an advisory capacity to the Directors of the Gaming Divisions. The Lottery Director is appointed by the Governor with the advice and consent of the Senate and can be removed only for certain causes outlined in the legislation.

A 7 member citizens advisory board, appointed by the Governor with the advice and consent of the Senate, advises the Lottery Director. Six of those members serve staggered terms; the 7th, the Commissioner of Gaming, serves at the pleasure of the Governor. Of those 6 citizen members, 3 must reside in Greater Minnesota; 3, in the metropolitan area. No more than 3 can be from 1 political party.

Three Assistant Directors, a Chief of Security, Legal Counsel and Executive Assistant comprise the executive staff with responsibilities for marketing, public and player information, electronic systems and games control, retailer network, personnel, finance, purchasing, administration, and security of premises and inventory.

Lottery administrative headquarters are in Roseville with sales offices in Virginia, Marshall, Brainerd, Owatonna, Detroit Lakes and Roseville.

Headquarters staff manage financial, personnel and purchasing, information systems, ticket and promotional distribution, develop marketing and advertising strategies, plan and conduct retailer and staff training and develop new lottery products. Telemarketing sales representatives call retailers weekly to evaluate the amount of product retailers have available, place ticket orders and to provide promotional and marketing assistance to retailers. Retailers contracting, games control and validations programs are also operated from the central headquarters location.

Sales offices validate and pay winning lottery tickets, maintain emergency ticket stock and promotional items, provide training for retailers and headquarters for a state-wide sales staff of approximately 50 who call on retailers to review point-of-sale displays and train retailer staff and plan special sales promotions tailored to the needs of individual retailers. Each regional sales office is also staffed by 3 support staff who answer inquiries from the public and retailers, fill emergency ticket orders, prepare special point of sale packages and pay winners.

History:

As part of its enabling legislation, the legislature authorized an \$8.5 million loan of state General Funds to cover start-up costs the Lottery would incur before receipts from the first ticket sales were received. The actual loan, plus interest, was repaid by 6-30-90, as specified in the legislation. By that time approximately \$9.1 million was credited to Lottery beneficiaries, and \$4.1 million had been

credited to the General Fund in lieu of sales tax. Another \$34.3 million had been paid to lottery winners.

In between 9-12-89, when the Governor named the Lottery Director and that 6-30-90 milestone, approximately 150 people were hired from around the state, 4,500 retailers were selected and trained to sell lottery tickets, offices were opened in 6 cities and 67.8 million instant lottery tickets were sold.

On 8-14-90, the Lottery began selling tickets for bi-weekly lotto and daily numbers games. Launching these new products involved designating and training 1,500 instant ticket retailers to also sell tickets for these on-line games.

As of 9-30-90, weekly sales of all lottery games averaged \$6.6 million. Of that amount, approximately \$3.4 million is returned to winners; \$3 million to retailers; \$1.3 million goes to Lottery beneficiaries and \$.4 million goes to the General Fund. By that same date, a total of \$30.2 million has been credited to Lottery beneficiaries; \$9.4 million to the General Fund in lieu of sales tax and \$82.4 to lottery winners.

The network of instant and on-line retailers continues to change and expand. Ultimately, the Lottery anticipates contracting with 4,500 instant and 2,500 on-line retailers. Those numbers will be adjusted as the Lottery improves its ability to forecast sales.

Minnesota was the first lottery to begin operations with a completely automated ticket verification system. That system, known as ZIP CASH, verifies that tickets are actually winning tickets and allows instant credit to retailers as they pay winning tickets and settle packs of tickets they have sold. It significantly reduces payment of invalid tickets and speeds up commission payments to retailers for tickets sold. In Minnesota, unlike some other states, retailers do not have to wait 4 to 6 months to receive credit for cashing winning tickets.

Lottery Net Proceeds:

Four beneficiaries have been designated by the legislature to receive Lottery net proceeds. These funds are deposited monthly to be used by the beneficiaries as shown below:

1. The Environment and Natural Resources Trust Fund receives 40% of Lottery net proceeds. These funds are intended to build a major trust fund over a 10-year period. A portion of the fund and interest is distributed annually by the Legislative Commission on Minnesota Resources for projects and programs which help to protect and enhance the state's resources.
2. The Greater Minnesota Corporation receives 25% of Lottery net proceeds. Its goal is to provide long-term economic development and job creation throughout Minnesota's outstate communities.
3. The Infrastructure Development Fund for Capital Improvement Projects at State Institutions of Higher Education which was created to help finance capital improvements at state institutions of higher education receives 28.3% of Lottery net proceeds. Lottery funds will be used to retire the 20 year bonds. Projects were identified by the 1990 legislature.
4. The Infrastructure Development Fund for Capital Improvement Projects to Develop or Protect the State Environment and Natural Resources receives 6.7% of Lottery net proceeds. The revenues received from the Lottery are used to pay off the 20 year bonds which were issued for projects identified and approved in the 1990 bonding bill.

General Fund Payments:

In addition to the Lottery net proceeds to the 4 beneficiaries as shown above, the Lottery pays monthly a 6% in lieu of sales tax on Lottery sales which goes into the General Fund for use by the state in accordance with General Fund expenditures.

AGENCY: Lottery
(Continuation)

1992-93 Biennial Budget

Typical Percentage Breakdown of Lottery Costs and Proceeds

Examples of typical percentage breakdown:

	Example Amount on \$1,000,000 Sales	Explanation
Revenue		
Ticket Sales	\$ 1,000,000	Retail Sales of Tickets
Less Tax (in lieu of sales tax)	(60,000)	(6% of sales)
Gross Receipts	\$ 940,000	Sales Less Tax
 Plus Other Income (Interest Earned & Retailer Fees)	 \$ 16,000	 Interest Earned Plus Fees
Gross Revenue	\$ 956,000	Gr. Receipts Plus Other Income
 Costs		
Total Prizes	\$ 560,000	56% of Sales
Retailer Commissions	50,000	5% of Sales
Operating Expenses	141,010	14.75% of Gr. Revenue
Net Proceeds (to beneficiaries)	\$ 204,990	Result of Above
 Payable to State		
Net Proceeds	\$ 204,990	
Tax (in lieu of Sales Tax)	60,000	
Total Payable	\$ 264,990	

MAJOR POLICY DRIVERS:

What Drives the Lottery?

The overwhelming rationale for the purchase of lottery tickets is fun/entertainment. It is not a "belief" that one will win a prize, but rather the possibility of winning, and resultant excitement that such a possibility brings that drives play. The Lottery's efforts are directed at providing the desired opportunity to play, creating higher awareness levels through marketing efforts, and reinforcement of the potential through game design.

What Affects Upturn/Downturn?

Instant games are driven by the prize structure and prize pools, with only marginal affect by the game theme. Low-tier prizes drive repeat purchase, higher pools drive the volume of low-tier prizes. Game features (e.g., free tickets as prizes, grand prize drawings, multiple win tickets) provide novelty.

On-line games provide medium to very large prize opportunities, and self-determination aspect by a player's selection of numbers. Lotto is in a class of its own. It is axiomatic that "sales drive jackpots, and jackpots drive sales." The more dramatic the jackpot, the higher sales will be, and the more dramatic the jackpot will be.

Lotteries "mature" and sales reach a peak when the market of potential players is fully penetrated, and gaming opportunities are fully in place. There is, generally, a second year slump as the market

place adjusts to the novelty of lotteries, and a flattening of sales as gaming features and advertising applications are expanded.

Prize Payout/Sales

The fundamental challenge is to increase repeat purchase and to increase the level of purchase among those inclined to play the various games. This is accomplished by offering reinforcement via higher prize pools and multiple prize levels. Much of the lower level prizes are used for re-purchase - "churn" - extending the players involvement and sense of opportunity. The increase in net proceeds realized comes from higher volume rather than a higher net profit per ticket. The higher volume also has a residual effect across the various games - i.e., a pool driven increase in play yields a greater propensity to play alternative games. Higher volumes also impact the various vendors (retailers, primarily) and lead to increased companion sales and profits.

Effect of Economy on Lottery

Economic conditions affect lottery sales as other discretionary income businesses would be affected. The only exception would be dramatic lotto jackpots, where a lifestyle changing, "break-out" prize is available.

Are there Direct Benchmarks Related to our Industry?

Yes. All, however, suffer from the problem of an "apples to oranges" comparison. Prize pools, populations, urbanization budgets, income levels, age levels, etc. create major variances which no measure can account for properly. Benchmarks are generally found in Gaming and Wagering Business, a trade journal. They include per capita sales, sales as percentage of income, etc.

How do we Perceive the Future, What do we Watch for?

The Minnesota Lottery will aggressively seek out gaming opportunities based upon market research, will employ comparable gaming features and will do so within an environment of security and accountability.

This does not imply, necessarily, an expansion of gaming, but does imply utilization of existing technical and marketing features selected for local effectiveness.

Any competing force can affect the net proceeds for beneficiaries. Lawful gambling, video lotteries, Tribal gaming, off-track wagering, dog racing, etc. could all impact (up or down) the Lottery.

EXPLANATION OF BUDGET ISSUES AND ALTERNATIVES:

The essence of the Minnesota Lottery and its perceived success relates directly to the flexibility provided by statute. The activity of this business enterprise, typically foreign to state government, must be fostered and preserved. It is the Lottery's responsibility to live within its budget based on a percentage of sales.

The establishment of a strong foundation was critical, and functionally will sustain the enterprise for the immediate future. Budgeting is classic in terms of its application in a market and technical environment. The Lottery is sales driven and retail oriented. High levels of technology are, and will be, applied in furtherance of the mission.

The overall Lottery's revenues/expenses operate independently from the State budget system through the Lottery's separate banking and operating systems. The Lottery makes cash payments to the State for the purchase of 2 services (employee payroll and employee expense reimbursement). These 2 purchased services become part of the State Budget as shown with the * below along with the Lottery net proceeds (which are paid to the state) shown with the ** below:

AGENCY: Lottery
(Continuation)

1992-93 Biennial Budget

Lottery Budget Summary
(Dollars in Thousands)

<u>Income</u>	<u>F.Y. 1991</u>	<u>F.Y. 1992</u>	<u>F.Y. 1993</u>
Total Income	\$322,031	\$323,779	\$323,779
Less Tax on Ticket			
Sales (in lieu of Sales Tax)	<u>(19,249)</u>	<u>(19,353)</u>	<u>(19,353)</u>
Gross Revenue	\$302,782	\$304,426	\$304,426
<u>Costs</u>			
Prizes & Prize Reserve	\$179,413	\$183,651	\$183,651
Retailer Com. & Incent.	17,514	17,607	17,607
Oper. Exp. & On-Line Vendor	35,417	37,042	37,042
*Purch. Serv. from State	<u>7,118</u>	<u>7,861</u>	<u>7,861</u>
 ** Net Proceeds	 \$ 63,320	 \$ 58,265	 \$ 58,265

GOVERNOR'S RECOMMENDATION:

The Governor agrees with the agency's plan except elsewhere he recommends:

1. Lottery proceeds currently dedicated to Greater Minnesota Corporation programs be undedicated and deposited to the General Fund. This recommendation increases revenues to the General Fund by an estimated \$14.6 million per year.
2. Lottery proceeds currently dedicated to the Infrastructure Development Fund be undedicated and deposited to the General Fund. This recommendation increases revenues to the General Fund by an estimated \$20.4 million per year.

The agency's plan and Governor's recommendation also include payments to the General Fund of \$250,000 a year from the Lottery operations account in recognition of Lottery-related costs incurred by the compulsive gambling treatment program in the Department of Human Services and the division of gambling enforcement in the Department of Public Safety.

1992-1993 BIENNIAL BUDGET
(DOLLARS IN THOUSANDS)

AGENCY: STATE LOTTERY
PROGRAM: STATE LOTTERY

				FY 1992			FY 1993		
ACTIVITY RESOURCE ALLOCATION:	FY 1989	FY 1990	Est. FY 1991	Adjusted Base	Agency Plan	Governor Recomm.	Adjusted Base	Agency Plan	Governor Recomm.
STATE LOTTERY	9	8,304	7,118	7,861	7,861	7,861	8,215	8,215	8,215
TOTAL EXPENDITURES BY ACTIVITY	9	8,304	7,118	7,861	7,861	7,861	8,215	8,215	8,215
DETAIL BY CATEGORY:									
STATE OPERATIONS	9	8,304	7,118	7,861	7,861	7,861	8,215	8,215	8,215
TOTAL EXPENDITURES BY CATEGORY	9	8,304	7,118	7,861	7,861	7,861	8,215	8,215	8,215
SOURCES OF FINANCING:									
DIRECT APPROPRIATIONS:									
GENERAL	9	8,304							
STATUTORY APPROPRIATIONS:									
AGENCY			7,118	7,861	7,861	7,861	8,215	8,215	8,215
TOTAL FINANCING	9	8,304	7,118	7,861	7,861	7,861	8,215	8,215	8,215

BASE RECONCILIATION REPORT
for 1992-1993 Biennium

AGENCY: STATE LOTTERY

	ALL FUNDS		GENERAL FUND		OTHER STATE FUNDS		FEDERAL FUNDS	
	F.Y.92	F.Y.93	F.Y.92	F.Y.93	F.Y.92	F.Y.93	F.Y.92	F.Y.93
F.Y.91 FUNDING LEVEL	7,118	7,118			7,118	7,118		
DEDICATED RECEIPTS AND FUNDS	743	1,097			743	1,097		
TOTAL	7,861	8,215			7,861	8,215		
BIENNIAL TOTAL		16,076				16,076		

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MISSION:

The Greater Minnesota Corporation is a public non-profit corporation of the state established to support the development and adoption of advanced technology by Minnesota industry. A primary emphasis will be to focus on the technical/technology needs of industry in greater Minnesota, particularly in the areas of agriculture, natural resources and manufacturing.

The objective of these efforts is to enhance the long-term competitive ability of Minnesota Industry in the international marketplace. The corporation's purpose is not to create new programs or services but to build on the existing educational, business, and economic development infrastructure.

MAJOR POLICY DRIVERS:

The objectives of the corporation are designed to help Minnesota companies develop, as well as adopt new technologies. All of the objective inherently contain technology transfer mechanisms. The corporation's goals are to:

1. help industry adopt modern manufacturing techniques and technologies;
2. help entrepreneurs/small companies develop and commercialize new product and process technologies; and
3. help with the creation of new technology intensive companies.

The operational policies are to keep activities market and industry driven; establish linkages between industry and academia in the metro area and greater Minnesota; provide industry in greater Minnesota with access to technology and technology resources; and support technology investments which provide clear economic benefits to the state. Our objective is to help Minnesota industry learn about, develop and apply modern techniques and technologies to enhance their long-term competitive ability in the world marketplace.

PERFORMANCE INDICATORS:

The corporation's technology transfer will primarily take the form of helping Minnesota's 7,500 existing manufacturers improve their quality, productivity and profitability. The corporation will assist small and mid-size manufacturing firms evaluate and adopt new technologies, and learn how to apply modern manufacturing techniques and practices. The enacting legislation called for the corporation to set up an Agricultural utilization Research Institute which is located in Crookston, with an office in Marshall focusing on research for additional uses of agricultural oils, in Morris focusing on aquaculture and a food processing lab in Waseca. The Agricultural Utilization Research Institute has started operations and has entered in 48 agreements in its Pilot Grant Program, Agri Product Research Grant Program, Initial Product Assessment Program, and Partnership Program.

The Agricultural Energy Savings Program is funded with \$2 million in oil overcharge funds appropriated by the 1989 Legislature. Grants are awarded up to \$100,000 each to post-secondary educational institutions and nonprofit organizations for research and demonstration of energy-saving techniques that can be transferred to Minnesota farms. Twenty-three projects are underway, and an at least 10 more will be awarded in the fall of 1990.

The funding provided to the Natural Resources Research Institute has allowed it to fund projects that will foster economic development of Minnesota's natural resources in an environmentally sound manner that will promote private sector employment. To date, over 25 projects have been funded.

The Technology Research Grant Program was established to support applied research and development leading to new products, processes and services, with an emphasis on early commercialization. Proposals have been accepted from businesses and from post-secondary institutions that have arranged joint research projects with businesses. up to \$3 million have been allocated annually by the corporation for this program. All proposals are evaluated by expert merit reviewers from universities, federal laboratories and industry, and by the the Greater Minnesota Corporation's

Research Advisory Board. Currently, 49 projects have been approved from over 300 applications, 55% of the projects were awarded to companies located outside of the metro area. These grants do require matching funds. The Manufacturing assistance has been provided by the Minnesota Advanced Manufacturing Technology Center, whose services and programs are market driven. The institute was created to foster and facilitate the implementation of automated manufacturing systems, advanced manufacturing technologies, processes and management procedures. It provides hands-on training and demonstrations of available advanced technologies. The Center conducts manufacturing assessments to provide manufacturers with appropriate advice and information regarding those technologies and techniques which can cost-effectively improve their operation. recommendations may include the modernization of technology, improvements in production methods, implementation of a quality program, cost reduction methods, or training. The Center has worked with approximately 100 manufacturers.

The Business Innovation Center program was started to provide businesses in Minnesota with assistance in technology related areas. They provided support to commercialize technologies, adopting the best practices to promote regional economic growth and to stimulate innovative ideas and entrepreneurship in Minnesota. These Centers are part of the reorganization described in the budget section. The services will be provided by the regional technology centers, and not as a separate program.

The Seed Capital investment was made to one organization (Northeast Ventures Corporation) as part of a \$6.5 million fund to encourage start-up businesses by increasing early-stage investment, and act as a catalyst to attract private sector capital. When other regional venture funds are formed, funding will be determined at that time.

EXPLANATION OF BUDGET ISSUES AND ALTERNATIVES:

In 1987, the legislature allocated \$105.5 million to the Greater Minnesota Corporation to be invested, and the interest used for operations and programs of the corporation. In the 1988 Session, the legislature unallotted \$80 million from the corporation, and allowed certain loan repayments to the Department of Trade and Economic Development to be deposited in the Greater Minnesota Account, for the rest of the biennium. (This amounted to approximately \$6 million.) In 1989, the legislature allowed for 50% of the net proceeds from the Lottery to be deposited in the account - when the Lottery began operation. In 1990, that percentage was reduced to 25% of the net proceeds for a period of 10 years.

Before F.Y. 1990, the Greater Minnesota Corporation was not part of the Statewide Accounting System, because of this the F.Y. 1990 and 1991 figures show amounts spent on obligations of prior year encumbrances. Had the Greater Minnesota Corporation been part of system prior to F.Y. 1990, the encumbered funds would be as follows:

	F.Y. 1988	F.Y. 1989	F.Y. 1990	F.Y. 1991	F.Y. 1992
Operations	\$1,419.0	\$2,184.0	\$2,523.0	\$2,370.0	\$1,500.0
Ag Utilization Research Institute	76.0	769.0	4,921.0	5,000.0	3,000.0
Ag Pilot Grants		475.0			
Manufacturing		500.0	2,500.0	1,500.0	3,100.0
Agricultural Energy Savings Program		506.0	1,030.0	511.0	
(Restricted Federal Funds)					
Natural Resources Research Institute		750.0	504.0	1,203.0	1,000.0
Business Innovation Centers		4,108.0	2,487.0		
Technology Research Grant		1,686.0	2,109.0	3,000.0	4,400.0
Seed Capital Program			500.0		
SRI			300.0	50.0	
Project Outreach			1,600.0		
Sure Access			148.0		
Other		126.0	73.0	275.0	1,000.0
NIST				115.0	
U of M				75.0	
TOTAL ENCUMBERED	\$1,495.0	\$11,104.0	\$18,695.0	\$14,099.0	\$14,000.0

Program Restructuring:

In November of 1990, the Greater Minnesota Corporation's Board of Directors adopted a restructuring plan providing for a clearer, more focused mission, reduced overhead, and greater financial accountability.

The plan refocuses the corporation's mission toward supporting the development and adoption of advanced technology by Minnesota industry. The primary emphasis will be to meet the technical and technological needs of industry in greater Minnesota, particularly in the areas of agriculture, natural resources, and manufacturing.

The objective is to help Minnesota industry learn about, develop and apply modern techniques and technologies to enhance their long-term competitive ability in the world marketplace.

As a result of board actions, the corporation will consolidate its operations into 3 areas: technology transfer, applied research, and financial investments in innovation and new product development. This consolidation plan will enable the corporation to provide industry with simpler, more direct access to technology services and support, while reducing the corporation's overhead and administrative costs.

The corporation's technology transfer will primarily take the form of helping Minnesota's 7,500 existing manufacturers improve their quality, productivity and profitability. The Corporation will assist small and mid-size manufacturing firms evaluate and adopt new technologies, and learn how to apply modern manufacturing techniques and practices. These services will be available through 3 manufacturing technology centers in St. Cloud, Minneapolis/St. Paul, and southeastern Minnesota, as well as through 3 technology resource centers in Duluth, Granite Falls, and Moorhead. Services to regional manufacturers will be provided either by corporation personnel, outside consultants or the academic community. The functions of the Business Innovation Centers will be performed through these centers.

Applied research and development will be continued in agriculture and Natural Resources Research Institute, University of Minnesota-Duluth.

The AURI will continue its efforts to establish research and technology development activities with the university-based research system and Minnesota-based private research groups. In addition, the Agricultural Utilization Research Institute will conduct approximately 75% of its own technology development activities at its facilities in Crookston, where research such as potatoes, sugarbeets, wheat, barley and corn starch. The AURI will conduct about 25% of its internal technology activities in Marshall, focused on oil product development from soybeans, corn, and new crops such as canola.

Research on developing environmentally sound uses for the state's natural resources will be continued at the Natural Resources Research Institute, University of Minnesota-Duluth.

While the corporation would welcome the establishment of an SRI research center in Minnesota, plans for the corporation to be a major financial partner in the endeavor have been discontinued.

Finally, the corporation is anticipating making financial investments aimed at helping to develop and commercialize new products. To help direct the corporation's investment policies the corporation will be forming a Technology Advisory Group comprised of individuals from throughout the state representing Minnesota's key industry segments, academia and the venture capital community. The Technology Advisory Group will augment the corporation's existing Research Advisory Board, which currently reviews corporation research investments.

The Technology Grant Program will have a number of alternatives, including establishing an

"innovation" investment of up to \$10,000, designed to help entrepreneurs or small companies test an idea or develop a prototype; a "seed" investment of \$10,000 to \$50,000 to help develop product or process ideas which have commercial potential; University/Industry Challenge Grants, to support partnerships between the academic community and industry; and manufacturing cost-sharing project investments. Any lottery funding beyond the current projections will be used to increase these investments. Conversely, if the funding does not meet current projections, this funding could be reduced.

In addition to these 3 activities, the corporation will also continue to leverage public, private and federal funds for technology development. Current projects include Minnesota Project Outreach, SURE Access, Minnesota Project Innovation, and the University of Minnesota's Center for Interfacial Engineering.

The corporation plans to continue reducing overhead and administrative costs by centralizing administrative, legal, communications and marketing functions, eliminating potential overlaps between corporation programs and other state programs, and consolidating corporation activities.

GOVERNOR'S RECOMMENDATION:

The Governor recommends the following changes to GMC's budget:

1. Lottery proceeds, currently dedicated to GMC, be undedicated and deposited in the General Fund. This recommendation increases General Fund revenues by an estimated \$14.6 million per year.
2. That GMC be appropriated \$12 million from the General Fund in the form of a grant. This is a general reduction of \$2 million from GMC's BASE. It is intended that the General Fund grant be transferred and expended from GMC's special revenue account.

Further, the Governor has initiated legislation which has been introduced to restructure the corporation, centralize oversight of technology development and application, and consolidate management and coordination of state technology activities under a newly structured and renamed Minnesota Technology Development Corporation.

1992-1993 BIENNIAL BUDGET
(DOLLARS IN THOUSANDS)

AGENCY: GREATER MINNESOTA CORPORATION
PROGRAM: GREATER MINN CORPORATION

ACTIVITY RESOURCE ALLOCATION:	FY 1989	FY 1990	Est. FY 1991	FY 1992			FY 1993		
				Adjusted Base	Agency Plan	Governor Recomm.	Adjusted Base	Agency Plan	Governor Recomm.
RESEARCH INSTITUTES		4,093	6,225	4,000	4,000	4,000	4,000	4,000	4,000
BUSINESS INNOVATION CENTERS		1,774	5,314						
GRANT PROGRAMS		1,777	6,470	5,400	5,400	5,400	5,400	5,400	5,400
MANUFACTURING		2,500	2,500	3,100	3,100	3,100	3,100	3,100	3,100
SEED CAPITAL FUND		500							
GENERAL OPERATIONS		2,521	2,370	1,500	1,500	1,500	1,500	1,500	1,500
SRI		400	50						
GENERAL REDUCTION						<2,000>			<2,000>
TOTAL EXPENDITURES BY ACTIVITY		13,565	22,929	14,000	14,000	12,000	14,000	14,000	12,000
DETAIL BY CATEGORY:									
STATE OPERATIONS		2,977	2,370	1,500	1,500	1,500	1,500	1,500	1,500
LOCAL ASSISTANCE		10,588	20,559	12,500	12,500	10,500	12,500	12,500	10,500
TOTAL EXPENDITURES BY CATEGORY		13,565	22,929	14,000	14,000	12,000	14,000	14,000	12,000
SOURCES OF FINANCING:									
DIRECT APPROPRIATIONS:									
GENERAL						12,000			12,000
STATUTORY APPROPRIATIONS:									
SPECIAL REVENUE		13,565	22,929	14,000	14,000		14,000	14,000	
TOTAL FINANCING		13,565	22,929	14,000	14,000	12,000	14,000	14,000	12,000

BASE RECONCILIATION REPORT
for 1992-1993 Biennium

AGENCY: GREATER MINNESOTA CORPORATION

	ALL FUNDS		GENERAL FUND		OTHER STATE FUNDS		FEDERAL FUNDS	
	F.Y.92	F.Y.93	F.Y.92	F.Y.93	F.Y.92	F.Y.93	F.Y.92	F.Y.93
F.Y.91 FUNDING LEVEL	22,929	22,929			22,929	22,929		
DEDICATED RECEIPTS AND FUNDS	<8,929>	<8,929>			<8,929>	<8,929>		
TOTAL	14,000	14,000			14,000	14,000		
BIENNIAL TOTAL		28,000				28,000		

ACTIVITY:
PROGRAM:
AGENCY: Greater Minnesota Corporation (GMC)

1992-93 Biennial Budget

DECISION ITEM: Undedicate Lottery Proceeds to GMC and Replace
with Direct, General Fund Appropriation

Dollars in Thousands			
<u>F.Y. 1992</u>	<u>F.Y. 1993</u>	<u>F.Y. 1994</u>	<u>F.Y. 1995</u>

GOVERNOR'S RECOMMENDATION:

Expenditures

General Fund	\$ 12,000	\$ 12,000	\$ 12,000	\$ 12,000
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Revenues

General Fund	\$ 14,566	\$ 14,566	\$ 14,566	\$ 14,566
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Requires statutory change: X Yes No

Statutes Affected:

ITEM SUMMARY:

This proposal undedicates that portion of the net lottery proceeds dedicated to the GMC and replaces it with a General Fund, direct appropriation. The amount recommended is \$12,000,000 per year. Under this proposal, the lottery proceeds which now go to GMC will be deposited in the General Fund. The revised revenue estimate is \$14.6 million per year.

RATIONALE:

The Greater Minnesota Corporation's restructuring plan, proposed last November, is an impressive start in refocusing the agency' mission in a way that will be more cost effective.

In addition, legislation has been introduced which calls for a renaming of the agency and provides a stronger focus and commitment to technology development statewide. It proposes that the new agency will coordinate the state's technology initiatives, including the responsibilities for the DTED science and technology activities, and the promotion of technology development and utilization throughout Minnesota.

AGENCY: Minnesota World Trade Center Corporation (MWTC) **1992-93 Biennial Budget**

MISSION:

The MWTC is a unique public-private partnership established to help Minnesotans become successfully involved in international trade and better understand how global economics and politics affect the way we live, work and do business.

Specifically, the mission of the MWTC is to promote job growth, economic development and international understanding by:

1. Maintaining the state's membership in the World Trade Centers Association (WTCA), which provides Minnesota business people with a wide range of reciprocal business services through 230 other World Trade Centers in some 60 nations.
2. Building an Association of Members with a broad individual and collective knowledge of, and interest in the global marketplace. World Trade Center Members assist each other and act as a resource for Minnesotans seeking expertise in international trade.
3. Providing meeting and conference facilities and local, national and worldwide communications services that enhance trade opportunities for Minnesota business people.
4. Making available a broad range of business, educational, cultural and informational programs designed to promote public understanding of international trade and the economic and political factors that affect trade.
5. Working closely with the Minnesota Trade Office and the Minnesota Export Finance Agency to help citizens understand and take advantage of the variety of international trade services the state provides.

MAJOR POLICY DRIVERS:

1. Economic Impact.

Since 1983, when the World Trade Center franchise was secured and the Minnesota Trade Office and Minnesota Export Finance Authority were established, our state has jumped from 22nd to 14th in the total value of exports. Today, Minnesota's international trade growth leads the nation. If that rate of growth continues by 1995 the dollar value of Minnesota's exports will double from \$5.5 billion to \$11 billion, as will the number of jobs directly attributable to exports (from 120,000 to 240,000).

2. Facilities.

Minnesota's 37 story, \$130 million World Trade Center brings government trade and export programs together under one roof with private firms specializing in the numerous goods and services necessary for success in the global marketplace. The World Trade Center manages the state's assets in the privately owned building. These assets include the World Trade Conference Center on the 3rd and 4th floors, a state of the art production studio with worldwide satellite teleconferencing and televideo capabilities on the 5th floor and a planned World Trade Center Club to be located on the 34th floor.

3. Programs.

For an annual fee, the Minnesota World Trade Center Association of Members gives business and community leaders, educators and citizens the opportunity to participate in and take advantage of all the programs and services offered by the MWTC and the WTCA. In addition, MWTC members effectively become members of every World Trade Center, with office space and services

available in almost every major city and trading region of the world. Correspondingly, members of other Trade Centers regularly use the Minnesota World Trade Center as a base location for doing business while visiting the state.

While some MWTC programs are limited to members, a great number, particularly those focusing on international business education, are open to non-members at a slightly higher cost.

Additionally, the MWTC is a major source of reference and referral for people seeking international information and help of every possible nature.

PERFORMANCE INDICATORS:

The MWTC is both a symbol and an important component of the long-term promotional effort that has moved the state from 22nd to 14th in exports since 1983—a rate of growth that leads the nation. While the visits of President Gorbachev and other world leaders dominate the headlines, the past 7 years have also seen a 4-fold increase (to an estimated 400,000) in the number of foreign visitors to Minnesota. Almost without exception, those who come to do business make a principal stop at the Minnesota World Trade Center.

International Recognition.

The hosting of the 1990 General Assembly of the WTCA constituted the highest possible recognition a Trade Center can receive from WTCA's Board of Directors. In awarding the General Assembly (the largest annual gathering of international traders in the world) to Minnesota 2 years ago, board members cited our trade center as a model of success, praising in particular the World Trade Conference Center and its international satellite televideo telecommunications system. Following the Assembly, which ushered in WTCA's "Decade of Quality in Trade," WTCA Board Chairman Tad Yamada called the Minnesota World Trade Center "one of the top ten." WTCA President Guy Tozzoli termed the 1990 General Assembly, "hands down, the best we have ever had, anywhere in the world." The General Assembly gave some 600 international business people the opportunity to see Minnesota and explore business opportunities here.

Program Development.

The MWTC offers a growing list of international business, educational and cultural programs and opportunities, including:

- The Minnesota World Trade Center Association of Members.

The Founding Members campaign, which ran from November, 1989 to February, 1990 doubled its goal. In its first year, the WTCA gained over 200 members—far exceeding the performance of similar Trade Centers at this early stage of development.

- The World Trade Conference Center.

During its first 18 months of operation, the Conference Center sponsored over 200 international events, attended by an estimated 10,000 business people, educators, community leaders and citizens.

- Distinguished Visitors and Lecturers.

The MWTC has given Minnesotans the opportunity to listen to and discuss issues with a host of international business and political leaders. During the spring and summer of 1990, these included, among others, Dr. Il Sakong, former Finance Minister of the Republic of South Korea; Hon. Franco Tudgeman, President of Croatia; Dr. Rainer Buhr, President of the World Trade Center, Ruhr Valley, Germany; Dr. Ronald Roskins, Administrator of the U.S. Agency for International Development; a delegation of newly elected members of the parliaments of newly democratized nations of Eastern Europe; and a delegation of mayors of the 6 largest cities in the

AGENCY: Minnesota World Trade Center Corporation (MWTC) 1992-93 Biennial Budget
(Continuation)

People's Republic of China--collectively representing over 40 million Chinese citizens.

■ **NETWORK System of International Trade Leads.**

Scores of Minnesota companies are now taking advantage of the MWTC's computerized system of trade leads, effectively connecting them with some 500,000 business people who belong to other Trade Centers all around the globe.

■ **Shared Foreign Sales Corporation.**

The MWTC is part of a nationwide Shared Foreign Sales Corporation that permits most exporters who belong to the World Trade Center to obtain a 15% exemption on pre-tax income delivered from export sales.

■ **Live, Interactive, Satellite Televideo Teleconferencing.**

Site of the first-ever live interactive televideo teleconference between North America and the People's Republic of China, the World Trade Conference Center offers face-to-face satellite telecommunications through a permanent broadcasting station. Minnesota companies are using these services in increasing numbers to save time and travel costs.

■ **Governor's Commission on Eastern Europe.**

This commission, charged with establishing expanded trade with eastern Europe and the Soviet Union, is being closely coordinated through the auspices of the MWTC and several other Trade Centers throughout that part of the world.

■ **International Business Executive Certificate Program.**

The 10 week course, offered twice each year by the Trade Center in cooperation with the International Business Institute at Mankato State University, offers top Minnesota business executives the opportunity to learn about international trade from one of the most knowledgeable faculties ever assembled. Available to World Trade Center members as well as non-members, the program is always full. Only 3 other entities in the United States offer similar courses, and all at considerably higher cost.

The MWTC offers a host of other educational programs and seminars. Some are sponsored exclusively, while many others are presented in conjunction with private businesses, educational institutions and state agencies.

EXPLANATION OF BUDGET ISSUES AND ALTERNATIVES:

The MWTC, as a partially funded organization, will reduce its annual appropriation request at a rate of \$100.0 per year. The BASE level appropriation for F.Y. 1990 was \$900.0, and for F.Y. 1991 it is \$800.0. Our request for the 1992-93 biennium is \$700.0 and \$600.0.

Prospects for 1992-93 Biennium.

The MWTC will stay on a schedule designed to achieve financial self sufficiency by the end of the 1994-95 biennium. As state revenues decrease, increased participation and financial support from the private sector will permit dramatic expansion of WTCA programs and resources.

■ **Expanded Use of the World Trade Conference Center**

Profits from the Conference Center grew from \$250.0 in F.Y. 1990 to \$370.0 in F.Y. 1991. Projected profits of \$478.0 for F.Y. 1992 and \$618.0 for F.Y. 1993 will continue to help offset the reduction in state funds.

■ **Growth of the MWTC of Members**

Based on its first year of existence, the Association of Members can conservatively be expected to grow from its present base of 200 to 500 by the end of F.Y. 1993, thus increasing revenue by \$25.0 each year.

■ **Increased Use of World Trade Center's Production Studio and Live Interactive Televideo Teleconference Facilities**

Escalating international travel and transportation costs are certain to make the Trade Center's satellite telecommunications system even more attractive to businesses throughout Minnesota and the entire Upper Midwest.

■ **Further development of MWTC Education Programs, Conferences and Seminars**

The success of the International Business Executive Certificate Program and other MWTC professional growth opportunities clearly demonstrates that business people: 1) recognize the need for ongoing education in the fast-changing global marketplace; and, 2) are willing to pay for top quality offerings. MWTC will continue to expand its Minnesota-based educational services while also working closely with the International School of Business at Mankato State University, private companies and other World Trade Centers to permit business people to travel internationally for more "hands on" learning experiences.

■ **Establishment of a World Trade Center Club in the Minnesota World Trade Center Building**

While it is still too early to make meaningful projections, the planned World Trade Center Club will have a major and positive impact on the ability of the MWTC to achieve financial self-sufficiency and expand programs and services for the people of Minnesota.

GOVERNOR'S RECOMMENDATION:

The Governor recommends eliminating the General Fund subsidy to the World Trade Center Corporation for the 1992-93 biennium.

1992-1993 B I E N N I A L B U D G E T
(DOLLARS IN THOUSANDS)

AGENCY: WORLD TRADE CENTER
PROGRAM: WORLD TRADE CENTER CORP

				FY 1992			FY 1993		
			Est.	Adjusted	Agency	Governor	Adjusted	Agency	Governor
	FY 1989	FY 1990	FY 1991	Base	Plan	Recomm.	Base	Plan	Recomm.
ACTIVITY RESOURCE ALLOCATION:									
=====	=====	=====	=====	=====	=====	=====	=====	=====	=====
WORLD TRADE CENTER CORP	1,631	1,943	2,445	1,801	1,801	1,801	1,953	1,953	1,953
=====	=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL EXPENDITURES BY ACTIVITY	1,631	1,943	2,445	1,801	1,801	1,801	1,953	1,953	1,953
=====	=====	=====	=====	=====	=====	=====	=====	=====	=====
DETAIL BY CATEGORY:									
=====									
STATE OPERATIONS	1,631	1,943	2,445	1,801	1,801	1,801	1,953	1,953	1,953
=====	=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL EXPENDITURES BY CATEGORY	1,631	1,943	2,445	1,801	1,801	1,801	1,953	1,953	1,953
=====	=====	=====	=====	=====	=====	=====	=====	=====	=====
SOURCES OF FINANCING:									
=====									
DIRECT APPROPRIATIONS:									
GENERAL				700	700		600	600	
STATUTORY APPROPRIATIONS:									
SPECIAL REVENUE	1,631	1,943	2,445	1,101	1,101	1,801	1,353	1,353	1,953
=====	=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL FINANCING	1,631	1,943	2,445	1,801	1,801	1,801	1,953	1,953	1,953
=====	=====	=====	=====	=====	=====	=====	=====	=====	=====

BASE RECONCILIATION REPORT
for 1992-1993 Biennium

AGENCY: WORLD TRADE CENTER

	ALL FUNDS		GENERAL FUND		OTHER STATE FUNDS		FEDERAL FUNDS	
	F.Y.92	F.Y.93	F.Y.92	F.Y.93	F.Y.92	F.Y.93	F.Y.92	F.Y.93
F.Y.91 FUNDING LEVEL	2,445	2,445			2,445	2,445		
NON RECURRING EXPENDITURES	<768>	<768>			<768>	<768>		
BASE TRANSFER (BTWN FUNDS)			700	600	<700>	<600>		
DEDICATED RECEIPTS AND FUNDS	124	276			124	276		
TOTAL	1,801	1,953	700	600	1,101	1,353		
BIENNIAL TOTAL		3,754		1,300		2,454		

ACTIVITY:
PROGRAM: rld Trade Center
AGENCY: nnesota World Trade Center (MWTC)

1992-93 Biennial Budget

DECISION ITEM: Reduction in BASE Subsidy

Dollars in Thousands			
<u>F.Y. 1992</u>	<u>F.Y. 1993</u>	<u>F.Y. 1994</u>	<u>F.Y. 1995</u>

GOVERNOR'S RECOMMENDATION:

Expenditures					
General Fund	\$	(700)	\$	(600)	\$ (600)
Special Revenue*		<u>700</u>		<u>600</u>	<u>600</u>
Total	\$	<u>-0-</u>	\$	<u>-0-</u>	\$ <u>-0-</u>

Revenues					
General Fund	\$	-0-	\$	-0-	\$ -0-

Requires statutory change: _____ Yes X No
Statutes Affected:

ITEM SUMMARY:

The Governor recommends eliminating the state subsidy to the World Trade Center Corporation for the 1992-93 biennium.

RATIONALE:

Given the state's financial outlook for the General Fund, and the MWTC's capacity to generate revenues, the Governor recommends phasing out the General Fund subsidy. The MWTC will increasingly rely on revenues from its memberships, conference center, communication facilities, office rentals, and dining facilities to become financially self sufficient.

* This is the amount of revenue the agency needs to replace the General Fund Subsidy if the budget is to remain at the requested level.

1992-93 BUDGET

PROGRAM STRUCTURE

AGENCY: IRON RANGE RESOURCES & REHABILITATION, BOARD OF

PROGRAM

PAGE

TOURISM AND COMMUNITY DEVELOPMENT

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General Support
Tourism
Community Development
Environmental Development Projects

ENVIRONMENTAL PROTECTION AND PUBLIC WORKS

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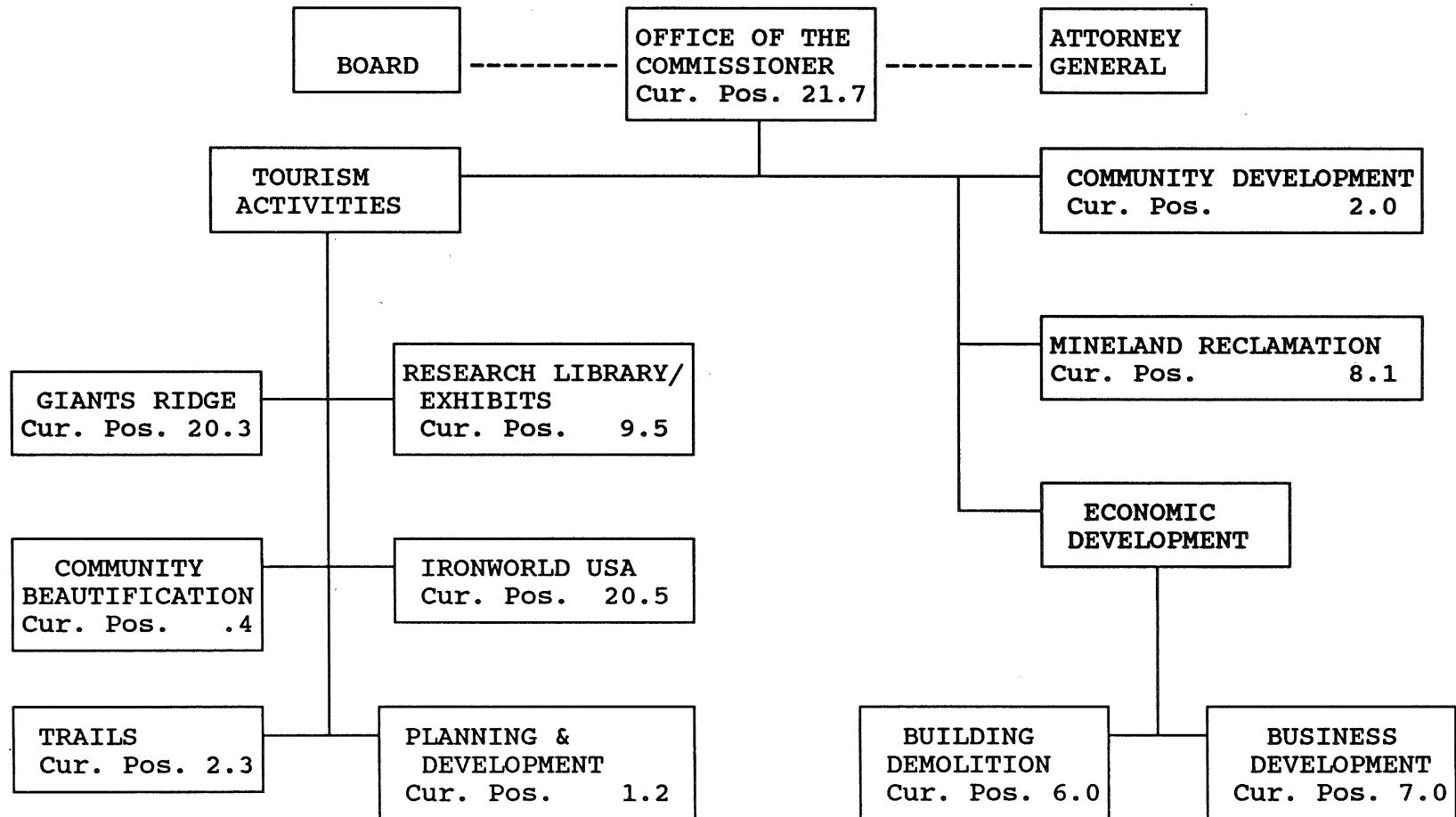
Local Economic Development Projects
Mineland Reclamation

ECONOMIC DEVELOPMENT PROJECTS

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Northeast Economic Protection

DEPARTMENT OF IRON RANGE RESOURCES AND REHABILITATION BOARD
ORGANIZATION CHART 7-1-90



DEPARTMENT OF IRON RANGE RESOURCES AND REHABILITATION BOARD
POSITION AND EMPLOYEE STATUS INFORMATION

Position Reconciliation:		
Authority:	Current <u>F.Y. 1991</u>	Requested <u>For 6/30/93</u>
Legislative Authorized Special Revenue	88.4	99.0
LAC Authorized Special Revenue	1.0	-0-
Budgetary Authorized Special Revenue	<u>12.0</u>	<u>-0-</u>
TOTAL PERMANENT POSITIONS	101.4	99.0
Other Complement (FTE)	85.0	85.0
Total Authorized Positions	186.4	184.0
Employees on 6/30/90	158.0	

Employees by Employment Status:		<u>6-30-90</u>
Full-Time Unlimited		86
Full-Time Temporary		14
Full-Time Seasonal		3
Intermittent Temporary		54
Intermittent Seasonal		<u>1</u>
Total		158

MISSION:

The Iron Range Resources and Rehabilitation Board is a regionally based state agency whose primary concerns and responsibilities are the development of the remaining resources in northeastern Minnesota. Operating under authority granted and governed by M.S. 298.22, .223, and .29, Laws of Minnesota 1983, Chapter 46, and associated statutes and subdivisions, the mission of the agency is the:

1. reclaiming, restoring and enhancing those areas of northeastern Minnesota that are adversely affected by the environmentally damaging operations involved in mining taconite and iron ore.
2. promotion of economic development of northeastern Minnesota, including the promotion of tourism.
3. economic rehabilitation and diversification of industrial enterprises where economic dislocations and widespread unemployment result as a result of a decline in the mining industry.

With the exception of the grant/loan program which this agency administers for Carlton and Koochiching Counties, agency expenditures are restricted to those within or for the benefit of the Taconite Tax Relief Area: all or part of Lake, Cook, Itasca, Crow Wing, Aitkin, and St. Louis Counties.

The budget request for this biennium focuses on economic development, community development, and mineland reclamation. The business development activities of the agency include marketing programs to assist the iron range businesses and to attract new business. An extensive loan program exists to encourage expansion of existing business, development of new business, and job enhancement or preservation.

The tourism activities of the agency include two agency-operated facilities (Giant's Ridge Recreational Facility and Ironworld USA), a recreational trail development program, and a program for enhancement of the entrances to area communities. Except for one-time expenditures for new equipment or capital improvements, funding for these projects is at the BASE level.

MAJOR POLICY DRIVERS:

The agency must remain responsive to the needs of the residents of the Taconite Tax Relief Area, and these needs are generally a reflection of the economy of the area. A downturn in taconite production or a significant change in the distribution of taconite production tax monies would impact the ability of the agency to fund community projects.

Taconite production taxes provide the primary revenues for the agency. The Department of Revenue has provided a forecast of IRRRB taconite tax revenues through production year 1993, at a level which is slightly higher than the estimated tax revenues for production year 1990. The Department of Revenue does however, caution the agency to consider the effects if a serious recession or work stoppage were to occur in the steel industry, and the effect of possible legislative changes in the escalating factor used in the computation of the production tax rate. The taconite tax revenue forecast for the biennium allows for the possibility of a strike at USX in 1991.

Revenues are available for expenditure during the biennium from taconite production and occupation taxes, interest earnings on agency funds, various receipts from operation of the agency's tourism facilities, and from payback on agency sponsored loans. Significant carry-forward of funds is required during the biennium to provide operational funds until taconite tax monies are received in the spring of each fiscal year.

EXPLANATION OF BUDGET ISSUES AND ALTERNATIVES:

Although the budget request for the biennium reflects a significant base reduction, funding for activity costs and grant programs is generally at the BASE level. Base level reductions include one time expenditures for projects which are scheduled for completion in F.Y. 1991:

Budget Purpose	Base F.Y.1991	Base Adjustment	F.Y. 1992	F.Y. 1993	Biennium
Administration	\$1,585	\$3	\$1,588	\$1,628	\$3,216
Operation of Agency Tourism Facilities	4,452	0	4,452	4,452	8,904
Tourism Development Activities	2,054	(1,210)	844	848	1,692
Economic Development	1,505	(36)	1,469	1,475	2,944
Mineland Reclamation	1,505	(552)	953	973	1,926
Grant Funding	10,580	0	10,580	10,580	21,160
Loan Funding	5,938	(938)	5,000	5,000	10,000
Totals	\$27,619	(\$2,733)	\$24,886	\$24,956	\$49,842

Increased salary obligations during the biennium will be funded by the elimination of vacant positions or by the reallocation of monies from supplies and expense categories.

Although BASE level funding is also requested for the agency's grant and loan programs, these activities provide more difficult challenges for budgeting purposes because of unpredictable variables in the local and national economy. Throughout the biennium, projects to be funded from the Taconite Environmental Protection Fund and from the Northeast Minnesota Economic Protection Fund will be presented to the Legislative Advisory Commission for review and to the Governor for approval. The agency will review available and projected funding, and allocate monies for projects, grants and loans according to available resources.

GOVERNOR'S RECOMMENDATION:

The Governor concurs with the agency's plan, assuming that sufficient dedicated revenues are available. No direct appropriations are requested.

1992-1993 BIENNIAL BUDGET
(DOLLARS IN THOUSANDS)

AGENCY: IRON RANGE RESRCE & R

PROGRAM RESOURCE ALLOCATION:	FY 1989	FY 1990	Est. FY 1991	FY 1992			FY 1993		
				Adjusted Base	Agency Plan	Governor Recomm.	Adjusted Base	Agency Plan	Governor Recomm.
=====	=====	=====	=====	=====	=====	=====	=====	=====	=====
TOURISM AND COMMUNITY DEVELOPMENT	7,835	10,706	10,231	9,024	9,024	9,024	9,068	9,068	9,068
ENVIRON. PROTECTION & PUBLIC WKS	2,508	5,465	9,645	9,093	9,093	9,093	9,113	9,113	9,113
ECONOMIC DEVELOPMENT PROJECTS	6,416	11,134	7,743	6,769	6,769	6,769	6,775	6,775	6,775
=====	=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL EXPENDITURES BY PROGRAM	16,759	27,305	27,619	24,886	24,886	24,886	24,956	24,956	24,956
SOURCES OF FINANCING:									

DIRECT APPROPRIATIONS:									
GENERAL	2,967								
STATUTORY APPROPRIATIONS:									
IRON RANGE R & R	10,332	14,148	19,847	18,117	18,117	18,117	18,181	18,181	18,181
NE MN ECONOMIC PROT	3,449	13,151	7,772	6,769	6,769	6,769	6,775	6,775	6,775
GIFTS AND DEPOSITS	11	6							
=====	=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL FINANCING	16,759	27,305	27,619	24,886	24,886	24,886	24,956	24,956	24,956

BASE RECONCILIATION REPORT
for 1992-1993 Biennium

AGENCY: IRON RANGE RESRCE & R

	ALL FUNDS		GENERAL FUND		OTHER STATE FUNDS		FEDERAL FUNDS	
	F.Y.92	F.Y.93	F.Y.92	F.Y.93	F.Y.92	F.Y.93	F.Y.92	F.Y.93
F.Y.91 FUNDING LEVEL	27,619	27,619			27,619	27,619		
DEDICATED RECEIPTS AND FUNDS	<2,733>	<2,663>			<2,733>	<2,663>		
TOTAL	24,886	24,956			24,886	24,956		
BIENNIAL TOTAL		49,842				49,842		

PROGRAM: Tourism and Community Development
Agency: Iron Range Resources & Rehabilitation, Board of

1992-93 Biennial Budget

PROGRAM PURPOSE:

This program provides funding for the agency's administrative offices which are located at Eveleth, and for a variety of agency operations which focus on tourism and community development as a form of economic development. The purposes of the program are:

1. to promote the general economic diversification of the Taconite Tax Relief Area through the development of this region's tourism industry.
2. to provide funding for projects which will improve the quality of life in communities which are without adequate resources to initiate improvements.
3. to provide funding for research or feasibility studies related to the economic growth of the area.
4. to administer environmental development economic development grants/loans for local governments within Carlton and Koochiching Counties.

PERFORMANCE:

An effective performance indicator for tourism activity is the economic impact to the region: for every 100,000 visitors, the economic impact amounts to more than \$6 million in spending. The agency operates two tourism facilities, which are major tourism attractions.

Giants Ridge Recreational Facility, located near Biwabik, Minnesota offers downhill and cross country skiing opportunities in the winter and Japanese language learning experiences in the summer (under the auspices of Concordia College). Development of summer activities with on-site lodging is now in the planning stage.

Ironworld USA, located in Chisholm, describes the mining region's history and ethnic traditions through exhibits, craft demonstrations, and live entertainment. This facility is also the site of the Iron Range Research Center-Library, a depository for public and mining company records, and educational/research opportunities for individuals engaged in ethnic research. The visitor utilization of the Giants Ridge Recreational Facility and the Ironworld USA facility has a significant economic impact on the area. A five percent increase in visitor utilization is projected for the biennium.

	Visitor Attendance (Numbers in Thousands)			Admissions Revenue (Dollars in Thousands)		
	<u>1991</u>	<u>1992</u>	<u>1993</u>	<u>1991</u>	<u>1992</u>	<u>1993</u>
Ironworld USA	117	121	125	\$553	\$587	\$622
Giants Ridge Recreational Area	119	125	131	880	924	970
Operational Costs of Agency Tourism Facilities				<u>1991</u>	<u>1992</u>	<u>1993</u>
Giants Ridge				\$1,393	\$1,393	\$1,393
Ironworld USA				2,387	2,387	2,387
Research Center/Exhibits				<u>672</u>	<u>672</u>	<u>672</u>
Total Operational Costs of Agency Tourism Facilities				\$4,452	\$4,452	\$4,452

The IRRRB provided grooming for 7 major snowmobile trails and assisted in grooming 3 major trails during the past biennium. The agency staff works with all area snowmobile and trail organizations and provides brushing and trail signage assistance at the request of these organizations. Several projects involved cooperative efforts of the IRRRB, LAWCON, city and township staff, St. Louis County and local snowmobile clubs.

Snowmobile and cross country ski trails are maintained near major recreational areas and communities within the Taconite Tax Relief Area. Northeast Minnesota contains more than 3,100 miles of the state's 12,000 miles of existing snowmobiles trails. Visiting snowmobilers injected \$4.7 million into the economy of northeast Minnesota during the 1989-90 season.

Community development grants provide funding for community building improvements, expansion or updating of water and sewer facilities, and development of park and recreational areas. During the past biennium, the IRRRB provided \$2,859,000 of funding for community development grants, \$987,000 for tourism grants, and \$628,000 for community entrance enhancement.

PROSPECTS:

Projects are selected for funding according to the agency's funding criteria which have been in effect since 1988:

1. Job retention or creation.
2. Leverage of proposed IRRRB project funding compared to total project costs.
3. Relative need of the applicant.
4. Impact of the project on the area's economy.
5. Project viability, including-cost effectiveness, financial/economic feasibility, and technological feasibility of the project.

Any significant changes in the economy or in municipal aid will affect project funding needs. The IRRRB will continue to support those projects which will have the greatest impact on the area's economy.

The trails activity incurs expenses somewhat proportional to the amount of snowfall, and frequency of snowfall in the area. Trail grooming activities continue as long as snow conditions permit snowmobiling and skiing activities.

PLAN:

The biennial budget provides BASE level funding (except for one time project costs incurred in F.Y. 1991) for the IRRRB operated tourism facilities, for trails development, grant administration, and agency general support costs and community and environmental development grants.

GOVERNOR'S RECOMMENDATION:

The Governor concurs with the agency's plan.

1992-1993 B I E N N A L B U D G E T
(DOLLARS IN THOUSANDS)

AGENCY: IRON RANGE RESRCE & R
PROGRAM: TOURISM AND COMMUNITY DEVELOPMENT

				FY 1992			FY 1993		
			Est.	Adjusted	Agency	Governor	Adjusted	Agency	Governor
ACTIVITY RESOURCE ALLOCATION:	FY 1989	FY 1990	FY 1991	Base	Plan	Recomm.	Base	Plan	Recomm.
=====	=====	=====	=====	=====	=====	=====	=====	=====	=====
GENERAL SUPPORT	633	346	591	594	594	594	634	634	634
RESOURCE REHAB GRANT	1,227	1,568	1,300	1,300	1,300	1,300	1,300	1,300	1,300
TOURISM	4,749	7,906	7,158	5,946	5,946	5,946	5,946	5,946	5,946
RESEARCH & BEAUTIFIC	635	554	812	814	814	814	818	818	818
ENVRNMNTL DVLP GRNTS	591	332	370	370	370	370	370	370	370
=====	=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL EXPENDITURES BY ACTIVITY	7,835	10,706	10,231	9,024	9,024	9,024	9,068	9,068	9,068
=====	=====	=====	=====	=====	=====	=====	=====	=====	=====
DETAIL BY CATEGORY:									

STATE OPERATIONS	5,386	5,684	7,111	5,904	5,904	5,904	5,948	5,948	5,948
LOCAL ASSISTANCE	2,449	5,019	3,120	3,120	3,120	3,120	3,120	3,120	3,120
AID TO INDIVIDUALS		3							
=====	=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL EXPENDITURES BY CATEGORY	7,835	10,706	10,231	9,024	9,024	9,024	9,068	9,068	9,068
=====	=====	=====	=====	=====	=====	=====	=====	=====	=====
SOURCES OF FINANCING:									

DIRECT APPROPRIATIONS:									
STATUTORY APPROPRIATIONS:									
IRON RANGE R & R	7,824	8,683	10,202	9,024	9,024	9,024	9,068	9,068	9,068
NE MN ECONOMIC PROT		2,017	29						
GIFTS AND DEPOSITS	11	6							
=====	=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL FINANCING	7,835	10,706	10,231	9,024	9,024	9,024	9,068	9,068	9,068
=====	=====	=====	=====	=====	=====	=====	=====	=====	=====

PROGRAM: Environmental Protection and Public Works
Agency: Iron Range Resources & Rehabilitation, Board of

1992-93 Biennial Budget

PROGRAM PURPOSE:

The purpose of this program is to promote the economic development of those areas of northeast Minnesota which were adversely affected by the environmentally damaging operations involved in mining taconite and iron ore concentrate. Funding for this program is provided solely by taconite production taxes. The Taconite Environmental Protection Fund Program monies are budgeted for the coming biennium for the following activities:

1. Reclamation, restoration, or reforestation of minelands not otherwise provided for by state law.
2. Local economic development projects which involve job creation or job retention; the promotion of area tourism; and improvements to community water or sewer systems, and other forms of public works.

PERFORMANCE:

Mineland reclamation projects include the development of tourism facilities, the reshaping of abandoned mine areas, and the revegetation of ravaged mine sites. Environmental factors require an ongoing revegetation program, and the IRRRB has constructed a growth chamber facility to meet certain specific tree stock needs of this activity.

Certain abandoned mine areas have been reclaimed as tourist attractions, and the current biennium provided monies for continued development of a tourism area at the Glen-Pillsbury mine located at Ironworld USA. This area, designated as Mesabi Junction, will include a CCC building (proposed for construction in 1991) and mining equipment of the 30's, 40's and 50's circa. This budget request does not include any new monies for further development for this project.

Local economic development project grants are provided for a broad range of public works projects, including water/sewer, curb and gutter, building improvements, and parks or recreational areas. Communities submit prioritized funding requests, and the agency's grant staff works with the community to identify projects which are the most urgent in need or which contribute most effectively toward the economic development of this region.

PROSPECTS:

High quality tree stock will be available for planting during the spring of 1991 and 1992 from the agency's recently completed growth chamber. An estimated 70,000 high quality tree seedlings will be grown from carefully screened seed sources. High priority projects will be completed as they are approved by the Board and those dollars are made available.

A priority for grant funding through this program is the need for monies to meet the local match on projects which have other funding sources. IRRRB grant guidelines limit grant awards for any specific project to \$250,000 in any single funding cycle and allow phasing of project awards to a maximum of two funding cycles (a maximum of \$500,000, at \$250,000 per year). This limitation permits the IRRRB to extend funding to a number of projects and communities, and does not generally restrict the ability of communities to pursue economic development projects. Large projects, such as sewage and water treatment facility construction can be undertaken only if the community is able to obtain other funding. A downturn in state and federal funding during the biennium would impact the ability of the community to upgrade infrastructure and increase the need for IRRRB funding assistance.

The IRRRB has participated extensively in funding of water and sewer projects since F.Y. 1977. Priority funding requests for F.Y. 1991 continue to include water treatment facilities, water/sewer line improvements, community building improvements, and other miscellaneous public works projects.

The IRRRB encourages communities to prioritize grant funding project requests, and projects which meet agency guidelines are funded according to community priority and the availability of IRRRB grant monies.

PLAN:

Funding is requested at the BASE level for the mineland reclamation activity. A significant number of community funding requests, some of which involve extensive site work, makes BASE level funding very challenging. During the biennium, mineland reclamation activities will focus on the environmental concerns of erosion control, revegetation, tree planting and development of wildlife enhancement areas. Funding will be allocated to projects which are rated as high priority by local communities, and which have the greatest potential for mitigating environmental problems.

The budget request for public works grant funding is also at the BASE level. Phasing costly projects over several years allows the agency to fund a greater number of projects during each funding cycle. However, funding of phased projects will continue to be considered with caution because of the unpredictability of taconite production tax levels. During the biennium, allocation of funding for public works grants will be modified (increased or decreased) according to the actual levels of taconite tax monies received by the IRRRB.

GOVERNOR'S RECOMMENDATION:

The Governor concurs with the agency's plan.

1992-1993 B I E N N I A L B U D G E T
(DOLLARS IN THOUSANDS)

AGENCY: IRON RANGE RESRCE & R
PROGRAM: ENVIRON. PROTECTION & PUBLIC WKS

				FY 1992			FY 1993		
ACTIVITY RESOURCE ALLOCATION:	FY 1989	FY 1990	Est. FY 1991	Adjusted Base	Agency Plan	Governor Recomm.	Adjusted Base	Agency Plan	Governor Recomm.
=====	=====	=====	=====	=====	=====	=====	=====	=====	=====
LOCAL ENV DEV PROJ	1,637	3,205	7,460	7,460	7,460	7,460	7,460	7,460	7,460
MINELAND RECLAMATION	871	2,260	2,185	1,633	1,633	1,633	1,653	1,653	1,653
=====	=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL EXPENDITURES BY ACTIVITY	2,508	5,465	9,645	9,093	9,093	9,093	9,113	9,113	9,113
DETAIL BY CATEGORY:									
=====									
STATE OPERATIONS	858	2,260	2,185	1,633	1,633	1,633	1,653	1,653	1,653
LOCAL ASSISTANCE	1,650	3,205	7,460	7,460	7,460	7,460	7,460	7,460	7,460
=====	=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL EXPENDITURES BY CATEGORY	2,508	5,465	9,645	9,093	9,093	9,093	9,113	9,113	9,113
SOURCES OF FINANCING:									
=====									
DIRECT APPROPRIATIONS:									
STATUTORY APPROPRIATIONS:									
IRON RANGE R & R	2,508	5,465	9,645	9,093	9,093	9,093	9,113	9,113	9,113
=====	=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL FINANCING	2,508	5,465	9,645	9,093	9,093	9,093	9,113	9,113	9,113

PROGRAM: Economic Development Projects
Agency: Iron Range Resources & Rehabilitation, Board of

1992-93 Biennial Budget

PROGRAM PURPOSE:

This program exists to stimulate and diversify the economy of the Taconite Tax Relief Area. Primary emphasis of the economic development activities is placed on projects which promote technologically innovative businesses, minerals, wood products, and tourism. This program is designed to strengthen and diversify the area's economic base by creating new jobs and leveraging private investment in the region.

To be eligible for assistance through this program, businesses must be located in the primary Taconite Tax Relief Area, must be a for-profit operation, and may be a new start-up or an existing business. The IRRRB is limited by law to a 50% participation of the total project costs to be financed.

Economic development projects also included funding for a building demolition program which agency staff conducts at the request of area communities. Dilapidated buildings are demolished to reduce hazards to the public, to beautify the particular areas, and to promote new building construction.

PERFORMANCE:

The IRRRB economic development programs focus toward economic leaders, such as in manufacturing, wood products, tourism, and minerals; and businesses which are technologically innovative.

LOANS AND GRANTS
Approved by Legislative Advisory Commission

Loans	<u>F.Y. 1989</u>	<u>F.Y. 1990</u>
Number	20	8
Total Amount	\$2,998,107	\$804,924
Grants		
Number	6	4
Total Amount	\$802,818	\$421,000

In 1989, the agency was instrumental in creating the Northeastern Minnesota-Metro Advisory Board, a voluntary board of more than 40 Twin Cities high-level executives and professionals who are former residents of northeastern Minnesota. This board plays an important role in the agency's efforts to encourage businesses to expand or relocate in northeastern Minnesota. A new publication entitled Rangeview was also started in 1989. This economic development publication is targeted to recruitment and networking, with a circulation of 46,000.

The agency's economic development staff provides various forms of assistance to businesses currently located or considering operating in northeastern Minnesota:

1. Creative loan packaging, with low interest loans.
2. Building and real estate searches.
3. Technical assistance and new product marketing research.
4. IRRRB industrial revenue bonds.
5. Accessing other capital sources.
6. Liaison services to state and federal financing and incentive programs.

The success of the building demolition program can be measured by the continued request by communities for demolition services. Building demolition work is conducted on a community by community basis, and individuals or businesses may contact the community representative or the IRRRB to request demolition services.

A \$4 million general fund appropriation was awarded for economic development loans or projects during fiscal years 1988 through 1989.

PROSPECTS:

The economic development program faces significant challenges as it considers financing businesses which involve environmental issues. Project approvals may be delayed by the necessity to complete feasibility studies and assist the business in obtaining environmental permits. The agency's economic development staff consults with DNR, PCA, and other interested departments/organizations in an effort to seek a balance between the need for economic growth and environmental protection in northeastern Minnesota.

Attracting new businesses to the Taconite Tax Relief Area is a major goal of the agency, and an ongoing recruitment campaign has been undertaken to ensure that businesses are knowledgeable of the funding and technical assistance which is available from the IRRRB. Continued support by the Northeastern Minnesota-Metro Advisory Board will play an important role in the agency's efforts to encourage businesses to relocate or expand in northeastern Minnesota.

The agency's building demolition program will continue to prioritize work locations according to the economic impact of the demolition work. Demolition of buildings on sites where new construction is pending will receive higher priority. The level of operation of this program is determined by the extent of community requests for demolition services.

Funding for this program is provided by interest from invested cash (including money in the corpus of the Northeast Minnesota Protection Fund) and payback on outstanding loans. The agency loan portfolio currently provides annual funding (payback of principal and interest) of approximately \$2,200,000.

PLAN:

Stability and reliability in loan payback are desirable in the building of a loan portfolio which will provide a predictable annual source of funding. Loan funding is budgeted at \$5 million annually; however, because the agency is pursuing a conservative, thorough study of each loan application, the actual funding level may be lower than the budgeted \$5 million level. Levels of funding are also driven by the market and economics of the time.

New programs will be implemented to meet the changing need of the region's economy.

GOVERNOR'S RECOMMENDATION:

The Governor concurs with the agency's plan.

1992-1993 BIENNIAL BUDGET
(DOLLARS IN THOUSANDS)

AGENCY: IRON RANGE RESRCE & R
PROGRAM: ECONOMIC DEVELOPMENT PROJECTS

ACTIVITY RESOURCE ALLOCATION:	FY 1989	FY 1990	Est. FY 1991	FY 1992			FY 1993		
				Adjusted Base	Agency Plan	Governor Recomm.	Adjusted Base	Agency Plan	Governor Recomm.
=====	=====	=====	=====	=====	=====	=====	=====	=====	=====
N E ECONOMIC PROT	6,416	11,134	7,743	6,769	6,769	6,769	6,775	6,775	6,775
=====	=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL EXPENDITURES BY ACTIVITY	6,416	11,134	7,743	6,769	6,769	6,769	6,775	6,775	6,775
=====	=====	=====	=====	=====	=====	=====	=====	=====	=====
DETAIL BY CATEGORY:									

STATE OPERATIONS	5,134	10,640	7,743	6,769	6,769	6,769	6,775	6,775	6,775
LOCAL ASSISTANCE	1,282	494							
=====	=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL EXPENDITURES BY CATEGORY	6,416	11,134	7,743	6,769	6,769	6,769	6,775	6,775	6,775
=====	=====	=====	=====	=====	=====	=====	=====	=====	=====
SOURCES OF FINANCING:									

DIRECT APPROPRIATIONS:									
GENERAL	2,967								
STATUTORY APPROPRIATIONS:									
NE MN ECONOMIC PROT	3,449	11,134	7,743	6,769	6,769	6,769	6,775	6,775	6,775
=====	=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL FINANCING	6,416	11,134	7,743	6,769	6,769	6,769	6,775	6,775	6,775

MISSION:

The Peace Officer Standards and Training (POST) Board is an occupational licensing agency responsible for the licensing of approximately 7,500 full-time and approximately 1,200 part-time peace officers. As an occupational licensing agency, the board's mission is to increase the professional level of the state's law enforcement officers and protect the public from potential dangers of unregulated practice of law enforcement. The board strives to achieve this mission by:

- Administering a professional licensing program, including examination, development and administration, licensure and relicensing.
- Developing the professional peace officer educational curriculum for colleges and universities.
- Developing, coordinating and approving continuing education programs for peace officers.
- Defraying, through reimbursement, the cost local governments incur by making continuing education available to their peace officers and the costs colleges and universities incur by providing professional education.
- Investigating allegations of professional misconduct and the unauthorized practice of law enforcement.
- Providing technical assistance to colleges, universities, law enforcement agencies and other groups concerned with the practice of law enforcement and law enforcement education.
- Conducting studies and research projects which relate to peace officer education and practice of law enforcement.
- Coordinating the efforts by educational institutions and law enforcement agencies and community groups in the recruitment and retention of women and people of color into law enforcement.

MAJOR POLICY DRIVERS:

Educational institutions and law enforcement agencies throughout the country now recognize the importance of women and people of color within the law enforcement ranks. Many strategies are being developed and implemented for the purpose of increasing the interest of these groups to enter law enforcement. Also, many community groups wish to increase their involvement within these programs. Because of the board's commitment to such ideals, it is attempting to coordinate these efforts by developing a comprehensive statewide recruitment and retention program. These immediate strategies are short term. In order to effect significant change, the board must work with these groups to set long term goals and secure the necessary funding.

As more public policy discussions occur concerning law enforcement education, the board will be called upon more frequently to supply data and information. For example, with limited training budgets many law enforcement agencies are looking toward ways of developing strategies to provide more cost effective continuing education for peace officers. Thus, it seems important that some form of regional training programs for peace officers continuing education be developed. The board is presently involved in these efforts.

The administration of the professional peace officer education program will be changed as Minnesota's higher education system defines its mission. Also, this redefining of mission will have an impact on the method of delivery of the professional peace officer education.

Additionally, the board is required to update curricula, educate instructors and revise examination

questions as changes in the law develop.

As a regulatory agency, the board is involved in litigation including license revocation, suspension and other disciplinary actions. It is not possible to identify the number of cases in which the board may be involved.

EXPLANATION OF BUDGET ISSUES AND ALTERNATIVES:

The agency base level funding will be sufficient to meet current needs.

GOVERNOR'S RECOMMENDATION:

The Governor concurs with the agency's plan.

1992-1993 B I E N N I A L B U D G E T
(DOLLARS IN THOUSANDS)

AGENCY: PEACE OFFICER TRNG BD
PROGRAM: PEACE OFFICER STANDARDS AND TRAINI

ACTIVITY RESOURCE ALLOCATION:	FY 1989	FY 1990	Est. FY 1991	FY 1992			FY 1993		
				Adjusted Base	Agency Plan	Governor Recomm.	Adjusted Base	Agency Plan	Governor Recomm.
PEACE OFFICERS BOARD	3,622	3,669	3,588	3,606	3,606	3,606	3,605	3,605	3,605
TOTAL EXPENDITURES BY ACTIVITY	3,622	3,669	3,588	3,606	3,606	3,606	3,605	3,605	3,605
DETAIL BY CATEGORY:									
STATE OPERATIONS	497	554	553	571	571	571	570	570	570
LOCAL ASSISTANCE	3,125	3,115	3,035	3,035	3,035	3,035	3,035	3,035	3,035
TOTAL EXPENDITURES BY CATEGORY	3,622	3,669	3,588	3,606	3,606	3,606	3,605	3,605	3,605
SOURCES OF FINANCING:									
DIRECT APPROPRIATIONS:									
GENERAL		3,621	3,565	3,583	3,583	3,583	3,582	3,582	3,582
STATUTORY APPROPRIATIONS:									
SPECIAL REVENUE	3,587								
FEDERAL	32	26	23	23	23	23	23	23	23
GIFTS AND DEPOSITS	3	22							
TOTAL FINANCING	3,622	3,669	3,588	3,606	3,606	3,606	3,605	3,605	3,605

BASE RECONCILIATION REPORT
for 1992-1993 Biennium

AGENCY: PEACE OFFICER TRNG BD

	ALL FUNDS		GENERAL FUND		OTHER STATE FUNDS		FEDERAL FUNDS	
	F.Y.92	F.Y.93	F.Y.92	F.Y.93	F.Y.92	F.Y.93	F.Y.92	F.Y.93
F.Y.91 FUNDING LEVEL	3,588	3,588	3,565	3,565			23	23
SALARY ANNUALIZATION	7	5	7	5				
DOCUMENTED RENT/LEASE INCR.	11	12	11	12				
TOTAL	3,606	3,605	3,583	3,582			23	23
BIENNIAL TOTAL		7,211		7,165				46

1992-93 BIENNIAL BUDGET

PROGRAM STRUCTURE

AGENCY: PUBLIC SAFETY, DEPARTMENT OF

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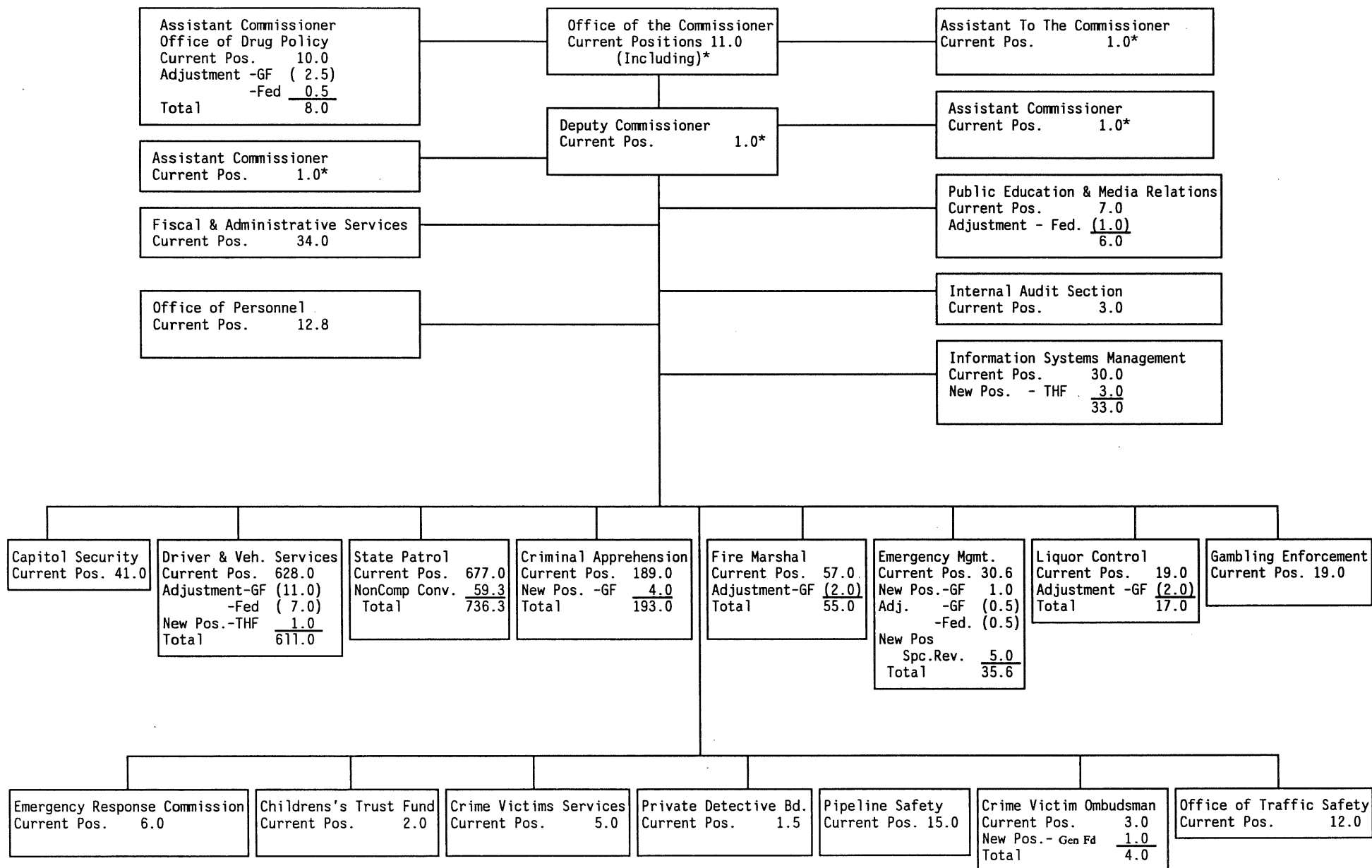
1992-93 BIENNIAL BUDGET

PROGRAM STRUCTURE (cont.)

AGENCY: PUBLIC SAFETY, DEPARTMENT OF

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DEPARTMENT OF PUBLIC SAFETY ORGANIZATION CHART 7/1/90



DEPARTMENT OF PUBLIC SAFETY

POSITION AND EMPLOYEE STATUS INFORMATION

Position Reconciliation:

<u>Authority:</u>	<u>Current F.Y. 1991</u>	<u>Requested For 6/30/93</u>
LEGISLATIVE COMPLEMENT:		
General Fund	450.2	438.2
Special Revenue	26.5	33.5
Trunk Highway Fund	1096.8	1160.1
Highway User Fund	173.6	173.6
Federal Fund	55.8	54.8
Environmental Fund	1.0	1.0
LAC Authorized		
Federal	7.0	
Special Revenue	<u>2.0</u>	
 Total Permanent Position	 1812.9	 1861.2
 Other Complement (FTE)	 <u>109.1</u>	 <u>49.8</u>
 Total Authorized Pos.	 1922.0	 <u>1911.0</u>
 Employees on 6/30/90	 <u>1871.0</u>	

Employees by Employment Status:

	<u>6/30/90</u>
Full-Time Unlimited	1,711
Full-Time Temporary	28
Full-Time Emergency	0
Full-Time Seasonal	16
Part-Time Unlimited	97
Part-Time Temporary	5
Part-Time Seasonal	14
 TOTAL	 <u>1,871</u>

MISSION:

The mission of the Department of Public Safety is the enhancement and maintenance of safety for all persons within the state of Minnesota through education, regulation, and enforcement.

The department strives to fulfill this mission by developing, implementing and operating programs in the areas of traffic safety, law enforcement, fire safety, liquor control, and emergency management. This is accomplished through a combination of regulatory activities, licensing, technical consultation, enforcement, education and support.

The department is organized into 8 divisions, 8 operational offices and commissions, and 5 administrative staff offices in which the following mission-related objectives are achieved:

- Provide specialized crime related support services to state and local criminal justice agencies.
- Provide traffic law enforcement on state and interstate highways.
- Provide personal and building security in the Capitol complex.
- Establish and maintain standards for licensing drivers and for consumer protection through vehicle titling.
- Enforce laws relating to fire protection and prevention.
- Coordinate a comprehensive emergency management program involving hazard mitigation, preparedness, response, and recovery operations.
- Provide for uniform interpretation of liquor laws statewide.
- Insure the integrity of legalized gambling through training and investigations.
- Coordinate programs aimed at preventing the maltreatment of children.
- Manage federal and state funding designated for state and local traffic safety projects.
- Coordinate activities aimed at reducing the supply and demand for illegal drugs.
- Protect the public from the danger of over 50,000 miles of gas and hazardous liquid pipelines.

MAJOR POLICY DRIVERS:

Despite enforcement and sanctions imposed, people continue to be involved in traffic crashes and killed by drunk drivers. Public debate continues on the appropriate and effective means to reduce such carnage on our roads. The same can be said for criminal activity, loss of life and property in fires, and the devastation caused by natural disasters such as tornadoes and floods and the potential for malfunctions in nuclear power plants.

Efforts to minimize these threats and disasters are basic public safety concerns, and have resulted in the development of creative approaches to protecting people from hazards and unsafe conditions around them. The development of programs and services aimed at special population groups is of particular concern, since children, teenagers and older citizens all have distinct and unique issues to address.

Changes in the geographic distribution of the population will require new strategies for the provision of public safety services. Our clientele consists of not only every citizen in the state, but also local law enforcement, fire, and emergency response agency in the state. Coordinated efforts, partnerships and interagency assistance will be necessary to respond to Minnesota's public safety needs.

EXPLANATION OF BUDGET ISSUES AND ALTERNATIVES:

The department has determined that current program guidelines, statutory requirements, projected increases in the costs of goods and services (including salaries) will result in funding demands which exceed the agency's base funding by \$675,000 in F.Y. 1992, and \$1,460,000 in F.Y. 1993. The department has reallocated within its base in an effort to meet the most pressing public safety concerns, has recommended statutory changes in areas where resources do not meet current needs, has identified current special revenue sources to fund increased costs, and has recommended

increasing fees in order to generate funds for critical activities.

Agency Reallocation:

Fully Fund Salaries	<u>F.Y. 1992</u>	\$2,000,000 (TH)	<u>F.Y. 1993</u>	\$4,000,000 (TH)
		250,000 (HUTD)		500,000 (HUTD)

The agency proposes an agency-wide reallocation of Truck Highway Fund and Highway User Tax Distribution Fund revenue to fund salaries in the Administration, State Patrol, Driver and Vehicle Services, and Traffic Safety programs.

The breakdown of the agency reallocations by program is as follows:

Reallocations by Program		(Dollars in Thousands)	
	<u>Fund</u>	<u>F.Y. 1992</u>	<u>F.Y. 1993</u>
Agency	Trunk Highway HUTD	2,000,000 250,000	4,000,000 500,000
Administration and Related Services	Trunk Highway	110,000	115,000
Emergency Management	Special Revenue General	198,000 276,000	180,000 276,000
Criminal Apprehension	Special Revenue General	147,000 195,000	147,000 191,000
State Patrol	Trunk Highway	897,000	887,000
Driver and Vehicle Services	General Trunk Highway HUTD	(39,000) 776,000 200,000	(39,000) 778,000 200,000
Traffic Safety	General	11,000	11,000
Pipeline Safety	Special Revenue	70,000	100,000
Crime Victim Services	General	329,000	296,000
Children's Trust Fund	Special Revenue Special Revenue	(8,000) 8,000	(12,000) 12,000
Emergency Response Commission	General	10,000	10,000
Crime Victim Ombudsman	General	41,000	44,000
TOTAL	Special Revenue General Trunk Highway HUTD	415,000 823,000 3,783,000 450,000	427,000 789,000 5,780,000 700,000

1992-1993 B I E N N I A L B U D G E T
(DOLLARS IN THOUSANDS)

AGENCY: PUBLIC SAFETY, DPT OF

PROGRAM RESOURCE ALLOCATION:	FY 1989	FY 1990	Est. FY 1991	FY 1992			FY 1993		
				Adjusted Base	Agency Plan	Governor Recomm.	Adjusted Base	Agency Plan ¹	Governor Recomm.
ADMIN & RELATED SVS	3,910	5,347	5,640	5,398	5,710	5,448	5,385	5,854	5,550
EMERGENCY MANAGEMENT	6,480	8,311	4,382	2,984	3,458	3,485	2,984	3,440	3,465
CRIMINAL APPREHENSION	13,933	15,119	17,306	16,181	16,527	16,504	16,367	16,732	16,686
FIRE MARSHAL	2,000	2,357	2,750	2,785	2,785	2,785	2,789	2,789	2,789
STATE PATROL	39,008	42,887	42,527	42,562	44,950	43,408	42,476	46,345	44,205
CAPITOL SECURITY	1,017	1,336	1,313	1,353	1,353	1,353	1,348	1,348	1,348
DRIVER & VEH SERVICES	27,805	31,090	33,108	32,821	34,311	33,167	32,156	34,232	32,504
LIQUOR CONTROL	746	809	801	811	811	811	759	759	759
GAMBLING ENFORCEMENT		334	1,430	1,259	1,259	1,259	1,256	1,256	1,256
TRAFFIC SAFETY	2,429	2,918	2,954	2,585	2,596	2,596	2,585	2,596	2,596
DRUG POLICY		1,950	5,640	7,509	7,509	7,509	7,509	7,509	7,509
PIPELINE SAFETY	456	528	846	940	1,010	1,010	940	1,040	1,040
CRIME VICTIMS SERVICES	1,684	1,710	2,098	1,787	2,116	2,116	1,787	2,083	2,083
CHILDRENS TRUST FUND	450	588	571	553	553	1,098	553	553	1,098
EMERGENCY RESPONSE	128	344	411	406	416	416	406	416	416
PRIVATE DETECTIVE AND SECURITY LIC	44	56	67	68	68	68	67	67	67
CRIME VICTIMS OMBUDSMAN	114	105	112	112	153	153	112	156	156
TOTAL EXPENDITURES BY PROGRAM	100,204	115,789	121,956	120,114	125,585	123,186	119,479	127,175	123,527
SOURCES OF FINANCING:									
DIRECT APPROPRIATIONS:									
GENERAL	22,427	26,191	31,228	29,671	30,494	30,565	29,667	30,456	30,507
SPECIAL REVENUE		963	1,334	1,383	1,608	2,300	1,383	1,642	2,330
TRUNK HIGHWAY	54,002	62,036	62,295	62,172	65,955	63,184	61,498	67,278	63,510
HGHMY USER TAX DISTR	8,488	9,462	10,209	10,144	10,594	10,344	10,171	10,871	10,371
ENVIRONMENTAL			48	41	41	41	41	41	41
STATUTORY APPROPRIATIONS:									
GENERAL	109	197	487	519	519	519	691	691	691
SPECIAL REVENUE	3,544	1,805	1,561	1,579	1,769	1,628	1,529	1,697	1,578
TRUNK HIGHWAY	1,346	631	772	650	650	650	650	650	650
FEDERAL	10,243	14,502	13,952	13,955	13,955	13,955	13,849	13,849	13,849
GIFTS AND DEPOSITS	45	2	70						
TOTAL FINANCING	100,204	115,789	121,956	120,114	125,585	123,186	119,479	127,175	123,527

REVISED 3/20/91

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BASE RECONCILIATION REPORT
for 1992-1993 Biennium

AGENCY: PUBLIC SAFETY, DPT OF

	ALL FUNDS		GENERAL FUND		OTHER STATE FUNDS		FEDERAL FUNDS	
	F.Y.92	F.Y.93	F.Y.92	F.Y.93	F.Y.92	F.Y.93	F.Y.92	F.Y.93
F.Y.91 FUNDING LEVEL	121,956	121,956	31,715	31,715	76,289	76,289	13,952	13,952
ONE-TIME APPROPRIATIONS	<199>	<199>	<154>	<154>	<45>	<45>		
APPROPRIATIONS CARRIED FWD	<1,857>	<1,857>	<1,455>	<1,455>	<402>	<402>		
NON RECURRING EXPENDITURES	<1,113>	<1,519>	<328>	<282>	<785>	<1,237>		
SUNSET PROGRAMS		<50>				<50>		
SALARY ANNUALIZATION	1,126	857	270	208	856	649		
ANNUALIZG NEW PROG COST	134	134	60	60	74	74		
DOCUMENTED RENT/LEASE INCR.	67	91	33	45	34	46		
DEDICATED RECEIPTS AND FUNDS	<3>	169	49	221	<52>	<52>		
FEDERAL RECEIPTS	3	<103>					3	<103>
TOTAL	120,114	119,479	30,190	30,358	75,969	75,272	13,955	13,849
BIENNIAL TOTAL		239,593		60,548		151,241		27,804

ACTIVITY:
PROGRAM:
AGENCY: Public Safety, Department of

1992-93 Biennial Budget

DECISION ITEM: Financing Inflationary Costs

	Dollars in Thousands			
	F.Y. 1992	F.Y. 1993	F.Y. 1994	F.Y. 1995
AGENCY PLAN:				
Expenditures				
General Fund	\$ -0-	\$ -0-	\$ -0-	\$ -0-
Trunk Highway Fund	2,350	4,350	4,350	4,350
Highway User Tax Dist.	450	700	700	700
	\$ 2,800	\$ 5,050	\$ 5,050	\$ 5,050

Revenues				
General Fund	\$ -0-	\$ -0-	\$ -0-	\$ -0-
Trunk Highway Fund	2,350	4,350	4,350	4,350
Highway User Tax Dist.	450	700	700	700
	\$ 2,800	\$ 5,050	\$ 5,050	\$ 5,050

GOVERNOR'S RECOMMENDATION:

Expenditures				
General Fund	\$ -0-	\$ -0-	\$ -0-	\$ -0-
Trunk Highway Fund	350	350	350	350
Highway User Tax Dist.	200	200	200	200
	\$ 550	\$ 550	\$ 550	\$ 550

Revenues				
General Fund	\$ -0-	\$ -0-	\$ -0-	\$ -0-
Trunk Highway Fund	350	350	350	350
Highway User Tax Dist.	200	200	200	200
	\$ 550	\$ 550	\$ 550	\$ 550

Requires statutory change: _____ Yes X No
Statutes Affected:

ITEM SUMMARY:

The Biennial Budget instructions assumed a 4.5% inflationary increase each year of the 1992-93 biennium for both salaries and non-salary line items. A 20% increase in postage rate was anticipated. Data processing operating costs reflect increase in expected transaction volumes with no anticipated rate changes.
Gasoline costs were estimated to increase by \$0.20 per gallon.

RATIONALE:

General Fund Expenditures

The agency deleted 15.5 FTE General Fund complement positions in FY1992-93 in order to fund the position roster above 100% of the calculated roster liability. Any increases in the roster liability

for the FY 1992-93 cost of labor contracts will be absorbed within the base budget for programs funded with General Fund dollars. As positions become vacant, some positions will be held vacant for the remainder of the next biennium to fund salary increases.

Gasoline increases in the Criminal Apprehension Program were covered by reallocating funds within the program.

The Criminal Justice Data Network has experienced significant growth in the numbers of users and volume of transactions over the last 4 years. Continued growth in volume and the addition of new devices on the network (mobile terminals) over the next biennium will result in projected costs exceeding the base level budget by an estimated \$600,000 in FY1992 and \$800,000 in FY 1993. Alternatives considered to fund the projected shortfall are:

1. Increasing local governments share of the cost of the system.
2. Billing State agencies for their share of system use.
3. Implement a Public Safety message switching system.

Trunk Highway Fund

Due to growth in the Trunk Highway Fund, the agency requested allocation of funds to cover projected salary increases of \$2,000,000 in FY 1992 and \$4,000,000 in FY 1993.

A \$200,000 request was made for each year of the biennium to cover projected gasoline increases for the State Patrol and a \$150,000 request was made for each year to cover projected postage increases in the Driver Vehicle Services program.

Highway User Tax Distribution Fund

Due to growth in the Highway User Tax Distribution Fund, the agency requested allocation of funds to cover projected salary increases of \$250,000 in FY 1992 and \$500,000 in FY 1993.

A \$200,000 request was made for each year of the biennium to cover projected postage increases in the Driver Vehicle Services program.

GOVERNOR'S RECOMMENDATION:

The Governor recommends \$350,000 each for gasoline and postage increases in the Trunk Highway Fund and \$200,000 each year for postage increases to the Highway User Tax Distribution Fund. No funding is recommended for salary supplements.

1992-93 Biennial Budget

ACTIVITY:
PROGRAM:
AGENCY: PUBLIC SAFETY, DEPARTMENT OF

DECISION ITEM: Allocation of General Funds

AGENCY PLAN:

	<u>E.Y. 1992</u>	<u>E.Y. 1993</u>	<u>E.Y. 1994</u>	<u>E.Y. 1995</u>
Expenditures:				
General Fund				
Nuclear Plant Assessment	276	276	276	276
Non-Criminal Justice Records	191	191	191	191
Crime Victim Reparations	329	296	296	296
Increase Data Processing				
Costs-Emergency Response	10	10	10	10
Crime Victims Ombudsman	<u>41</u>	<u>44</u>	<u>44</u>	<u>44</u>
	847	817	817	817
Revenues:				
General Fund	847	817	817	817

GOVERNOR'S RECOMMENDATIONS:

Expenditures:				
General Fund				
Nuclear Plant Assessment	0	0	0	0
Non-Criminal Justice Records	191	191	191	191
Crime Victim Reparations	329	296	296	296
Increase Data Processing				
Costs-Emergency Response	10	10	10	10
Crime Victims Ombudsman	<u>41</u>	<u>44</u>	<u>44</u>	<u>44</u>
	571	541	541	541
Special Revenue				
Nuclear Plant Assessment	700	700	700	700
Revenues:				
General Fund	571	541	541	541
Special Revenues	700	700	700	700

Requires Statutory Change: X Yes

Statutes Affected: M.S. 12.14

ITEM SUMMARY:

Due to growth in the number paying the fees and an increase in fees in certain categories, the department request allocation of funds to the above functions.

RATIONALE:

Nuclear Plant Assessment:

The agency requests an increase in funding for the Nuclear Plant Preparedness Activity by \$276,000 each year. \$192,000 of the \$276,000 request will cover costs that in the past have been absorbed by the Departments of Health, Agriculture, and Human Services. The agency requests an increase of 1 FTE General Funded complement position for this program. The agency is requesting that this be funded by an increase in assessments for nuclear power plants, M.S. 12.14.

Non-Criminal Justice Records:

The agency requests that the \$5 Non-Criminal Justice Records Request Fee be raised to \$8 per inquiry. With anticipated volume and fee increases, an estimated \$212,000 and \$262,000 in new revenues will be generated in the next biennium. The agency requests an increase of 4 FTE General Funded complement positions and \$195,000 in F.Y. 1992 and \$191,000 in F.Y. 1993. The additional positions are needed to handle the added workload due to volume increases and to provide additional support services to this activity.

Crime Victims Reparations:

The agency requests that those dollars generated from the assessments and surcharges on criminal fines (M.S. 609.101) and drug forfeiture dollars (M.S. 609.5315) be made available for crime victims services. An estimated \$1,150,000 and \$1,160,000 in revenues will be collected under present law. The F.Y. 1992-93 base includes only \$550,000 each year from these revenue sources. The agency requests that additional funding be made available from these sources of revenues for the administration of the Crime Victims Services, \$129,000 and \$96,000, and for the payment of claims, \$200,000 each year.

Crime Victim Ombudsman:

The agency requests an increase of 1 FTE position and \$41,000 and \$44,000 from fines and forfeiture dollars designated for victims assistance.

Increase Data Processing Costs - Emergency Response:

The agency requests an increase in funding of \$10,000 each year for data management costs of hazardous chemical information. The agency projects that additional funding can be met through an increase in the number of facilities paying the Hazardous Chemical Report Fee during the next biennium.

GOVERNOR'S RECOMMENDATION:

The Governor concurs with the agency's plan with one exception, Nuclear Plant Assessment. The Governor recommends that the entire cost of this activity be supported by an assessment to businesses that have nuclear fission electrical generating plants located in Minnesota. The total cost of the activity is estimated to be \$700,000 each year of the 1992-93 biennium. A new account will be established in the Special Revenue Fund entitled the Nuclear Safety Preparedness Account. The assessments will be billed quarterly based on actual costs.

1992-93 Biennial Budget

ACTIVITY:

PROGRAM:

AGENCY: PUBLIC SAFETY, DEPARTMENT OF

DECISION ITEM: Allocation of Special Funds

AGENCY PLAN:

	E.Y. 1992	E.Y. 1993	E.Y. 1994	E.Y. 1995
Expenditures:				
Special Revenue Fund				
On-Call System	\$ 198	\$ 180	\$ 180	180
Increase BCA Lab Account	139	139	32	32
Increase BCA Buy Fund Account	8	8	8	8
Increase Pipeline Safety	30	60	60	60
Attorney Pipeline Safety	40	40	40	40
	\$ 415	\$ 427	\$ 320	\$ 320

Revenues:

Special Revenue Fund	\$ 415	\$ 427	\$ 320	\$ 320
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GOVERNOR'S RECOMMENDATIONS:

Expenditures:

General Fund				
On-Call System	\$ 188	\$ 168	\$ 193	\$ 193
Special Revenue Fund				
On-Call System	\$ 49	\$ 49	\$ 56	\$ 56
Increase BCA Lab Account	139	139	32	32
Increase BCA Buy Fund Account	8	8	8	8
Increase Pipeline Safety	30	60	60	60
Attorney Pipeline Safety	40	40	40	40
	\$ 266	\$ 296	\$ 196	\$ 196

Revenues:

General Fund	\$ 200	\$ 200	\$ 200	\$ 200
Special Revenue Fund	\$ 266	\$ 296	\$ 196	\$ 196

Requires Statutory Change: ☒ Yes ☐ No

Statutes Affected: M.S. 299K.09, Subd. 2

ITEM SUMMARY:

Due to growth in the number of clientele paying fees and an increase in the fees in certain categories, the department request allocation of funds to the above functions.

RATIONALE:

On Call System: The agency requests an increase in funding in the Emergency Management Program of \$198,000 and \$180,000 for a 24 hour on-call system to replace the current duty officer system. To improve the division's responsiveness to the current volume of calls received on the statewide emergency number, this program must implement a full time duty

officer system. The agency requests an increase in complement of 5 FTE positions. These costs will be offset by a redirection of the fees currently paid by petroleum and agriculture chemical transporters. New U.S. Department of Transportation (DOT) regulations have increased the reporting requirements for the transportation industry. Various associations, such as the Northwest Petroleum Association and the Minnesota Plant Food and Chemical Dealer Association, have requested that this program serve as its point of notification and offered to fund the additional costs.

Increase in funding of BCA Lab Account: The BCA's lab account is a dedicated account funded from 8% of DWI reinstatement fees. There are excess dollars (\$214,000) in this account from prior years, and the agency proposes to increase the BCA's budget by \$107,000 per year to accommodate increased needs for laboratory supplies. Also, there is increased growth in revenues to this account (\$32,000 per year) due to the increased level of DWI reinstatements.

Increase BCA Buy Fund Account: Two percent of DWI reinstatement fees are dedicated to the BCA Buy Fund Account for the purpose of cross-jurisdictional criminal investigations. The projected increase in volume in DWI reinstatements is projected to generate an additional \$8,000 in revenues each year.

Increase Funding For Pipeline Safety Salaries: The agency requests an increase in funding of \$30,000 in F.Y. 1992 and \$60,000 in F.Y. 1993 to cover projected salary increases. All costs related to this program are covered through fees.

Funding For Legal Services - Pipeline Safety: The agency request an increase in funding of \$40,000 each year of the biennium for the funding of an attorney position in the Attorney General's Office. The agency will contract with the Attorney General's Office for legal services for the Office of Pipeline Safety. The statutory responsibilities of the office has generated extensive legal work, including numerous rulemaking, complex federal preemption issues, and legal questions regarding federal agency status.

GOVERNOR'S RECOMMENDATION:

The Governor concurs with the agency's plan with one exception, the On-Call System. The agency should increase it efforts in the collection of the Hazardous Chemical Report Fee. An estimated \$200,000 in additional revenues could be collected in this area in F.Y. 1992-93. It is recommended that the fees collected are to cover a portion of the costs associated with the proposed On-Call System.

ACTIVITY: Various
 PROGRAM: Agency-Wide Decision
 AGENCY: Public Safety, Department of

1992-93 Biennial Budget

DECISION ITEM: Allocation of Trunk Highway

	Dollars in Thousands			
	F.Y. 1992	F.Y. 1993	F.Y. 1994	F.Y. 1995
AGENCY PLAN:				
Expenditures				
Trunk Highway Fund				
Full Salary Funding	\$ 2,000	\$ 4,000	\$ 4,000	\$ 4,000
MIS Plan	110	115	115	115
Motor Fuel Costs Increase	200	200	200	200
Patrol Immunizations	50	-0-	-0-	-0-
Postage Increase	150	150	150	150
Implied Consent	20	20	20	20
MN/DOT Radio Contract	397	437	437	437
State Patrol Equipment	250	250	250	250
Failure to Appear	46	48	48	48
Drivers License Photo	560	560	560	560
	\$ 3,783	\$ 5,780	\$ 5,780	\$ 5,780
Revenues				
Trunk Highway Fund	\$ 3,783	\$ 5,780	\$ 5,780	\$ 5,780

GOVERNOR'S RECOMMENDATION:

Expenditures				
Trunk Highway Fund				
Full Salary Funding	\$ -0-	\$ -0-	\$ -0-	\$ -0-
MIS Plan	110	115	115	115
Motor Fuel Costs Increase	200	200	200	200
Patrol Immunizations	50	-0-	-0-	-0-
Postage Increase	150	150	150	150
Implied Consent	20	20	20	20
MN/DOT Radio Contract	397	437	437	437
State Patrol Equipment	149	1,042	1,042	1,042
Failure to Appear	46	48	48	48
Drivers License Photo	0-	0-	0-	0-
	\$ 1,012	\$ 2,012	\$ 2,012	\$ 2,012
Revenues				
General Fund	\$ 1,012	\$ 2,012	\$ 2,012	\$ 2,012

Requires statutory change: _____ Yes X No
 Statutes Affected:

ITEM SUMMARY:

Due to growth in the Trunk Highway Fund the department requests allocation of funds to the above functions.

RATIONALE:

Full Salary Funding: Anticipated salary increases will be funded in Administration, State Patrol, Driver and Vehicle Services, and Traffic Safety programs.

MIS Plan: Because of application development and maintenance requirements in the State Patrol, 1 additional programming position is needed. Due to expansion of a wide area network to 25 remote locations throughout the state, 2 additional auditor/trainer positions are needed.

Motor Fuel Cost Increase: An increase of 20¢ per gallon over available base funding is requested for State Patrol vehicles.

Patrol Immunizations: OSHA policy mandates that Hepatitis B vaccinations be provided for employees determined to be at risk. This group includes law enforcement personnel.

Postage Increase: A 4¢ increase in the postage rate is in effect. This increase in the postage rate will have a negative impact in the budget of the Driver and Vehicle Services program.

Implied Consent: The department requests an increase in funding to pay for legal services provided by the Attorney General for litigation of driver license revocations under the implied consent law. The present level of funding for this activity is not sufficient to cover all of the legal costs.

MN/DOT Radio Contract: The patrol radio system is maintained under contractual agreement with the Department of Transportation. This request will cover anticipated rate and volume increases.

State Patrol equipment: The State Patrol equipment budget was reduced by \$600,000 per year for F.Y. 1991-92-93. This request will provide funding for the replacement of weapons and vehicles that can no longer be economically repaired or that are no longer safe to operate.

Failure to Appear: In 1989, the legislature passed a "failure to appear" law requiring the Driver and Vehicle Services Division to suspend an estimated 60,000 driver licenses for failing to appear in court. The program was not funded. This request will provide funding for this activity and 1 additional Trunk Highway Funded complement position.

Driver License Photo: An increase in funding is requested to improve the driver license card. The current system is obsolete and new or replacement cameras are no longer available. This request will provide the additional funding needed for a digitized image system which will improve the quality of the license, reduce issuance time, and permit new offices to be added.

GOVERNOR'S RECOMMENDATION:

The Governor recommends that Motor Vehicle Excise Tax proceeds no longer be transferred to the Trunk Highway Fund. This loss of funds requires reductions to the agency's plan. The Governor's adjustments to the agency's plan are summarized as follows: no salary supplement for increased salary costs is provided. The MIS plan is funded for 1993 only. Equipment budgets are increased. The drivers license photo request is not funded.

**ACTIVITY
PROGRAM**

1992-93 Biennial Budget

AGENCY: Public Safety, Department of

DECISION ITEM: Allocation of Highway User Tax Distribution Funds

	Dollars in Thousands			
	<u>F.Y. 1992</u>	<u>F.Y. 1993</u>	<u>F.Y. 1994</u>	<u>F.Y. 1995</u>
AGENCY PLAN:				
Expenditures				
Highway User Tax Dist.				
Full Salary Funding	\$ 250	\$ 500	\$ 500	\$ 500
Postage Increase	200	200	200	200
	<u>\$ 450</u>	<u>\$ 700</u>	<u>\$ 700</u>	<u>\$ 700</u>
Revenues				
Highway User Tax Dist.	\$ 450	\$ 700	\$ 700	\$ 700

GOVERNOR'S RECOMMENDATION:

Expenditures				
Highway User Tax Dist.				
Full Salary Funding	\$ -0-	\$ -0-	\$ -0-	\$ -0-
Postage Increase	200	200	200	200
	<u>\$ 200</u>	<u>\$ 200</u>	<u>\$ 200</u>	<u>\$ 200</u>
Revenues				
Highway User Tax Dist.	\$ 200	\$ 200	\$ 200	\$ 200

Requires statutory change: _____ Yes X No
Statutes Affected:

ITEM SUMMARY:

Due to growth in the Highway User Tax Distribution Fund the department requests allocation of funds to the above functions.

RATIONALE:

Full Salary Funding:

Anticipated salary increases will be funded in the Driver and Vehicle Services program. The Biennial Budget instructions assumed a 4.5% increase in the cost of labor contracts each year of the 1992-93 biennium.

Postage Increase

A 20% increase in the postage rate was anticipated. This increase in the postage rate will have a negative impact in the budget of the Driver and Vehicle Services program.

GOVERNOR'S RECOMMENDATION:

The Governor recommends \$200,000 each year for postage increases.

ACTIVITY:
PROGRAM:
AGENCY: Public Safety, Department of

1992-93 Biennial Budget

bicycle safety programs. This general fund increase in the Traffic Safety program is funded through a reduction in the Driver and Vehicle Services program as a result of eliminating the bicycle registration program.

GOVERNOR'S RECOMMENDATION:

The Governor concurs with the agency's plan.

DECISION ITEM: Discontinuance of Statewide Bicycle Registration

	Dollars in Thousands			
	<u>F.Y. 1992</u>	<u>F.Y. 1993</u>	<u>F.Y. 1994</u>	<u>F.Y. 1995</u>

AGENCY PLAN:

Expenditures

General Fund				
Bicycle Registration	\$ (39)	\$ (39)	\$ (39)	\$ (49)
Bicycle Safety	<u>11</u>	<u>11</u>	<u>11</u>	<u>11</u>
	\$ (28)	\$ (28)	\$ (28)	\$ (38)

Revenues

General Fund	\$ -0-	\$ -0-	\$ -0-	\$ -0-
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GOVERNOR'S RECOMMENDATION:

Expenditures

General Fund				
Bicycle Registration	\$ (39)	\$ (39)	\$ (39)	\$ (49)
Bicycle Safety	<u>11</u>	<u>11</u>	<u>11</u>	<u>11</u>
	\$ (28)	\$ (28)	\$ (28)	\$ (38)

Revenues

General Fund	\$ -0-	\$ -0-	\$ -0-	\$ -0-
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Requires statutory change: X Yes No
Statutes Affected: M.S. 168C

ITEM SUMMARY:

The registration of bicycles under a statewide bicycle registration system is being discontinued.

RATIONALE:

The funding for the bicycle registration activity was cut by \$60,800 as part of the 1991 General Fund reduction. The current funding level in F.Y. 1991 is \$49,000. The agency cannot continue to register bicycles at this level of funding. The agency plans to discontinue the statewide system of registering bicycle in F.Y. 1992. The system has not been effective as a mechanism in the recovery of stolen bicycles. An estimated cost of \$10,000 is required to maintain the computer files of registered bicycles for 3 years until all registrations have expired.

The agency requests a reallocation of \$11,000 in General Fund dollars to promote community-based

ACTIVITY: Children's Trust Fund
PROGRAM: Children's Trust Fund
AGENCY: Public Safety, Department of

1992-93 Biennial Budget

DECISION ITEM: Child Abuse Professional Consultation Telephone
Line

Dollars in Thousands			
<u>F.Y. 1992</u>	<u>F.Y. 1993</u>	<u>F.Y. 1994</u>	<u>F.Y. 1995</u>

GOVERNOR'S RECOMMENDATION:

Expenditures

General Fund	\$	45	\$	45	\$	45	\$	45
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Requires statutory change: _____ Yes X No
Statutes Affected:

ITEM SUMMARY:

The Governor recommends that \$45,000 be appropriated each year of the 1992-93 biennium to the Commissioner of Public Safety. The commissioner shall contract for at least one statewide toll-free 24-hour telephone line for the purpose of providing consultative and training services for physicians, therapists, child protection workers, and other professionals involved in child protection as provided in M.S. 626.562.

RATIONALE:

Laws of 1990, Chapter 542, Section 40 provided funding for the Child Abuse Professional Consultation telephone Line only through 6-30-91. Funds were appropriated from the Children's Trust Fund for this purpose.

ACTIVITY: Executive Protection
PROGRAM: State Patrol
AGENCY: Public Safety, Department of

1992-93 Biennial Budget

DECISION ITEM: Executive Protection--Increase of Complement

	Dollars in Thousands			
	<u>F.Y. 1992</u>	<u>F.Y. 1993</u>	<u>F.Y. 1994</u>	<u>F.Y. 1995</u>

AGENCY PLAN:

Expenditures

General Fund	\$ 50	\$ 50	\$ 50	\$ 50
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Revenues

General Fund	\$ -0-	\$ -0-	\$ -0-	\$ -0-
--------------	--------	--------	--------	--------

GOVERNOR'S RECOMMENDATION:

Expenditures

General Fund	\$ 50	\$ 50	\$ 50	\$ 50
--------------	-------	-------	-------	-------

Revenues

General Fund	\$ -0-	\$ -0-	\$ -0-	\$ -0-
--------------	--------	--------	--------	--------

Requires statutory change: _____ Yes X No
Statutes Affected:

ITEM SUMMARY:

The agency requests \$50,000 each year of the 1992-93 biennium to fund 1.0 additional trooper position assigned to the security of the Governor and his family. At the present time, 6 troopers are permanently assigned to this activity.

RATIONALE:

This agency is mandated by statute to provide security for the Governor and his family. This is accomplished through the Executive Protection Activity with the State Patrol. Currently, there are 6.0 positions assigned to this activity. The agency request 1.0 additional position to adequately carry out its security responsibility.

GOVERNOR'S RECOMMENDATION:

The Governor concurs with the agency's request.

ACTIVITY:
PROGRAM: Emergency Management
AGENCY: Public Safety, Department of

1992-93 Biennial Budget

DECISION ITEM: Deficiency Request - Flood Disaster Relief

<u>AGENCY PLAN</u>	<u>Dollars in Thousands</u>		
	<u>F.Y. 1991</u>	<u>F.Y. 1992</u>	<u>F.Y. 1993</u>
Expenditures:			
General Fund	\$286	\$-0-	\$-0-
Revenues:			
General Fund	-0-	-0-	-0-

GOVERNOR'S RECOMMENDATION:

Expenditures:			
General Fund	\$286	\$-0-	\$-0-
Revenues:			
General Fund	-0-	-0-	-0-

Requires statutory change: _____ Yes X No

Statutes Affected:

ITEM SUMMARY:

The agency requests a \$286,000 deficiency appropriation for state F.Y. 1991 to cover prior state obligations under 2 Presidential Disaster Declarations; Twin City metro area flood and storm of 1987 and the Red River Valley flood of 1989. This request should cover the remaining states obligations as agreed upon by former Governor Perpich and the Federal Emergency Management Assistance Agency (FEMA) under the State Agreement for Federal Financial Assistance.

RATIONALE/OPTIONS:

Federal assistance provided by FEMA had been limited to 75% of the total eligible public property costs, with the state and/or local government providing 25% hard match. The state had committed to fund 15% of the cost of the damage to local public property with local government's funding 10% of the total cost. The state had committed to cover 25% of the cost of the damage to state property.

A total of \$2,152,000 had been appropriated to meet the state obligations for metro area disaster assistance payments and \$645,000 for the Red River Valley flood. The remaining obligations for reimbursement of flood disaster payments exceed the appropriations by \$26,000 for the metro area disaster and by \$260,000 for the Red River Valley flood disaster.

GOVERNOR'S RECOMMENDATION:

The Governor concurs with the agency's plan.

PUB.07 3/21/91 3:00pm jms

ACTIVITY Children's Trust Fund
PROGRAM Children's Trust Fund
AGENCY: Public Safety

1992-93 Biennial Budget

DECISION ITEM: Child Abuse Prevention

Dollars in Thousands			
<u>F.Y. 1992</u>	<u>F.Y. 1993</u>	<u>F.Y. 1994</u>	<u>F.Y. 1995</u>

GOVERNOR'S RECOMMENDATION:

Expenditures

General Fund	\$	500	\$	500	\$	500	\$	500
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Revenues

General Fund	\$	-0-	\$	-0-	\$	-0-	\$	-0-
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Requires statutory change: _____ Yes X No

ITEM SUMMARY:

The Governor recommends that \$25,000 for administrative costs and \$475,000 for child abuse prevention grants be added to the appropriations for the Children's Trust Fund activity.

The Children's Trust Fund was established to provide funding to community based programs designed to help prevent child maltreatment, and to provide education, leadership and resources to local prevention organizations. Current funding of approximately \$550 per year is provided through a surcharge on birth certificates. The revenue generated from this source falls far short of that envisioned when the program was established.

RATIONALE:

The Governor places a high priority on prevention programs. The Children's Trust Funds primary responsibility is to provide a continuing funding source for community based programs. The additional funding recommended is intended to expand the current program with emphasis on primary prevention programs designed to assist in strengthening family functions to prevent child abuse and neglect from ever happening and secondary prevention programs to keep child abuse and neglect from occurring after certain early warning signs have appeared.

PROGRAM: Administration and Related Services
Agency: Public Safety, Department of

1992-93 Biennial Budget

PROGRAM PURPOSE:

The primary purpose of this program is to provide centralized and cost effective administration, fiscal, personnel, planning, information and systems for the department. This is carried out through accomplishment of the following priority functions:

- Management direction, policy level administrative support and long range planning.
- Financial management of the annual budget, internal audit, and fiscal resource management.
- Personnel management, employee development, affirmative action and employee safety.
- Public education and media relations.
- Information systems management.

PERFORMANCE:

The Office of Public Education and Media Relations reaches well over 1 million people directly each year. Its programs have been recognized nationally for a number of years, and awards of excellence are consistently given to the motorcycle safety publication, Rider Review.

The Commissioner sponsored the first statewide DWI conference aimed at developing strategies for lowering the incidence of drunk driving by 1% each year. In addition, special outreach programs have been targeted to special driving groups, such as a teen drinking/driving conference and senior driver education.

The Office of Information Systems Management implemented the department's personal computers, local area networks and mini computer system. As a result of this new system, operational costs are being reduced and our dependence on InterTech for development and maintenance support is declining. Careful use of the MIS and division budgets has resulted in the completion of the following systems:

- The department's new computer system is purchased and installed, and the necessary applications conversions from the previous systems are progressing.
- The Criminal History and Trooper Activity Systems have been redone and implemented on the department's mini computer.
- IBM's LU6.2 peer-to-peer communication protocol has been installed on the CJRS message handler.
- A high speed printing capability has been added to the new mini computer system shifting Public Safety's printing responsibilities from InterTechnology Group to in-house.
- The office has begun the implementation of the departments wide area network.

Operational savings resulting from the implementation of these projects have allowed us to progress further than anticipated in the continuing upgrading and development of Public Safety's information systems.

PROSPECTS:

The department's MIS plan for F.Y. 1990-91 established the foundation for a department-wide

information system and networking philosophy and architecture. The implementation of this was dependent on the purchase of a department in-house computer system to replace aging existing systems and on the establishment of a communications capability that would provide for department-wide sharing of information. Savings generated by this process has allowed us to begin extending the department's MIS systems and services to remote Public Safety locations in Greater Minnesota. The department has 25 remote offices throughout Minnesota. With savings experienced by implementing the MIS plan, we will extend those systems and services available in the central site to all locations if we are truly committed to providing department-wide sharing of information and statewide public access to information within the law.

PLAN:

In implementing the MIS F.Y. 1990-91 plan, we have identified 2 areas where we have a need for additional resources to be funded from additional trunk highway fund revenues.

Agency Reallocation:

<u>MIS Development and Training</u>	<u>F.Y. 1992</u>	<u>\$110,000</u>	<u>F.Y. 1993</u>	<u>\$115,000</u>
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Application development and maintenance requirements have exceeded our ability and we have adopted the strategy of using consultant services for new application development or major upgrades and utilization of in-house staff for maintenance, minor enhancements, and some personal computer systems development. Therefore we are requesting 1 additional programming position to relieve some of this overload and give us capability to provide support to the State Patrol's applications.

As we have developed new and enhanced systems and applications, we have expanded the need to provide training to Public Safety personnel to effectively use these tools. As we extend these services and capabilities to the 25 remote locations throughout the state through implementation of a wide area network, we need 2 auditor/trainer positions to train personnel in these locations. Additionally, we need to begin an auditing process within which the use of information systems and services is audited to ensure that these systems and the data are used and disseminated within the legal framework for which they were developed.

GOVERNOR'S RECOMMENDATION:

The Governor recommends funding for MIS development and training in F.Y. 1993 only. Also a reduction of \$152,000 in F.Y. 1992 and \$304,000 in F.Y. 1993 for salary funding is recommended.

1992-1993 B I E N N I A L B U D G E T
(DOLLARS IN THOUSANDS)

AGENCY: PUBLIC SAFETY, DPT OF
PROGRAM: ADMIN & RELATED SVS

ACTIVITY RESOURCE ALLOCATION:	FY 1989	FY 1990	Est. FY 1991	FY 1992			FY 1993		
				Adjusted Base	Agency Plan	Governor Recomm.	Adjusted Base	Agency Plan	Governor Recomm.
PUBLIC SAF-SUPPORT	3,910	5,347	5,640	5,398	5,710	5,448	5,385	5,854	5,550
TOTAL EXPENDITURES BY ACTIVITY	3,910	5,347	5,640	5,398	5,710	5,448	5,385	5,854	5,550
DETAIL BY CATEGORY:									
STATE OPERATIONS	3,907	5,209	5,540	5,298	5,610	5,348	5,285	5,754	5,450
LOCAL ASSISTANCE	3	58	100	100	100	100	100	100	100
AID TO INDIVIDUALS		80							
TOTAL EXPENDITURES BY CATEGORY	3,910	5,347	5,640	5,398	5,710	5,448	5,385	5,854	5,550
SOURCES OF FINANCING:									
DIRECT APPROPRIATIONS:									
GENERAL	171	134	509	511	530	530	510	529	529
TRUNK HIGHWAY	3,126	4,563	4,499	4,269	4,543	4,281	4,257	4,688	4,384
HGHMY USER TAX DISTR	24				19	19		19	19
STATUTORY APPROPRIATIONS:									
SPECIAL REVENUE	156	457	451	451	451	451	451	451	451
FEDERAL	430	191	179	167	167	167	167	167	167
GIFTS AND DEPOSITS	3	2	2						
TOTAL FINANCING	3,910	5,347	5,640	5,398	5,710	5,448	5,385	5,854	5,550

PROGRAM: Emergency Management
Agency: Public Safety

1992-93 Biennial Budget

PROGRAM PURPOSE:

This program's mission is to minimize the threats to life and property from all man made and natural disasters in Minnesota, through mitigation of the threat and implementation of planning, response and recovery programs. This involves development of all-hazard plans for the state and all local governments, exercising those plans to ensure their feasibility, and training of state and local personnel to carry out their emergency management responsibilities. The Division of Emergency Management coordinates its efforts with other state and local agencies that have responsibilities for disaster response or recovery and with all appropriate federal agencies.

The first line of response to a disaster is the local unit of government. The state provides assistance when response and recovery requirements exceed local capabilities. In Minnesota, as in most states, we rely on local all hazard emergency management plans, coordinated and reviewed by the division, to meet the federal mandates. The division works closely with many jurisdictions on the development of their plans, because these local programs are not adequately funded or staffed to do so independently. The division achieves its mission through efforts to:

- Increase the public's ability to survive disasters, through increased awareness and education on protective actions that should be taken.
- Improve the capabilities of state and local personnel in planning, response, recovery, and mitigation efforts.
- Improve the ability of state and local governments to deliver emergency public information in a timely fashion.
- Receive and disseminate timely emergency notifications to all state agencies and provide prompt assistance to local governments and the public.
- Maintain state and local eligibility for federal emergency management funds.
- Provide technical and financial assistance in response to threatened disaster and damage.

PERFORMANCE:

The division must perform a variety of federally mandated functions to maintain funding eligibility. Requirements include planning, training, exercising, and administrative and reporting functions.

Emergency Response Plans: In F.Y. 1991, major revisions were made to the prototype county and municipal plans and distributed to local governments. These documents assist local governments to ensure their plans comply with state and federal requirements. In F.Y. 1991, the Minnesota Emergency Operations Plan was updated with input from 21 state agencies to reflect changing needs and federal requirements. In F.Y. 1990-91, updating of the Minnesota Emergency Response Plan for Nuclear Power Plants was coordinated with 7 state, 6 local, and 2 private sector agencies.

Training: Training courses are conducted to improve the ability of state and local officials to prepare for and respond effectively and efficiently to emergency situations and to improve the survivability of the populace. In F.Y. 1989, the division established a certification process for local directors who completed curriculum prescribed by the division and by the Federal Emergency Management Administration (FEMA). FEMA requires state and local emergency management personnel to complete two courses by the end of federal F.Y. 1993, as an eligibility requirement for federal matching funds for personnel and administrative costs.

	<u>F.Y. 1989</u>	<u>F.Y. 1990</u>	<u>F.Y. 1991</u>	<u>F.Y. 1992</u>	<u>F.Y. 1993</u>
Certification:					
No. directors cert.	0	10	25	40	5
Percent directors cert.	0	8	20	32	44
Personnel completing required courses:					
CD Systems					
Number	30	50	105	165	235
Percent	13	21	45	70	100
Continuity of Govt.					
Number	30	57	115	180	235
Percent	13	24	49	77	100
Student hrs. of trng. conducted	13,499	16,032	17,500	17,750	18,000
Trng. cost/student hour	8.52	7.07	6.99	6.90	6.83

Exercises: Local jurisdictions receiving federal funds are required to conduct an annual exercise of their emergency operations plans to remain eligible. The division reported to FEMA on these exercises and requested extensions, as needed, to maintain eligibility of all 125 local programs. The state is also required to meet FEMA exercise requirements to receive federal matching funds, and has done so annually. Federally evaluated exercises of the Monticello and Prairie Island nuclear power plants were successfully with more than 400 state and local responders involved. This is required for NSP to maintain Nuclear Regulatory Commission licensing.

Outdoor Warning System: During the current biennium, the division has provided technical assistance to more than 30 jurisdictions and administered over \$600,000 in federal assistance under the Direction, Control and Warning program. This has resulted in 65 political subdivisions receiving federal funding for their emergency operating centers, and 87% of the state's population being covered by an outdoor warning system.

Disaster Declarations: In 1988, revisions to P.L. 93-288 substantially increased our disaster assistance program administrative responsibilities. These revisions were implemented after the 1989 Red River Valley flood. The 1989 revisions established a federal matching fund Hazard Mitigation Grant program that must be implemented each time a state receives a presidential disaster declaration. The division implemented this program in F.Y. 1990.

Hazardous Materials: To ensure an adequate response to hazardous materials incidents, the division formed and coordinates a State Hazardous Materials Response Network, which consists of representatives from 15 state and federal agencies. The network ensures a coordinated response to hazardous materials incidents by aligning the equipment and personnel resources of these agencies through planning and clarification of their capabilities and responsibilities.

PROSPECTS:

Computerization: The division is evaluating alternatives for implementing a resource database and computer mapping capability. This would improve the division's ability to identify vulnerable populations (such as the elderly and handicapped) in its disasters responses. It would also benefit all state agencies involved in disaster operations by providing visuals of affected areas, the locations of resources (both technical and equipment), and response status (such as the location of roadblocks). This would improve the effectiveness of disaster response and recovery efforts by reducing the time required to locate resources, and it would improve the sharing of information among state agencies whose responses impact on each other. This new system should go on-line during F.Y. 1992, on a trial basis and will require ongoing maintenance and upgrades.

PROGRAM: Emergency Management
(Continuation)
Agency: Public Safety

1992-93 Biennial Budget

Plan: In F.Y. 1992, the Minnesota Emergency Response Plan for High-Level Radioactive Waste Transportation Accidents/Incidents will be updated with assistance from four other state agencies. Additional coordination with and assistance from other state and federal agencies will be required to proceed with the Hazard Mitigation Grant program to ensure that all approved projects are in accordance with the requirements of other state and federal agencies. In the next biennium, the response plan for nuclear power plants will be updated. Extensive planning efforts are needed, due to major new federal requirements.

Communications: A 100% federally funded upgrade of the division's nationwide radio and teletype communication capabilities is underway and will be completed during the next biennium. Resulting communications will be much more effective and efficient. With ongoing technological advances, the division continues to work with local governments on their emergency communication capabilities, so that no communication islands are formed.

Duty Officer: The division maintains a 24 hour emergency number. In the past many other state agencies maintained separate systems. In F.Y. 1985, the division was successful in adding the after hours calls of all state agencies with hazardous materials responsibilities to the calls forwarded to the division's duty officer. The result has been a reduction in the confusion of whom to call for which incidents, and a reduction in the state's response time. We are now working to implement a single statewide emergency number for use by local governments, the public, and business and industry to report all types of emergencies, including statutorily required notifications of the State Emergency Response Commission and the Office of Pipeline Safety. The division will assume responsibility for receiving hazardous materials incident calls in F.Y. 1992-93. This will require changes to the duty officer procedures and staff training.

Hazardous Materials: The division coordinates the delivery of hazardous materials training for first responders and local emergency managers with the Technical College System, the Department of Education's FIRE Center, and the State Emergency Response Commission. We are currently reviewing the viability of providing certification for local hazardous materials first responders, which would ensure more consistent and standardized training of these responders. If feasible, this program will be implemented during F.Y. 1992-93.

Emergency Broadcast System: A recent survey of local governments' procedures for use of the Emergency Broadcast System identified the need for a training course to be delivered in conjunction with the broadcast media. This training will begin in F.Y. 1991, and continue through the next biennium. The goal will be to improve local utilization of the system through increased understanding of its capabilities and uses.

PLAN:

The division's ability to reallocate funds is very limited, due to the mix of federal funds and the restrictions placed on the use of those funds. Inflationary increases and general fund salaries will be financed through the reduction of discretionary expenditures and the elimination of 1 position in F.Y. 1991. The result will be a reduction in services and assistance to local emergency management programs.

In 1989, the Red River Valley flood received a presidential disaster declaration, for which we have paid local assistance each year. In F.Y. 1991, our budget is deficient by \$226,000 for state match required for assistance to local units of government.

Agency Reallocations:

1. <u>Nuclear Power Plant</u>	<u>F.Y. 1992</u>	\$276,000	<u>F.Y. 1993</u>	\$276,000
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The division receives and reallocates funds for the nuclear power plant activities of state and local governments. Many agencies are absorbing a large part of the costs for carrying out their responsibilities under this program. Some of those agencies are unable to continue doing so to the present degree. The agency is proposing to amend M.S. 12.14, to increase the NSP assessments for these increased costs. Following is a breakdown of the needed increases.

- The Department of Health requires 1 position to write procedures and conduct training, and compensation for all staff participating in power plant program activities. In the past, they absorbed about 20% of the training costs (about \$40,000 annually) for response staff. They feel this program should cover 100% of those costs. FEMA has specified numerous areas assigned to Health that require corrective actions. Total additional funding needed by MDH for the biennium is \$156,000 per year.
- The Department of Human Services has an expanded role in caring for people displaced by a nuclear power plant emergency. Staff time, training, equipment, and supplies required to meet federal mandates will cost \$24,000 each year.
- The Division of Emergency Management requires \$64,000 and 1 planner position to meet the expanded minimum training requirements established by the federal government for state and local emergency response staffs. Additional phone lines, personnel protection supplies, and supplies to improve emergency operations are also required to address FEMA requirements.
- The Department of Agriculture requires an additional \$12,000 each year to compensate for the currently inadequate funding for an existing position.
- Grants to local governments located within a 10-mile radius of a nuclear power plant must be increased by \$20,000 per year to meet revised federal training requirements for emergency responders and to maintain and replace capital equipment supporting local response needs.

2. <u>Full-Time Duty Officer</u>	<u>F.Y. 1992</u>	\$198,000	<u>F.Y. 1993</u>	\$180,000
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New U.S. Department of Transportation (DOT) regulations have increased the reporting requirements for the transportation industry. The Northwest Petroleum Association and the Minnesota Plant Food and Chemical Dealers Association have requested the division to serve as its point of notification and offered to fund the additional costs. It is anticipated that other organizations impacted by the DOT regulations will also request assistance from the division. To handle these calls effectively, and to improve the division's responsiveness to the current volume of calls received on the statewide emergency number, the division must implement a full time duty officer system. This will require the addition of 5 positions. These costs will be offset by a redirection of the fees currently paid by petroleum and agricultural chemical transporters.

GOVERNOR'S RECOMMENDATION:

The Governor makes the following recommendations:

Nuclear Plant Preparedness.

The Governor recommends that the entire cost of this activity be supported by an assessment to businesses that have nuclear fission electrical generating plants located in Minnesota. the total cost of the activity is estimated to be \$700,000 each year of the 1992-93 biennium. A new account will be established in the special Revenue Fund entitled the Nuclear Safety Preparedness Account. The assessments will be billed quarterly based on actual costs.

Full time duty office/Single answering point system.

The agency should increase its efforts in the collection of the Hazardous Chemical Report Fee. An estimated \$200,000 in additional revenues could be collected in this area in F.Y. 1992-93. It is recommended that the fees collected are to cover a portion of the costs associated with the proposed On-Call System.

Revised 3/28/91
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1992-1993 B I E N N I A L B U D G E T
(DOLLARS IN THOUSANDS)

AGENCY: PUBLIC SAFETY, DPT OF
PROGRAM: EMERGENCY MANAGEMENT

ACTIVITY RESOURCE ALLOCATION:	FY 1989	FY 1990	Est. FY 1991	FY 1992			FY 1993 *		
				Adjusted Base	Agency Plan	Governor Recomm.	Adjusted Base	Agency Plan	Governor Recomm.
EMERG MGMT ASSIST	6,120	7,900	3,926	2,548	2,746	2,785	2,548	2,728	2,765
NUCLEAR PLANT PREPAREDNESS	360	411	456	436	712	700	436	712	700
TOTAL EXPENDITURES BY ACTIVITY	6,480	8,311	4,382	2,984	3,458	3,485	2,984	3,440	3,465
DETAIL BY CATEGORY:									
STATE OPERATIONS	1,833	1,990	1,851	1,829	2,283	2,310	1,828	2,264	2,289
LOCAL ASSISTANCE	4,409	6,293	2,531	1,155	1,175	1,175	1,156	1,176	1,176
AID TO INDIVIDUALS	238	28							
TOTAL EXPENDITURES BY CATEGORY	6,480	8,311	4,382	2,984	3,458	3,485	2,984	3,440	3,465
SOURCES OF FINANCING:									
DIRECT APPROPRIATIONS:									
GENERAL	2,598	1,539	1,037	1,026	1,302	778	1,026	1,302	758
SPECIAL REVENUE						700			700
STATUTORY APPROPRIATIONS:									
SPECIAL REVENUE					198	49		180	49
FEDERAL	3,882	6,772	3,345	1,958	1,958	1,958	1,958	1,958	1,958
TOTAL FINANCING	6,480	8,311	4,382	2,984	3,458	3,485	2,984	3,440	3,465

PROGRAM PURPOSE:

The mission of the Bureau of Criminal Apprehension is to provide professional investigative support services to all law enforcement and criminal justice agencies in the state. This is accomplished by the following sections:

1. The Criminal Justice Information System (CJIS) manages a data communications network and information indexes concerning crimes and criminals of state and national interest. This caretaker role of providing a central repository for documented criminal justice information for Minnesota extends itself to the FBI's National Crime Information Center by serving as Minnesota's central access point for local agency access to and use of the FBI's systems.
2. The Forensic Science Laboratory provides specialized analytical services such as microanalysis of trace evidence, serology, firearms and toolmarks, serial number restoration, questioned documents, forensic photography, forensic toxicology, latent fingerprints, drug identification, alcohol analysis of blood and urine, arson analysis, and breath testing. In addition, the Lab responds to requests from local law enforcement agencies for assistance in processing major crime scenes.
3. The Investigative Sections provide investigative services in narcotics trafficking, surveillance, homicide, child abuse, financial and white collar crime and other major crimes. The Special Investigations Section conducts overt and covert investigations of major drug trafficking cartels to reduce the number of mid- to higher-level drug dealers operating in the state. It also provides leadership to local narcotics officers by providing investigative and technical support.
4. The Training and Development Section conducts specialized and advanced training for law enforcement officers throughout the state in subjects such as narcotics, child abuse and exploitation, criminal investigations, evidence collection, arson, and law enforcement management. This section trains D.A.R.E. (Drug Abuse Resistance Education) officers to teach drug abuse resistance to elementary school children.

PERFORMANCE:

The bureau responds to the investigative, training, crime scene processing, statistical and informational needs of local law enforcement and criminal justice agencies. A steady increase in the number of violent and drug related crimes is the most important factor driving the increased need for services.

- Since 1986, total arrests for narcotics violations increased 47%, and cocaine arrests more than doubled, accounting for 22.3% of all narcotics arrests, versus 3.4% in 1986. In 1987, multi-jurisdiction drug task forces were created statewide to address the issue of street level drug dealers and users. This local emphasis allows the bureau to concentrate on mid-to upper-level dealers around the state, and to provide assistance to local agencies and task forces when needed.
- Training in the area of narcotics trafficking has increased. Courses in basic drug identification, management of drug task forces and covert drug investigation train local officers to handle these crimes and lessens the need for BCA assistance in street level investigations.
- Bureau investigators have completed several major cases against upper level drug dealers in the recent past, including the Ralph "Plukey" Duke case of 1989. Duke was considered a major player in the Twin Cities' drug trade until his arrest and subsequent conviction in 1990.
- Several homicide cases have come to a successful close, including the Mary Foley homicide which occurred in a Minneapolis parking ramp. The state's automated fingerprint system (MAFIN) was the key factor that lead to the suspects conviction. Bureau investigators were also heavily involved

in investigating the Jacob Wetterling abduction.

- Drug Abuse Resistance Education, or D.A.R.E., is a successful partnership between education and law enforcement, in which local law enforcement officers teach elementary school children effective strategies to build self esteem and avoid drug use. Over 100 D.A.R.E. officers have been trained, and several more two-week training sessions will be conducted in 1991. Seventy-three police departments and 19 sheriffs now offer D.A.R.E. to elementary students.
- Minnesota's new Automated Fingerprint Identification System will greatly enhance criminal identification services for local law enforcement agencies. The ability to expand this system throughout Minnesota will provide for even greater local agency services in the future. Directly tied to this project is the enhanced criminal record system which will be operational in F.Y. 1992 and will provide greater accuracy and more timely updating of information.
- The number of cases received by the Lab increased 7% from 1988 to 1989, and is expected to increase further in 1990. Thirty one crime scenes were processed, most of which were homicide investigations. In 1989, the drug chemistry section received 4,316 items for analysis, up substantially from 1988. The breath testing section trained 184 new Intoxilyzer operators and recertified 1,283 operators. All sections of the lab expect increased demands for service for 1990.
- A change in evidence handling procedures in the Lab has allowed for better management of an ever increasing caseload and allowed the laboratory to be more responsive to the needs of local law enforcement. A computer-based tracking system has been installed to track the thousands of cases received each year, and two evidence specialists have been hired to speed up the receipt of evidence and to allow scientific staff more time in the laboratory.
- DNA profiling is being added to the Lab's capabilities for analysis of major violent crimes. Samples will be screened by existing methods to identify substances and to limit the number of items which need to be processed by the more expensive and labor intensive methods for DNA typing.

PROSPECTS:

The past 2 to 3 years have seen the inclusion of local officers engaged statewide in fighting the drug problem at the street level. By assigning local officers to multi-jurisdictional task forces, a three-tiered effort has been mounted to combat drug trafficking in the state. Local officers are engaged in street level activity, allowing the bureau and limited federal officers to concentrate on mid- to upper-level dealers. The 1990 legislature granted the bureau 4 additional agents to supplement the narcotics section and to bolster resources in Greater Minnesota. This three-tiered effort has proved successful and will result in a greater number of arrests of upper-level dealers.

Eighteen new legislatively appropriated positions have been added to the laboratory since 1988. This reflects the need to provide quality analysis in a timely fashion to law enforcement in the state. The demands on the lab are expected to increase as more scientific procedures are developed. Additional changes in management and case handling may be necessary to adapt to the increased caseload and scientific changes.

Changes in domestic assault, child abuse and narcotics laws necessitate the continuous offering of courses to Minnesota peace officers. The bureau recognizes its obligation to investigate cases which are beyond the reach of local agencies. The bureau also realizes the need to train officers in many areas of investigation, so that they may become more self-sufficient. The addition of several narcotics, arson, child abuse, homicide investigation, and white collar crime courses reflects this. The bureau will remain responsive to the need for courses in other areas of investigation, and will add courses as required.

The caretaker role of the bureau's information systems is changing. Local agencies have used these state provided systems since the early 1970's to store and access information of statewide criminal justice interest. In recent years there have been significant changes in the attitude toward the use

PROGRAM: Criminal Apprehension
(Continuation)
Agency: Public Safety, Department of

1992-93 Biennial Budget

of the information. More and more laws have been enacted authorizing use of all or segments of this information outside of the criminal justice community. Public concern over cases such as the Jacob Wetterling abduction and the growing number of domestic and sexual assaults have accented the demand that information once considered private or confidential be evaluated as to these restrictions. The effect on criminal justice information systems and operational personnel could be dramatic, depending on the policy directions established. What additional data will be collected? Who will have access to what, and how, and how often?

Major restructuring of existing data systems may be needed in the near future to respond to these needs. A major concern as the caretaker of the data must be the completeness and accuracy of the data to ensure fair treatment of all. This requires an audit process. Proper interpretations and use of the data identifies the need for additional user training for both the criminal justice community and the growing non-criminal justice user community.

The department's new automated fingerprint system was implemented with the capability to link remote fingerprint stations. Expansion of the fingerprint system to local law enforcement agencies is planned by linking remote fingerprint work stations to the states automated fingerprint system. These remote locations could best serve regional or large population centers. Estimated cost for each location would be \$150,000 with yearly operational expenses of \$14,000. Funds for each remote location would need to be appropriated. These stations would greatly enhance the timeliness and accuracy of arrest reporting and expand the base for establishing criminal records.

The existing financial structure for funding Minnesota's criminal justice systems is a major concern. Significant growth in the numbers of users and increased use of local automated systems has resulted in growth of over 90% in a 4 year period. Continued growth and addition of mobile terminals over the next biennium will result in significant shortages in funding the day-to-day operations. Projections for F.Y. 1992-93 reflect shortages of over \$600,000 and over \$800,000 respectively.

All of this will require that major financing and policy issues be at the forefront as we enter a new biennium. The bureau has already begun implementation of a short range strategy to address many of these concerns.

Alternatives Considered:

In order to provide for long range continued financing of the criminal justice system, one or more alternatives should be considered to cover these funding shortages.

1. Increase the BCA's general fund appropriation.
2. Increase local agency fees.
3. Bill state agencies for their share of system use.
4. Implement a Public Safety message switching system.

PLAN:

The department has recognized the need to address the issue of accurate and timely data, and has made a long term commitment to improve data quality. Increased systems costs are identified and increased user fees are planned but the problem is not resolved. In the near term, the bureau is conducting the following activities to address these issues.

1. CJIS personnel are conducting field audits to determine what data problems exist in selected agencies. Improvement of submission of fingerprint cards is seen as the first step in improving overall quality of data.
2. Education and training of criminal justice personnel is also an immediate need. Within existing budget dollars, the CJIS section will hire a temporary employee to begin this process.
3. Federal grant monies are being pursued to improve the data quality of the computerized criminal history system at all levels and through all disciplines address these issues.
4. Local agency fees will increase in F.Y. 1993 and will generate additional operating funds of approximately \$160,000.
5. To implement a department message switching system would involve the one-time purchase of a mini-computer system at a cost of approximately \$1.7 million and yearly operational costs of \$500,000. This would result in yearly savings to Public Safety of \$2.5 million while reducing InterTech's income by about \$3.0 million.

Agency Reallocations:

These needs and strategies outlined above call out for more long term solutions.

- | | | | | |
|--|------------------|-----------|------------------|-----------|
| 1. <u>Criminal Justice Information</u> | <u>F.Y. 1992</u> | \$195,000 | <u>F.Y. 1993</u> | \$191,000 |
|--|------------------|-----------|------------------|-----------|

The field audits and education and training requirements must be on-going in order to ensure the continuing quality and integrity of the CJIS system. The department proposes to add 2 training positions to conduct audits of local agencies and to train local users in the use of computerized criminal history and other CJIS systems. An additional clerical person will be needed to assist in non-criminal justice record checks for licensing and employment. Finally, a court/corrections coordinator is needed to act as liaison between the BCA-CJIS and other elements of the criminal justice system which impact the quality and timeliness of our data. These positions will be funded through increased fees for non-criminal justice record checks.

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|----------------------------------|------------------|-----------|------------------|-----------|
| 2. <u>BCA Laboratory Account</u> | <u>F.Y. 1992</u> | \$139,000 | <u>F.Y. 1993</u> | \$139,000 |
|----------------------------------|------------------|-----------|------------------|-----------|

The BCA's lab account is a dedicated account funded from 8% of DWI reinstatement fees. There are excess dollars (\$214,000) in this account from prior year, and the agency proposes to increase the BCA's budget by \$107,000 per year to accommodate increased needs for laboratory supplies. Also, there is increased growth in revenues to this account (\$32,000 per year) due to the increased level of DWI reinstatements.

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|--------------------------------|------------------|---------|------------------|---------|
| 3. <u>BCA Buy Fund Account</u> | <u>F.Y. 1992</u> | \$8,000 | <u>F.Y. 1993</u> | \$8,000 |
|--------------------------------|------------------|---------|------------------|---------|

Two percent of DWI reinstatement fees are dedicated to the BCA buy fund for the purpose of cross-jurisdictional criminal investigations. The projected increase in volume in DWI reinstatements is estimated to realize \$8,000 additional revenue each year. The agency requests that these dollars be appropriated to the BCA buy fund account.

GOVERNOR'S RECOMMENDATION:

The Governor concurs with the agency's plan with the exception of reductions of \$23,000 in F.Y. 1992 and \$46,000 in F.Y. 1993 for Trunk Highway Fund salary increases. The agency must ensure that increased expenditures are offset with increased revenue.

1992-1993 B I E N N I A L B U D G E T
(DOLLARS IN THOUSANDS)

AGENCY: PUBLIC SAFETY, DPT OF
PROGRAM: CRIMINAL APPREHENSION

ACTIVITY RESOURCE ALLOCATION:	FY 1989	FY 1990	Est. FY 1991	FY 1992			FY 1993		
				Adjusted Base	Agency Plan	Governor Recomm.	Adjusted Base	Agency Plan	Governor Recomm.
=====	=====	=====	=====	=====	=====	=====	=====	=====	=====
CRIM JUST EVID ANAL	3,074	3,943	4,518	4,411	4,573	4,550	4,410	4,595	4,549
CRIM JUST RECORDS	3,717	4,114	5,655	4,799	4,975	4,975	4,956	5,128	5,128
CRIM INVEST&ASSIST	4,313	4,970	5,127	5,071	5,071	5,071	5,105	5,105	5,105
POLICE TRAINING & DEVELOPMT	581	923	1,094	1,083	1,083	1,083	1,081	1,081	1,081
CRIM APPREH SUPPORT	2,248	1,169	912	817	825	825	815	823	823
=====	=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL EXPENDITURES BY ACTIVITY	13,933	15,119	17,306	16,181	16,527	16,504	16,367	16,732	16,686
=====	=====	=====	=====	=====	=====	=====	=====	=====	=====
DETAIL BY CATEGORY:									

STATE OPERATIONS	12,261	14,408	16,813	15,862	16,200	16,177	16,048	16,405	16,359
LOCAL ASSISTANCE	1,672	711	493	319	327	327	319	327	327
=====	=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL EXPENDITURES BY CATEGORY	13,933	15,119	17,306	16,181	16,527	16,504	16,367	16,732	16,686
=====	=====	=====	=====	=====	=====	=====	=====	=====	=====
SOURCES OF FINANCING:									

DIRECT APPROPRIATIONS:									
GENERAL	10,399	12,258	14,738	13,798	13,974	13,974	13,826	13,998	13,998
SPECIAL REVENUE		474	480	480	627	627	480	627	627
TRUNK HIGHWAY	992	1,018	1,040	1,053	1,076	1,053	1,051	1,097	1,051
STATUTORY APPROPRIATIONS:									
GENERAL	109	187	275	258	258	258	418	418	418
SPECIAL REVENUE	700	513	278	277	277	277	277	277	277
FEDERAL	1,733	669	495	315	315	315	315	315	315
=====	=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL FINANCING	13,933	15,119	17,306	16,181	16,527	16,504	16,367	16,732	16,686

PROGRAM PURPOSE:

The purpose of the State Fire Marshal Division is to reduce the tragic loss of life and property from fire in Minnesota. To achieve this mission the division performs the following functions:

1. Conduct fire investigations to determine the accidental cause of fire, so strategies can be developed to prevent such fires through fire prevention education and/or additional code requirements.
2. At the request of local authorities, conduct arson investigations to reduce the crime of arson and aid in the prosecution of this felony crime.
3. Conduct fire safety inspections of day care facilities to establish a fire and life safety minimum for the staff and children.
4. Conduct inspections of all health care facilities for state licensing and federal certification.
5. Conduct inspections of hotels, motels and resorts once every 3 years for licensing, to insure a minimum level of fire and life safety for residents and guests of the State of Minnesota.
6. Increase the level of awareness of the citizens of Minnesota to the cause and prevention of fire, through public education efforts.
7. Provide plan review for combustible/flammable liquid storage installations to assure a fire safe installation.
8. Work with the Department of Education to see that public schools are inspected by the State Fire Marshal or a qualified local fire official.
9. Provide prompt and competent responses to citizen complaints regarding fire safety concerns and hazards.
10. Analyze fire and life safety issues in Minnesota through the statewide fire incident reporting system submitted by local fire departments.

PERFORMANCE:

The division is organized into functional teams responsible for investigations, inspections, training and codes, and public education.

Fire/Arson Investigations: Local law enforcement and fire officials throughout the state request the division to conduct investigations to determine the origin, cause and circumstances of fires. If accidental causes are ruled out, joint investigations are held with local officials, when available, to develop sufficient evidence to successfully prosecute persons committing arson or other related crimes.

Eleven fire investigators are strategically located throughout the state, available 24 hours a day to assist local fire departments with fires of suspicious nature, when there is a death or serious injury, or on large loss fires. The final determination may require many hours of effort under difficult and trying conditions, including digging through the fire scene for clues, interviews, communications, interrogations and preparation for prosecution. The final successful prosecution frequently requires many hours of team effort working with the Bureau of Criminal Apprehension, local prosecuting attorneys and other local and federal authorities.

On the average each division investigator conducts about 60 fire/arson investigations each year. Approximately 40% are found to be deliberately set. Requests for investigations have been increasing as a result of a growing recognition of and need for our expertise, evidenced by calls from local fire and law enforcement officials. The ultimate beneficiary of an arson investigation is the consuming public, who pays about 25 cents on every property insurance dollar to pay off the claims submitted by arsonists.

Fire Safety Inspections: Twenty-six inspectors conduct comprehensive technical inspections of hotels, motels, resorts (933); schools (227); day care (3,142); hospitals, nursing homes, group homes (2,097); foster care facilities; correctional facilities; places of assembly; and flammable/combustible L.P. installations, for compliance with requirements of the Minnesota Uniform Fire Code. This is a minimum statewide performance code designed to provide a reasonable level of fire and life safety for occupants. These inspections are often conducted jointly with local fire authorities to further establish uniformity of inspection by leadership and example. Compliance solutions are sought in concert with the owner/manager of a facility. Inspectors also conduct site visits and provide consultation to building owners and operators, fire officials, architects, engineers, contractors, building inspectors, government officials and the general public to address specific problems and concerns regarding fire and life safety requirements.

Training and Code Development: Due to the knowledge and experience of Deputy State Fire Marshals, they are requested to serve as instructors for courses offered throughout the state, including training for day care providers, state and regional fire schools and arson investigation courses. This expertise in training is recognized and services are sought out by groups such as the Bureau of Criminal Apprehension and the Fire Services Instruction Unit of the State Board of Vocational Technical Education, local fire service and others.

The Code Advisory Panel assists division field staff, local fire officials, and the general public in interpreting fire codes and statutes and reviewing new technologies designed to prevent fire. The panel evaluates requests from facility owners for variances and time extensions and recommends appropriate equivalencies to meet code requirements.

The division has two code/plans specialists on staff who review plans for all flammable liquid and L.P. installations statewide. The state regulations require a 10 day turn around on all plans. Plan reviews for these types of installations have increased significantly over the past five years, from 406 in 1985 to 724 in 1989. These reviews will increase with new EPA regulations governing existing installations that may need to be replaced in the near future.

Public Education and Prevention: It has long been recognized, but not widely practiced, that fire prevention efforts and public fire safety education are more cost effective than relying solely on fire suppression activities in reducing the loss of life and property from fire. The Minnesota fire service expects the State Fire Marshal to provide information concerning the local and state fire problem and solutions on how to ameliorate the problem. A legitimate type of enforcement can be accomplished by utilizing sound fire safety public education practices and procedures. Examples of this activity would include smoke detector installation and maintenance programs promoted through the various media.

In addition to regular duties, every deputy is actively involved in conducting public education programs. Their efforts are coordinated by the State Public Fire Safety Educator who performs the following functions:

- Collect, record, and analyze fire data and publish a report entitled "Fire in Minnesota", and disseminate the information to all fire departments and other local and state policy and decision makers.
- Publish a fire prevention newsletter highlighting new trends and experiences in combating threats to public safety from fire.
- Serve as the focal point for statewide fire prevention efforts including "Learn Not to Burn" school

PROGRAM: Fire Marshal
(Continuation)
Agency: Public Safety, Department of

1992-93 Biennial Budget

programs, Fire Prevention Week, Arson Awareness Week, Building Safety Week, and the Minnesota Fire Safety Project which is a coalition of public and private interest dedicated to reducing loss of life and property from fire.

- Facilitate public education efforts such as the residential fire sprinkler demonstration trailer, model smoke detector programs, and the division's State Fair booth.
- Develop materials and programs for high risk populations (the very young, the elderly, certain identified minorities and low income groups).
- Serve as a focal point for a wide range of media questions on fire safety and prevention issues.

The ultimate measure of the success of public fire education efforts would be in the reduction of loss of life and injuries by fire in the state. The United States as a whole, has the worst fire record of any major industrial nation in the world and Minnesota is no exception. During the past 5 years, 436 Minnesotans have perished in fires and well over one half billion dollars in property has been destroyed. The majority of these fires could have been prevented, if the occupants had been aware of practices and processes they could have used in their daily lives to protect themselves. Only a continued, focused, coordinated statewide effort will be effective in achieving a reduction of loss of life and property by fire.

PROSPECTS:

1. The ability to describe and therefore develop strategies to prevent the loss of life and property from fire is absolutely dependent on timely, accurate and complete documentation provided by the state's fire departments. Office computerization, with particular emphasis on improving the computerized reporting of Minnesota fire incident data, is a priority. With over 100,000 fire incident reports submitted each year and processed individually by the division, computerized reporting by tape, disk or modem by local fire departments is a cost effective priority.
2. Joint adoption of the Minnesota Uniform Fire Code and Minnesota Uniform Building Code is another priority project. The consuming public has the right to be held to a clear, single purpose code enforcement effort and not be confounded by conflicting, obsolete or duplicative language. The fire code adopted by the State Fire Marshal Division, and the Uniform Building Code adopted by the Department of Administration, are complimentary codes and have never been adopted concurrently. Without this joint inter-departmental effort, the various user groups within the state must deal with conflicting and obsolete language depending on the adoption date. An additional goal is to eliminate any duplication or overlap between the fire code and existing state statutes and other agencies rules.
3. As the level of expertise in such fields as fire investigation, code enforcement and public education continues to build in the division, we are experiencing increased requests for assistance from local units of government, including the fire service, law enforcement agencies, building community and the general public.
4. Minnesota uses one of the 3 national model fire and building codes and attempts to adopt them with as few changes as possible. It is therefore incumbent for professional fire code experts from the State Fire Marshal Division to be represented on national code writing bodies to properly reflect Minnesota concerns.
5. Inter-departmental cooperation must be enhanced with such state agencies as the Departments of Education, Corrections, Human Services, Health, Pollution Control and with the federal Bureau

of Alcohol, Tobacco and Firearms. It is becoming apparent, with diminished resources at all levels of government, that cooperation to achieve the basic mission of protection of the public from fire and life safety hazards requires a new and more meaningful effort by respective departmental administrators. The division is small with significant statutory authority that is sought after by other state departments and agencies to further their administrative and programmatic goals. One of the challenges is to foster this level of inter-departmental cooperation to help us pursue from our primary mission.

6. Public awareness of fire safety for the citizens of Minnesota must be improved by forming formal and informal coalitions with the fire service, various civic organizations, volunteer groups, media and other members of the public sector. Our society is asked to be concerned about a great number of activities and processes confronting their daily lives. The fire safety message must be packaged and presented in such a manner as to compete with some of the finest advertising ever created to influence the minds and actions of our citizens.
7. The local fire service, our primary client group, is made up of over 90% volunteers who hold other full-time employment in their communities. They are being increasingly called upon to respond to not only fire emergencies, but also emergency medical services and increasing hazardous material responses. They have neither the time nor in most cases the training to conduct the level of indepth fire investigations, fire code enforcement inspections and public education efforts needed. As a result, there will be an ever increasing call by local government for services of the State Fire Marshal Division. Our role is to compliment, not duplicate, the local fire service.

PLAN:

The Fire Marshal Division eliminated 2 positions, one due to a sunset in the fire safety education law and the other in order to fully fund the division's salaries. In order to accomplish the division's mission, activities will be prioritized and managed within the existing budget.

GOVERNOR'S RECOMMENDATION:

The Governor concurs with the agency's plan.

1992-1993 B I E N N I A L B U D G E T
(DOLLARS IN THOUSANDS)

AGENCY: PUBLIC SAFETY, DPT OF
PROGRAM: FIRE MARSHAL

ACTIVITY RESOURCE ALLOCATION:	FY 1989	FY 1990	Est. FY 1991	FY 1992			FY 1993		
				Adjusted Base	Agency Plan	Governor Recomm.	Adjusted Base	Agency Plan	Governor Recomm.
FIRE PREV PROT&INV	2,000	2,357	2,750	2,785	2,785	2,785	2,789	2,789	2,789
TOTAL EXPENDITURES BY ACTIVITY	2,000	2,357	2,750	2,785	2,785	2,785	2,789	2,789	2,789
DETAIL BY CATEGORY:									
STATE OPERATIONS	1,999	2,356	2,750	2,785	2,785	2,785	2,789	2,789	2,789
LOCAL ASSISTANCE	1	1							
TOTAL EXPENDITURES BY CATEGORY	2,000	2,357	2,750	2,785	2,785	2,785	2,789	2,789	2,789
SOURCES OF FINANCING:									
DIRECT APPROPRIATIONS:									
GENERAL	1,806	2,133	2,226	2,212	2,212	2,212	2,204	2,204	2,204
STATUTORY APPROPRIATIONS:									
GENERAL			200	249	249	249	261	261	261
FEDERAL	194	224	324	324	324	324	324	324	324
TOTAL FINANCING	2,000	2,357	2,750	2,785	2,785	2,785	2,789	2,789	2,789

PROGRAM: State Patrol
Agency: Public Safety, Department of

1992-93 Biennial Budget

PROGRAM PURPOSE:

The State Patrol provides police traffic services on Minnesota's state and federal highways. The division's mission is to provide for the safe and efficient movement of traffic and to protect and serve the people of Minnesota through enforcement, assistance and education. The agency strives to achieve this mission through programs that:

1. Provide uniformed troopers to patrol over 12,000 miles of state and federal highways, providing emergency response, traffic law enforcement, accident investigation and motorist assistance to highway users.
2. Provide aerial support activities that augment the patrolling of highways activity, including airborne traffic law enforcement searches and surveillance.
3. Provide a statewide radio communications system for the division, Department of Natural Resources and other state and federal law enforcement agencies. Eleven communications centers serve as emergency warning points and as answering points for cellular E911 telecommunications.
4. Provide commercial vehicle enforcement/inspection activities including annual school bus inspection, commercial vehicle size, weight and load enforcement, civil overweight inspection.
5. Provide Governor's residence security 24 hours per day, security to visiting dignitaries, and assistance to the Capitol Security Division during legislative and other special events.

PERFORMANCE:

Using a commonly accepted barometer of traffic safety (number of persons killed per 100 million miles traveled) the performance of the division has been excellent. Minnesota has been the safest state in which to drive during 1986-88, and among the safest in 1989. During the past decade, Minnesota has experienced a 30% decrease in traffic fatalities despite a 15% increase in miles traveled. Such an enviable traffic safety record contributes significantly to Minnesota's quality of life.

Traffic speeds have crept higher over recent years to a point which has created the possibility of federal sanctions, and a corresponding state loss of federal funds. Although the division has increased its speed enforcement and safety education efforts, the trend toward higher speeds is apparent.

During the 1980's, there has been a steady decline in the number of persons killed who have tested positive for alcohol, owing in part to our aggressive enforcement of drunk driving laws. The State Patrol's efforts in DWI enforcement were broadcast on CBS's "48 Hours" last year.

The agency's school bus inspection program continues to insure that Minnesota's children are transported in safe vehicles; only 2 of 1989's 416 school bus accidents were attributed to defective equipment.

The State Patrol's animated video accident reconstruction capability is the only one of its kind in the nation. Other states such as Kentucky have asked for assistance and many others have asked for presentations. The FBI Academy is looking at adapting it to other crime scenes.

Minnesota was one of the first states to accomplish all of the goals of the National Governor's Association recommendations for more efficient administration of the motor carrier industry. As the designated lead agency for commercial vehicle motor carrier safety, the State Patrol established a successful voluntary truck inspection program in cooperation with the trucking industry.

PROSPECTS:

The population growth trend within the extended urban area, Rochester through the metropolitan area into the greater St. Cloud area, continues, with increased need for police traffic services on the expanding highway system. More agency resources will need to be shifted to this area, with a corresponding decrease in resources allocated to other areas of the state. As demographics change, the division's ability to provide rapid response to highway emergencies in Greater Minnesota will be greatly diminished without modest increases in the division's complement.

Several processes to aid in long range planning are contemplated, including the following:

- **Police Allocation Model:** The agency will utilize Northwestern Traffic Institute's recently developed police allocation model as a tool to aid in efficient deployment of Troopers based upon the several criteria used in the model.
- **Traffic Enforcement Management System:** The agency has consolidated budget information, traffic volume and accident data, workload data and staffing data into a computerized system which will be used to identify and prioritize program activity, control resources, manage performance and develop measurements of benefits gained by the division's activities.
- **Strategic Planning Team:** The agency's strategic planning team has been reformed with the specific mandate of the preparation of an agency 5 year plan. The team will evaluate potential programmatic changes within the agency, and how they may effect the division's ability to meet its mission objectives.
- **Law Enforcement Accreditation:** The agency will undergo rigorous self-assessment of its operations, comparing with standards developed by the Commission on Law Enforcement Accreditation, and will seek formal accreditation through the Commission. This 2 year process will insure that the agency meets and maintains the highest standards of police operations.
- **Survey of Clientele:** A citizen's survey will be conducted to assess Minnesotans' expectations of the division and to gather information useful for self-assessment and operational planning.

PLAN:

The State Patrol is funded out of the trunk highway fund. The agency requests reallocation of additional trunk highway revenues to fund this program.

Agency Reallocations:

- | | | | | |
|---|------------------|-----------|------------------|-----------|
| 1. <u>Fuel</u> | <u>F.Y. 1992</u> | \$200,000 | <u>F.Y. 1993</u> | \$200,000 |
| \$200,000 each year will fund an increase in fuel costs for patrol cars of 20 cents per gallon. It is difficult to estimate how high gasoline prices will go; however, we have already experienced unmanageable increases, which will cause travel shut downs if left unfunded. | | | | |
| 2. <u>Radio Maintenance</u> | <u>F.Y. 1992</u> | \$397,000 | <u>F.Y. 1993</u> | \$437,000 |
| The Patrol radio system is maintained under contractual agreement with the Department of Transportation. Costs keep increasing due to their increased costs and increased volume of equipment needing repair. | | | | |
| 3. <u>Equipment</u> | <u>F.Y. 1992</u> | \$250,000 | <u>F.Y. 1993</u> | \$250,000 |

The Patrol currently has a reduced equipment budget with increased needs. It is imperative that their weapons and vehicles be maintained and replaced regularly. To do otherwise could jeopardize the safety of troopers and the public.

PROGRAM: State Patrol
(Continuation)
Agency: Public Safety, Department of

1992-93 Biennial Budget

4. Health & Safety F.Y. 1992 \$ 50,000 F.Y. 1993 \$ -0-

An OSHA policy mandates that Hepatitis B vaccinations and training be provided for employees determined at risk, including law enforcement personnel. The training will be conducted within the existing budget, however the vaccinations are \$150 per person.

5. Complement Conversion F.Y. 1992 \$ -0- F.Y. 1993 \$ -0-

The agency seeks to convert 59.3 FTE non-complement law compliance representative positions to complement positions. The LCR's were originally seasonal laborers. As work load and requirements changed these positions have become full-time permanent jobs.

GOVERNOR'S RECOMMENDATION:

The Governor concurs with the agency's plan with the exception of reduction of \$1,491,000 for salary funding and \$101,000 for equipment in F.Y. 1992 and a reduction of \$2,982,000 for salary funding and an increase of \$792,000 for equipment in F.Y. 1993. In addition, the Governor recommends \$50,000 and one position each year for executive protection.

1992-1993 B I E N N I A L B U D G E T
(DOLLARS IN THOUSANDS)

AGENCY: PUBLIC SAFETY, DPT OF
PROGRAM: STATE PATROL

ACTIVITY RESOURCE ALLOCATION:	FY 1989	FY 1990	Est. FY 1991	FY 1992			FY 1993		
				Adjusted Base	Agency Plan	Governor Recomm.	Adjusted Base	Agency Plan	Governor Recomm.
PATROLLING HIGHWAYS	32,689	36,173	35,470	35,487	37,649	36,283	35,383	38,800	37,062
COMMERCIAL VEH ENF	5,174	5,390	5,802	5,804	6,030	5,804	5,825	6,277	5,825
EXECUTIVE PROTECTION	345	335	387	392	392	442	391	391	441
STATE PATROL SUPPORT	800	989	868	879	879	879	877	877	877
TOTAL EXPENDITURES BY ACTIVITY	39,008	42,887	42,527	42,562	44,950	43,408	42,476	46,345	44,205
DETAIL BY CATEGORY:									
STATE OPERATIONS	38,569	42,588	42,078	42,113	44,501	42,959	42,027	45,896	43,756
LOCAL ASSISTANCE	439	254	449	449	449	449	449	449	449
AID TO INDIVIDUALS		45							
TOTAL EXPENDITURES BY CATEGORY	39,008	42,887	42,527	42,562	44,950	43,408	42,476	46,345	44,205
SOURCES OF FINANCING:									
DIRECT APPROPRIATIONS:									
GENERAL	345	335	387	392	392	442	391	391	441
TRUNK HIGHWAY	35,819	40,582	39,740	39,892	42,280	40,688	39,807	43,676	41,486
HGHWY USER TAX DISTR	62	90	90	90	90	90	90	90	90
STATUTORY APPROPRIATIONS:									
SPECIAL REVENUE	9	7	10	10	10	10	10	10	10
TRUNK HIGHWAY	1,300	631	772	650	650	650	650	650	650
FEDERAL	1,473	1,242	1,528	1,528	1,528	1,528	1,528	1,528	1,528
TOTAL FINANCING	39,008	42,887	42,527	42,562	44,950	43,408	42,476	46,345	44,205

PROGRAM PURPOSE:

The mission of the Capitol Security Division is the maintenance of safety for all persons and property within the Capitol complex through education, regulation, prevention and enforcement. This mission is accomplished through two main operational elements which consist of communications/electronic alarm monitoring and uniformed security personnel. Both functions strive to ensure people's safety and minimize the loss of state property through early detection of and immediate response to potentially harmful situations.

The communications section provides 24 hour surveillance of automated entry and environmental systems in the Capitol complex and other state agency buildings. These activities are accomplished by:

1. Monitoring the Department of Administrations's automated building control systems consisting of nearly 3,250 fire, security and environmental devices located in most Capitol area buildings and in several historic sites. Any plant mechanical malfunctions, security alarms or fires are immediately identified and appropriate responders are notified.
2. Providing communication and informational services to employees, visitors, and security via the emergency intercom and CCTV camera system at 86 locations throughout the campus and tunnel routes plus the response to approximately 5,500 monthly telephone inquiries. This unit also provides communications support services to the duty officers of the Division of Emergency Management and Department of Military Affairs.
3. Programing and supervising the electronic access control key card system consisting of over 3,000 users and 48 readers. This provides controlled access to governmental buildings reducing the risks of unauthorized after hour entry.

Uniformed security personnel concentrate their efforts on prevention and emergency response duties by regularly patrolling all buildings, offices and parking facilities. Additional duties include:

1. Securing or accessing most of the 34 designated Capitol complex facilities, screening after-business-hour entry to prevent unauthorized entry and offering 24 hour escort services to the approximately 6,000 state employees.
2. Inspection of assigned facilities identifying fire or safety hazards and providing emergency services. These services consist of fire alarm, medical and bomb threat responses in addition to the investigation of any reported suspected criminal activity.
3. Providing security services at the Capitol for special events such as Taste of Minnesota, Twin Cities Marathon, and the 1991 International Special Olympic's closing ceremonies.
4. Offering educational services to state employees within the Twin Cities area consisting of C.P.R., personal protection, office security and building emergency procedures.
5. Providing and maintaining orderly conduct of court business in the new Minnesota Judicial Center's three court rooms and the future workers compensation and tax courts.

PERFORMANCE:

- The accomplishments of the division are measured primarily on what doesn't occur on the Capitol complex. The Capitol is located in a transitional area. St. Paul police crime statistics for 1989 rank most of surrounding neighborhoods high in the number of reported crimes. Capitol Security has been able, however to adequately maintain the decorum of government through its mission

statement objectives.

- Division members have presented over 110 personal protection, crime prevention and building emergency seminars over the last biennium. These presentations have outlined ways to reduce employee vulnerability to assaults, office crimes and building emergencies such as fire and severe weather. C.P.R. certified trainers from Capitol Security also have provided this life saving instruction to over 800 state employees. These educational programs create an awareness in the population so that potential incidents are readily recognized, addressed and resolved.
- An estimated 535 public permit events were authorized on the Capitol grounds over the past two fiscal years and numerous public meetings were conducted without major disruptions to the governmental process. Functions such as abortion rallies, marijuana rights demonstrations, veteran's rallies and President Gorbachev's visit were conducted in a substantially peaceful fashion without conflict or damage to property. The 1990 Taste of Minnesota event, however, did result in personal assaults and damage in neighborhoods immediately surrounding the Capitol mall.
- As with all security entities, the major goal is prevention. The communications section closely monitors thousands of sophisticated detection and control devices. The unit promptly identifies potentially damaging situations or unauthorized intrusions and alerts the appropriate responding authority to verify or correct the problem. A major fire, such as the Inver Grove Heights Community College disaster, is unlikely in the Capitol complex because alarms would immediately sound and fire fighters dispatched, and damage would therefore be limited. They also monitor the recently installed tunnel surveillance system which allows individuals to contact Capitol Security if they feel threatened. Through this system suspicious people can be tracked and confronted, hopefully stopping an undesirable incident.
- The enforcement aspect of the division extends from patrolling the 26 surface parking lots and 4 ramps to its involvement in 12 domestic restraining order incidents. In F.Y. 1990 Capitol Security worked with St. Paul police over 70 times in dealing with situations on the Capitol complex, a substantial increase over the previous years.

PROSPECTS:

The trend in today's society is the very real need for more protection where people work. This was emphasized in a 1990 interagency security task force report based on employees surveyed throughout the metro area. Frequently this cannot be met by local law enforcement as their resources are severely limited. Instead an emphasis has been placed on prevention, which can be economically implemented by security operations. However, without an expansion of human resources Capitol Security may move closer to a law enforcement type reactionary posture. This trend would not be beneficial to the people or agencies within the Capitol complex because responses would occur after major disruption of governmental business.

Currently the program is strained to meet basic existing needs, is unable to respond in a timely manner, and lacks adequate personnel to meet expected future demands. Security is of great concern to employees, especially working after hours. We are called upon to provide escort service to employees' cars, and we feel this is a very important activity. Capitol Security continues to be contacted by state agencies located in buildings not within the outlined statutory limits for its services. We have attempted to assist these people through education and security planning services, however, uniformed security personnel are often requested. With future service demands anticipated to grow, our the ability to continue meeting these goals is jeopardized.

The addition of the Minnesota judicial and history buildings will place tremendous demands on this program. The Judicial Center, with three existing courts, and expected controversial cases in the future tax and workers compensation courts, will frequently require additional staff to maintain the necessary order. With 572 rooms and 3 major exhibit halls the History Center will add about 2,250 fire, environmental and security points, 12 CCTV cameras and 19 card access points. Capitol Security will be charged with monitoring this sophisticated system, and coordinating security for major scheduled events. We lack adequate complement to meet these expected demands.

PROGRAM: Capitol Security
(Continuation)
Agency: Public Safety, Department of

1992-93 Biennial Budget

Alternatives Considered:

To meet its obligation to the new Minnesota History Center and to maintain our prevention oriented focus, the division will need to expand its human resources in the next biennium. To accommodate this increase without major funding requests, the agency has examined the following options:

- Directly charge the Historical Society for all security services provided to the Minnesota History Center including security personnel, alarm monitoring and administrative support.
- Provide security to the History Center on an "as needed" basis. This would consist of security responses based on electronic alarm or calls for assistance. This response oriented concept would transfer day to day prevention, crowd control and special event needs to Historical Society personnel.

PLAN:

The opening of the Minnesota History Center will almost double the number of environmental and security points monitored on the automated system. In addition, the building will need 24-hour security to safeguard the precious and irreplaceable artifacts. To do this would require a General Fund appropriation of \$213,000 in F.Y. 1992 and \$221,000 in F.Y. 1993 and 8 positions, comprised of 6 guards, 1 communications monitor and 1 administrative support.

GOVERNOR'S RECOMMENDATION:

The Governor concurs with the agency's financial plan. The agency request and the Governor's recommendation do not include funding for the Minnesota History Center security needs.

1992-1993 B I E N N I A L B U D G E T
(DOLLARS IN THOUSANDS)

AGENCY: PUBLIC SAFETY, DPT OF
PROGRAM: CAPITOL SECURITY

				FY 1992			FY 1993		
ACTIVITY RESOURCE ALLOCATION:	FY 1989	FY 1990	Est. FY 1991	Adjusted Base	Agency Plan	Governor Recomm.	Adjusted Base	Agency Plan	Governor Recomm.
=====	=====	=====	=====	=====	=====	=====	=====	=====	=====
CAPITOL SECURITY	1,017	1,336	1,313	1,353	1,353	1,353	1,348	1,348	1,348
=====	=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL EXPENDITURES BY ACTIVITY	1,017	1,336	1,313	1,353	1,353	1,353	1,348	1,348	1,348
DETAIL BY CATEGORY:									

STATE OPERATIONS	1,017	1,336	1,313	1,353	1,353	1,353	1,348	1,348	1,348
=====	=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL EXPENDITURES BY CATEGORY	1,017	1,336	1,313	1,353	1,353	1,353	1,348	1,348	1,348
SOURCES OF FINANCING:									

DIRECT APPROPRIATIONS:									
GENERAL	1,017	1,326	1,301	1,341	1,341	1,341	1,336	1,336	1,336
STATUTORY APPROPRIATIONS:									
GENERAL		10	12	12	12	12	12	12	12
=====	=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL FINANCING	1,017	1,336	1,313	1,353	1,353	1,353	1,348	1,348	1,348

PROGRAM PURPOSE:

Driver and Vehicle Services Division administers laws pertaining to vehicle ownership and operation. The program closely relates to other divisions in the department which are concerned with enforcement of traffic laws and with traffic safety analysis and promotion.

The mission of the division is to provide protection to the public in all areas of vehicle ownership and operation through regulation, identification, education and highway funding. To realize this mission, the division carries out activities to:

1. License only qualified drivers by examining the drivers and exchanging information on problem drivers with other states.
2. Withdraw or restrict privileges of drivers who no longer meet the qualifications for a driver license by keeping records of driving history and evaluating driving behavior.
3. Provide information on drivers and motor vehicles to criminal justice agencies and the public.
4. Protect the ownership and financial interests in vehicles by maintaining records and issuing certificates of title;
5. Collect revenue for highway maintenance and construction, traffic law enforcement, motorcycle safety programs and general revenue.
6. Provide motor vehicle accident information for traffic safety analysis.
7. Protect the financial interests of the state and customers by licensing, inspecting and educating motor vehicle dealers and regulating compliance with the no fault insurance requirements.
8. Maintain high standards of driver education in the state by licensing commercial driver training schools and instructors.
9. Provide driver and vehicle services throughout the state through a network of driver license examination stations, deputy registrars and administrators of district court.

PERFORMANCE:

- Driver license applicants must demonstrate knowledge and skill on the type of vehicle they will be licensed to drive including commercial vehicles. The division avoids licensing problem drivers from other states by checking applicants for new licenses against the National Driver Register, the state where previously licensed, and Commercial Driver License Information System.
- The division maintains records on 4 million vehicles and 3 million drivers. The quality of those records affects the criminal justice agencies and the citizens who are the subjects of the records. A certificate of title is printed and ready to be mailed one day after the application reaches the division. Driver history records are updated promptly upon withdrawal and reinstatement of driving privileges. Electronic transfer of conviction data has eliminated the mailing time from some courts. Computer records are available to law enforcement 24 hours a day. However, improvement is desirable in the issuance of driver licenses, where it usually takes about 1 month for the card to be produced and mailed.
- The division made a smooth transition to a new title certificate issuing procedure in 1990. The certificate of title is now mailed to the owner rather than the lienholder. The change adds new

information related to the possible condition of the vehicle. All transfers must be done on the title so that the buyer can see the odometer reading and any other information that may be on the title.

- The division collects over a billion dollars in revenues each biennium. In F.Y. 1990 a total of \$618 million was collected. This included \$265 million for the general fund, \$326 million for the highway user tax distribution fund, \$19 million for the trunk highway fund and \$8 million to various special revenue funds.
- A new commercial driver licensing program was implemented as a result of the federal Commercial Vehicle Safety Act and new state laws that strengthen and enhance the requirements for license to operate commercial vehicles nationwide.
- Services are provided in all areas of the state. Most of these services are overseen by the department but provided by deputy registrars or administrators of district court. This system permits a number of locations and hours that would be costly for the department to provide.
- The bicycle registration system replaced individual community registration systems and is available voluntarily statewide. The number of currently registered bicycles has fallen from 138,300 in 1988 to 111,600 1990. Because only about 4% of owners choose to register bicycles, the program is not effective on a statewide basis.
- Compliance with the no fault insurance requirements is high in Minnesota. After processing insurance information from accident reports filed with the department, the driver licenses of less than 5% of all drivers are suspended for no insurance. The department carries out 6 different insurance verification programs, resulting in very little action. The spot check of insurance information provided at registration renewal results in the revocation of about 1% of the vehicles checked. There is a high compliance rate, and the verification system intended to get the remaining uninsured vehicles off the road is not cost efficient

PROSPECTS:

Driver license issuance can be improved in a number of ways. The photographing process for the license card will be replaced by a digitized image. By replacing the embossing with printing, the legibility will be improved. The security provided by the embossing will be replaced by a newer method, probably a hologram. Eliminating film development will permit more flexibility in processing applications. These changes should reduce the issuance time of a driver license to approximately one week.

During the period between January of 1990 and April of 1992, about 200,000 drivers will be tested to retain licenses to operate commercial vehicles. All of the drivers must pass written tests and about 8.5% of the drivers must pass road tests. The department will receive approximately \$238,000 in federal grants to assist with the additional activity through this period.

The processing of paper documents for records is very intensive in this program. It is costly to move the paper through the processing and store and retrieve it for later viewing. Some records of conviction and alcohol problem assessments are now received from courts through electronic transfer of data. This activity will be increased in the next biennium to include more courts and more types of information.

Further reduction of paper processing can be accomplished through the use of image processing. This procedure creates an image of a document that can be displayed on a screen and used in place of the paper for all processing and viewing purposes. This technology has the potential to reduce operating costs. The cost of the equipment needed is not included in the base level for this biennium. The amount needed for a pilot project in the accident records area would be \$1.5 million. The department will plan to begin the pilot project within the next 5 years.

1992-93 Biennial Budget

Agency Reallocations:

1992-1993 B I E N N I A L B U D G E T
(DOLLARS IN THOUSANDS)

AGENCY: PUBLIC SAFETY, DPT OF
PROGRAM: DRIVER & VEH SERVICES

ACTIVITY RESOURCE ALLOCATION:	FY 1989	FY 1990	Est. FY 1991	FY 1992			FY 1993		
				Adjusted Base	Agency Plan	Governor Recomm.	Adjusted Base	Agency Plan	Governor Recomm.
VEHICLE REG&TITLE	10,585	11,445	12,183	12,213	12,564	12,359	12,236	12,792	12,382
INTERSTATE REG&RECIP	996	1,268	1,396	1,404	1,445	1,400	1,400	1,486	1,396
LICENSING DRIVERS	15,687	17,855	18,944	18,679	19,777	18,883	18,000	19,434	18,206
DRIVER VEHICLE SERVICES SUPPORT	537	522	585	525	525	525	520	520	520
TOTAL EXPENDITURES BY ACTIVITY	27,805	31,090	33,108	32,821	34,311	33,167	32,156	34,232	32,504
DETAIL BY CATEGORY:									
STATE OPERATIONS	26,140	29,200	31,327	31,040	32,530	31,386	30,375	32,451	30,723
LOCAL ASSISTANCE	1,665	1,890	1,781	1,781	1,781	1,781	1,781	1,781	1,781
TOTAL EXPENDITURES BY CATEGORY	27,805	31,090	33,108	32,821	34,311	33,167	32,156	34,232	32,504
SOURCES OF FINANCING:									
DIRECT APPROPRIATIONS:									
GENERAL	3,998	5,664	5,752	5,803	5,764	5,764	5,792	5,753	5,753
TRUNK HIGHWAY	13,921	15,712	16,842	16,782	17,880	16,986	16,207	17,641	16,413
HGHWY USER TAX DISTR	8,402	9,372	10,119	10,054	10,485	10,235	10,081	10,762	10,262
STATUTORY APPROPRIATIONS:									
SPECIAL REVENUE	1,238	5	10	10	10	10	10	10	10
TRUNK HIGHWAY	46								
FEDERAL	158	337	317	172	172	172	66	66	66
GIFTS AND DEPOSITS	42		68						
TOTAL FINANCING	27,805	31,090	33,108	32,821	34,311	33,167	32,156	34,232	32,504

PROGRAM: Liquor Control
Agency: Public Safety, Department of

1992-93 Biennial Budget

PROGRAM PURPOSE:

The Liquor Control Division's mission is to protect the public through uniform interpretation of liquor laws and maintenance of stability in the alcoholic beverage industry by managing liquor licensing, education, and regulatory programs. The division protects the public interest by maintaining a balance among manufacturers, wholesalers, and retailers and among various public interest philosophies. To control potential monopolies, the division enforces state antitrust laws (called Tied House laws). Other examples of laws that maintain this industry balance are:

- Each supplier must sell alcohol to each wholesaler and each wholesaler must sell alcohol to each retailer at the same price that they sell it to every other wholesaler or retailer.
- Supplier-paid promotions must be equally available to all retailers.
- A supplier may not advertise for a retailer.
- No wholesaler can extend credit to a retailer beyond 30 days.

In order to protect the public safety from alcohol related problems and abuses, Liquor Control helps enforce state laws which regulate:

- The number of licenses available.
- How many licenses one person can own in one county.
- Sales to minors or drunks.
- Promotions between manufacturers, wholesalers, and retailers.
- Advertising of the type defined as improper or excessive inducements to drink alcohol.
- Indian Tribal liquor licenses.

This division in cooperation with the Department of Revenue ensures the collection of liquor taxes by preventing liquor licensees, who are not paying their state taxes, from making illegal retail or out-of-state (untaxed) liquor purchases. It also assists with enforcement of illegal gambling at liquor licensed businesses. Brand label registration is a tax collection and consumer protection function which assures purity of product and compliance with wholesale distribution laws.

PERFORMANCE:

The division provides a uniform centralized source for licensing information such as ownership and liquor liability insurance coverage, which is requested by municipal and private attorneys, municipal clerks, and other state and local enforcement personnel. Final approval of locally issued licenses are withheld if they do not contain statutorily required information such as dram shop insurance coverage, election results and applicable ordinances. At least 30% of the license documents received by the division from municipal clerks are deficient and need follow up action in order to comply with statutes regulating the approval of licenses.

Division staff work with sheriffs, police departments, city councils, and municipal clerks and attorneys in regulating state liquor laws. These people turn to us for advice, interpretation, alternatives and direction concerning liquor issues in their communities. They want to know how enforcement is being handled in other jurisdictions and what the public expects. In many situation there are local economic and political pressures that must be handled from a statewide perspective. This assistance

is provided through:

- Training and information contacts with industry, local licensing authorities, and city and county attorneys regarding laws, procedures, licensing requirements, etc. Requests for information and clarification are increasing in recent years, as frequent changes are made to the liquor laws.
- Resource/speaker for industry, service and fraternal groups, and local government bodies upon request, for informational or problem solving purposes. Our representatives give expert testimony before city council meetings, administrative law judges, and criminal trials, which provides professional, uniform interpretation of complicated laws and rules.
- Training in POST certified courses for police officers in all aspects of liquor laws.
- Investigation of complaints regarding wholesalers, video gaming and retail outlets.
- Assistance to local law enforcement, upon request, in investigations of liquor violations, such as compiling evidence for judicial or administrative action and giving expert testimony.

PROSPECTS:

Compared with liquor control agencies in other states based on population size and number of liquor establishments, this office has one of the lowest budgets and smallest staff. This division is not an enforcement agency as it is in most other states. Part of this can be attributed to Minnesota's decentralized law enforcement system. These factors can result in inconsistencies in compliance with state liquor laws. Due to the increased social awareness of alcohol misuse, negative reactions to industry deregulation and requests from the alcohol industry, the federal Bureau of Alcohol, Tobacco and Firearms (BATF) and industry representatives have said the federal government and most states are increasing budgets to their liquor control agencies.

The recent trend of increasing legal and illegal gambling at licensed liquor establishments has placed an increasing demand on our resources. We have responded by participating in joint investigations and sharing in the costs with other enforcement agencies. For example, we have built many good working relationships with sheriffs, local police departments, the Departments of Revenue and Gaming, the Gambling Enforcement Division, and the BATF.

The number of Minnesota breweries went from 13 in 1960 to 5 in 1990. In 1936 there were 680 breweries in the United States. Today, 5 major breweries control 92% of the market. This has resulted in more illegal trade practices by many dealers in a very competitive market. Continued reduction in liquor and beer sales will accelerate the trend toward illegal trade practices among competing wholesalers and retailers, and a greater concentration of sales in fewer businesses.

The division has received more requests for assistance from local law enforcement motivated by their own budget cuts, with the argument that it is state statutes that need to be enforced. In order to help resolve the often competing and conflicting social and economic philosophies at the local level, state liquor control needs to be an informed, responsive, neutral and fair agency.

PLAN:

In order to meet a budget shortfall in 1991 and the underfunding of salaries for 1992-93, the division lost 2 positions. As a result we have begun restructuring operations and systems. However, there will be delays in prelicense inspections since travel will be impacted the most. To continue to accomplish the division's mission, activities will be prioritized and managed within the existing budget.

GOVERNOR'S RECOMMENDATION:

The Governor concurs with the agency's plan.

1992-1993 B I E N N I A L B U D G E T
(DOLLARS IN THOUSANDS)

AGENCY: PUBLIC SAFETY, DPT OF
PROGRAM: LIQUOR CONTROL

				FY 1992			FY 1993		
ACTIVITY RESOURCE ALLOCATION:	FY 1989	FY 1990	Est. FY 1991	Adjusted Base	Agency Plan	Governor Recomm.	Adjusted Base	Agency Plan	Governor Recomm.
LIQUOR CONTROL	746	809	801	811	811	811	759	759	759
TOTAL EXPENDITURES BY ACTIVITY	746	809	801	811	811	811	759	759	759
DETAIL BY CATEGORY:									
STATE OPERATIONS	697	764	751	761	761	761	759	759	759
LOCAL ASSISTANCE	49	45	50	50	50	50			
TOTAL EXPENDITURES BY CATEGORY	746	809	801	811	811	811	759	759	759
SOURCES OF FINANCING:									
DIRECT APPROPRIATIONS:									
GENERAL	697	764	751	761	761	761	759	759	759
STATUTORY APPROPRIATIONS:									
SPECIAL REVENUE	49	45	50	50	50	50			
TOTAL FINANCING	746	809	801	811	811	811	759	759	759

PROGRAM: Gambling Enforcement
Agency: Public Safety, Department of

1992-93 Biennial Budget

PROGRAM PURPOSE:

This program is responsible for criminal investigation of legal and illegal gambling. The division provides gambling enforcement training for local law enforcement agencies and conducts background investigations on all persons and corporations involved in the conduct of legal gambling. Its mission is to insure the integrity of legalized gambling and eliminate illegal forms of gambling through performance of the following functions:

1. Conduct investigations into allegations of criminal misconduct involving all forms of gambling.
2. Expand the resources available to control various forms of gambling by training local law enforcement agencies in gambling investigation.
3. Conduct background investigations on all persons, vendors, corporations and contractors involved in legal gambling licensed by the Lottery, Racing Commission, and Lawful Gambling Board.
4. Regulate the State/Indian Gaming Compact by conducting background investigations on all employees and corporations involved in conducting gambling on the reservations and by testing all video machines used on Indian reservations for compliance prior to placement and for continued compliance while in play.
5. Enforce criminal statutes pertaining to video poker machines throughout the State.
6. Conduct an annual security audit of the State Lottery to insure internal controls are adequate to maintain integrity of the system.
7. Provide criminal enforcement to prevent the use of non-taxed gambling equipment

The division was created by the 1989 Legislature. Twelve positions were authorized, however, funding was available to fill only 6 positions. The 1990 legislature provided funding and additional positions for 19 employees. Due to the availability of funding, the positions are being filled over 7 months, with a full complement scheduled for early 1991.

PERFORMANCE:

Participation in gambling by the general population has greatly exceeded all expectations and has generated large amounts of revenue for charities and the State. Due to its unexpected rapid growth and introduction of new forms of gambling, regulatory and enforcement agencies have lacked the necessary resources to control the industry. The division has focused its resources on many activities which require immediate attention.

- Completed background investigations for the Lottery to achieve its targeted starting date.
- Completed an in-depth background investigation for the ownership transfer of Canterbury Downs.
- Conducted criminal investigations into the theft of lawful gambling monies resulting in successful prosecutions.
- Investigated distributors for selling gambling equipment to unlicensed persons and organizations and referred them to the Lawful Gambling Board for license sanctions.
- Conducted all 14,000 background investigations requested by the licensing agencies.
- Confiscated several video poker machines for illegal pay offs. Operators and a distributor were

charged with criminal violations, and activities were terminated at the sites of the violations.

- Criminal investigation of sports bookmaking resulted in successful prosecution, tax liability sanctions, and suspension of lawful gambling licenses.
- Worked closely with Nevada, Montana and South Dakota to prevent the introduction of video gaming machines onto Indian reservations which do not meet compact standards.
- Conducted training courses statewide for local law enforcement officers in order to increase the total complement of gambling enforcement in Minnesota.

PROSPECTS:

The past year has offered the division a period of evaluation and insight into legal and illegal gambling in Minnesota. The various State agencies involved are Public Safety, Gaming, Revenue and the Attorney General's Office. These agencies have defined their areas of responsibility and through the use of all resources a significant improvement in the conduct of gambling will result. The division has found that interaction and coordination with state agencies throughout the country is required as many persons and corporations engaged in criminal misconduct are active in several states.

The division has experienced excellent cooperation from local law enforcement and prosecuting attorneys throughout the State during the course of criminal investigations. As local awareness of gambling violations increases, so will the early detection of misconduct. However, local awareness and investigative cooperation are not enough to bring cases to completion. A criminal investigation of a licensed lawful gambling facility is similar to white collar crime investigations. It requires a complete financial audit that will withstand challenge in a criminal prosecution case. Local law enforcement agencies do not have the investigative audit resources, and the division has only two auditors for the entire industry.

Any introduction of additional forms of gambling or devices relating to gambling will have a negative impact on the division unless additional resources are provided for enforcement and regulation. An example would be the introduction of video lottery devices, off track parimutuel betting and river boat casino gambling. Indian gaming will continue to be controversial as to what forms of gambling will be permitted and the establishment of off-reservation gambling facilities.

PLAN:

The division will continue to train local law enforcement officers statewide. Then, as more local authorities accept responsibility for the routine criminal investigations of gambling sites, the division will focus on the more complex investigations that involve multi-jurisdictions and interstate cooperation. The division will provide criminal investigative services for the Lottery, Parimutuel Horse Racing, and Lawful Gambling Divisions. Background investigations will be completed as it is an essential element of licensing and regulating the gambling industry. Illegal sports bookmaking will be a focus of the division which at the present time receives minimal enforcement attention and generates millions of illegal dollars. Through enforcement action illegal monies should shift to legal gambling and enhance state revenue. Regulation and enforcement of the State/Indian gambling compact will continue to be a concern as the State does not receive revenue to support this activity.

GOVERNOR'S RECOMMENDATION:

The Governor concurs with the agency's plan.

1992-1993 B I E N N I A L B U D G E T
(DOLLARS IN THOUSANDS)

AGENCY: PUBLIC SAFETY, DPT OF
PROGRAM: GAMBLING ENFORCEMENT

ACTIVITY RESOURCE ALLOCATION:	FY 1989	FY 1990	Est. FY 1991	FY 1992			FY 1993		
				Adjusted Base	Agency Plan	Governor Recomm.	Adjusted Base	Agency Plan	Governor Recomm.
GAMBLING ENFORCEMENT		334	1,430	1,259	1,259	1,259	1,256	1,256	1,256
TOTAL EXPENDITURES BY ACTIVITY		334	1,430	1,259	1,259	1,259	1,256	1,256	1,256
DETAIL BY CATEGORY:									
STATE OPERATIONS		334	1,430	1,259	1,259	1,259	1,256	1,256	1,256
TOTAL EXPENDITURES BY CATEGORY		334	1,430	1,259	1,259	1,259	1,256	1,256	1,256
SOURCES OF FINANCING:									
DIRECT APPROPRIATIONS:									
GENERAL		334	1,430	1,259	1,259	1,259	1,256	1,256	1,256
STATUTORY APPROPRIATIONS:									
TOTAL FINANCING		334	1,430	1,259	1,259	1,259	1,256	1,256	1,256

PROGRAM PURPOSE:

Traffic crashes are the leading cause of death for people from age 1 to 40. In an average year in Minnesota, 600 people are killed in traffic crashes and 40,000 more are injured. The Department of Public Safety is concerned with traffic safety issues, and works through its Office of Traffic Safety to ensure the safety of Minnesotans, most of whom go out into traffic (as a driver or a pedestrian) every day. This is accomplished by planning, promoting, managing, administering, and evaluating traffic safety activities that use federal, state, and local resources, and by providing statistical information on motor vehicle accidents. The office:

1. Identifies traffic safety problem areas by analyzing Minnesota's traffic crash information, and plans appropriate, feasible projects to counteract the identified problem areas, making estimates of the projects probable impact on traffic crashes, injuries, and fatalities.
2. Sets policy and establishes priorities for providing federal and state funds to the proposed traffic safety projects (over 30 such projects are funded each year).
3. Works with project directors in state, county, and local units of government to establish these programs (this involves promoting the concept of the project, directing the early stages of the project's development, and persuading key individuals of the value of the project), and manages and administers the projects by helping project directors prepare grant applications, processing claims for reimbursement, verifying the appropriateness of activities conducted under the project, and helping project directors to solve any problems that arise.
4. Evaluates the results of each project to determine whether it was conducted efficiently and if it was effective in reducing traffic crashes, injuries, and fatalities.
5. Gathers and analyzes statistical information about traffic crashes (published in the legislatively-mandated Minnesota Motor Vehicle Crash Facts), conducts research into specific traffic safety issues, and serves as a traffic safety information clearinghouse, providing legislators, professionals, and private citizens with information about traffic safety issues of a national and international nature.

Funding for these activities comes from several sources. The largest source is the federal government: Approximately \$2,400,000 is provided to Minnesota each year for traffic safety programs in specific areas. Minnesota is allowed to spend a portion of this federal money for the administration of the program, provided that the State matches the dollars spent. Minnesota currently provides only \$174,400 in matching funds, which limits the amount of federal money spent on administration to \$174,400. In addition, this office manages the Motorcycle Safety Fund (a dedicated fund of money raised by an additional licensing fee for motorcyclists) and an appropriation for bicycle safety (a small amount of General Fund money that is used for support of local bicycle safety activities).

This program is the focal point for Minnesota's participation in a federal traffic safety program managed by the National Highway Traffic Safety Administration and the Federal Highway Administration. To participate, the Governor must identify a statewide governor's representative for highway safety (in Minnesota, the governor's representative is the Commissioner of Public Safety to oversee the program).

Services in the form of contract grant monies and technical assistance are provided to other divisions within the department, to other state agencies, and to county and municipal units of government. Projects conducted with these funds operate strictly on a cost reimbursement system. In addition, this office works with private citizens, non-profit traffic safety groups, and corporations to help solve problems related to traffic safety. This office also interacts with representatives from other states

and with federal officials to ensure that Minnesota's program maintains its high quality.

Through administering this program, the office has an overview of state problems. It is not possible at the local level. It allows us to adapt federal priorities to state and local needs and has resulted in benefits that are felt throughout the state (such as the alcohol and drug testing that is done at the Bureau of Criminal Apprehension, training for DWI prosecutors, and other important programs). Administration of the motorcycle safety program and the bicycle safety program is patterned after administration of the federal program. Using this model has allowed this program to make statewide improvements more efficiently than if the activities were conducted solely at the local level.

PERFORMANCE:

Minnesota has an excellent traffic safety record. In 1986-87-88, Minnesota had the lowest fatality rate in the nation, and in 1989, we had the 3rd lowest fatality rate in the country. Although the number of people injured has increased in recent years, the number of severe and moderate injuries has decreased steadily throughout the past 10 years. Child car seat use is high, with roughly 80% of the infants riding in car seats. We have had remarkably low numbers of motorcyclists and bicyclists killed in recent years. The following table shows 10 calendar years of data:

	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989
Crashes	103,612	97,879	89,443	97,371	93,741	99,168	95,460	94,095	102,094	105,996
Injuries	45,227	43,739	38,692	41,086	41,808	44,316	42,130	42,091	44,415	45,404
Severe	7,464	6,961	5,995	5,776	6,573	6,454	5,563	5,557	5,501	5,148
Moderate	18,511	18,138	16,710	15,579	17,271	17,670	16,289	16,217	15,593	15,431
Minor	19,247	18,640	18,385	17,337	18,810	21,081	20,278	20,317	23,321	24,825
Fatalities	863	763	581	558	584	610	572	530	615	605
Fatality Rate	3.03	2.67	1.98	1.83	1.81	1.84	1.67	1.51	1.69	1.61
Motorcyclists										
Killed	121	96	70	73	62	77	66	51	58	37
Bicyclists										
Killed	19	10	12	14	15	10	12	15	16	10

Minnesota is efficient in administering the federal program, spending 6% on administration; the maximum allowed is 10% (the amount we spend is limited by the amount of state matching funds available). Minnesota spends over 50% for local benefit; the minimum required is 40%. Our training programs are well-received, and most of the communities invited to participate in the projects we sponsor are eager to continue their participation.

Our administration of the motorcycle fund is also efficient and effective. Although the department is allowed to spend up to 5% of the fund for administration (roughly the equivalent of 1/2 a position), we have decided to administer the program with existing personnel so that all fund monies can be spent on motorcycle rider training and public information programs.

Despite this fine record, there is still room for improvement. The following traffic safety problems should be addressed:

- Nearly half of the traffic fatalities result from alcohol-related crashes.
- Fewer than half of the adults wear their safety belts.
- Over 75% of the motorcyclists killed in traffic accidents were not wearing helmets.
- Minnesota risks being sanctioned by the federal government for having such a high percentage of its traffic exceeding 55 MPH. If sanctioned, the state could lose up to \$7,000,000 in federal aid highway funds.
- Current law requires 15-year-olds who want to drive mopeds to take special training. This

PROGRAM: Traffic Safety
(Continuation)

1992-93 Biennial Budget

Agency: Public Safety, Department of

training is not routinely offered in the state and instructors who once offered the course have dropped out. Instructor training should be offered.

In addition, we must address our dependence on federal funds. Although the federal funding has given us the resources to deal with some problems that would have been difficult to solve at the state or local level, we have been forced to focus on issues of national interest. If we expect full access to federal traffic safety money, we must meet federal criteria which are neither acceptable nor beneficial to Minnesota. This dependence also means that reductions in federal funds have huge impacts on our programs. In 1980, \$4,700,000 was available for traffic safety programs; for 1990 only \$2,400,000. We are anticipating \$2,100,000 for F.Y. 1992-93. As the federal deficit grows worse, there is little chance that federal funding for traffic safety will increase. To make matters worse, there is an increasing trend for federal dollars to be dedicated to specific program areas. This means that, even if Minnesota does not have a serious problem in that area, we are forced to conduct that type of program or lose the federal money. Besides sapping our resources and attention, these dedicated programs eat into the money available for other, more important programs.

PROSPECTS:

In the 1970's, the oil embargo resulted in less driving and reduced speed limits; both of these had a positive impact on Minnesota's traffic safety record at the time. It is possible that another oil shortage will have an impact on traffic safety issues. If we see a return to lower speeds, we may see changes in Minnesota's policy on speed enforcement and perhaps a repeal of the Dimler amendment (which is at least partly responsible for Minnesota's high speeds on 55 MPH roadways). Since funds available for traffic safety programs come from monies raised through gasoline taxes, a reduction in gallons sold will mean reduction in the tax dollars available for these programs.

Another long-term issue for traffic safety is demographics. Over the next 10 to 20 years, 2 major changes will take place. The number of young drivers (who tend to be over involved in accidents) will increase substantially, since the children of baby boomers will reach driving age. Also, the baby boomers will be aging, and their larger numbers will intensify any problems related to older drivers.

We face the possibility of losing federal dollars if we do not comply with federal requirements in three program areas:

- The relatively high speeds on Minnesota's 55 MPH roadways may trigger a reduction in federal aid highway funds.
- Minnesota's reluctance to go along with the federal approach to DWI legislation and policy has already meant the loss of a potential \$11,000,000 in special alcohol incentive funding. (The search for funding for traffic safety programs may force us to comply with that program's requirements even if we don't agree with them.)
- If pending federal legislation is passed, we will see a reduction in federal funds for not passing a helmet law and for not increasing adult safety belt usage.

As we look to the future, we cannot allow Minnesota's exceptional safety record give us a false sense of security. Our roads would be much safer if there were fewer people who drove drunk, if more people obeyed speed limits, and if more people used safety belts. Moped instructor training (a program that cannot be conducted with federal funds) is essential if Minnesota continues to require 15-year-olds to take a course prior to driving a moped.

LEGISLATIVE ISSUES:

- Increase the revocation periods for repeat DWI offenders, and change the parameters for qualifying for a limited license. The changes could allow Minnesota to qualify for up to \$11,000,000 in funds through the federal alcohol incentive programs.
- The Dimler amendment allows certain speeding violations to escape entry on a driver's record, which provides a disincentive for drivers to abide by the 55 MPH limit. To the extent that it contributes to Minnesota's higher speeds, the Dimler amendment may cause Minnesota to lose up to \$7,000,000 in federal aid highway funds if it is not repealed.
- If pending federal legislation is passed, we could lose federal funds if we do not have a motorcycle helmet law. The legislature should consider reinstating this law.
- To reduce the number of alcohol-related traffic fatalities, we must make it clear that impaired driving will not be tolerated. Lowering the per se level to .08 would not accomplish this by itself, but it would be a step in the right direction.
- Use of seat belts is one of the most cost-effective means of reducing the number of traffic fatalities and injuries. Primary enforcement will encourage more people to use this readily available device, and may raise the percentage of belt users to the level at which we would be sanctioned under proposed federal legislation.

PLAN:

Agency Reallocation:

<u>Bicycle Safety</u>	<u>F.Y. 1992</u>	<u>\$11,000</u>	<u>F.Y. 1993</u>	<u>\$11,000</u>
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The agency requests an increase in the money available to promote community-based bicycle safety programs. Inflation has increased the costs of salaries, materials, supplies, and other program costs including training. This general fund increase is funded through a reduction in the Driver and Vehicle Services program as a result of eliminating the bicycle registration program.

GOVERNOR'S RECOMMENDATION:

The Governor concurs with the agency's plan.

1992-1993 B I E N N I A L B U D G E T
(DOLLARS IN THOUSANDS)

AGENCY: PUBLIC SAFETY, DPT OF
PROGRAM: TRAFFIC SAFETY

				FY 1992			FY 1993		
			Est.	Adjusted	Agency	Governor	Adjusted	Agency	Governor
ACTIVITY RESOURCE ALLOCATION:	FY 1989	FY 1990	FY 1991	Base	Plan	Recomm.	Base	Plan	Recomm.
=====	=====	=====	=====	=====	=====	=====	=====	=====	=====
TRAFFIC SAFETY AND RESEARCH	2,429	2,918	2,954	2,585	2,596	2,596	2,585	2,596	2,596
=====	=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL EXPENDITURES BY ACTIVITY	2,429	2,918	2,954	2,585	2,596	2,596	2,585	2,596	2,596
=====	=====	=====	=====	=====	=====	=====	=====	=====	=====
DETAIL BY CATEGORY:									
=====	=====	=====	=====	=====	=====	=====	=====	=====	=====
STATE OPERATIONS	1,206	1,438	1,669	1,645	1,645	1,645	1,645	1,645	1,645
LOCAL ASSISTANCE	1,223	1,480	1,285	940	951	951	940	951	951
=====	=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL EXPENDITURES BY CATEGORY	2,429	2,918	2,954	2,585	2,596	2,596	2,585	2,596	2,596
=====	=====	=====	=====	=====	=====	=====	=====	=====	=====
SOURCES OF FINANCING:									
=====	=====	=====	=====	=====	=====	=====	=====	=====	=====
DIRECT APPROPRIATIONS:									
GENERAL	53	53	53	53	64	64	53	64	64
TRUNK HIGHWAY	144	161	174	176	176	176	176	176	176
STATUTORY APPROPRIATIONS:									
SPECIAL REVENUE	188	259	288	288	288	288	288	288	288
FEDERAL	2,044	2,445	2,439	2,068	2,068	2,068	2,068	2,068	2,068
=====	=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL FINANCING	2,429	2,918	2,954	2,585	2,596	2,596	2,585	2,596	2,596

PROGRAM PURPOSE:

The Office of Drug Policy is statutorily charged with coordinating the activities of federal, state and local drug program agencies in reducing both the supply and demand for illegal drugs in the state of Minnesota. The office carries out this mission with the advisory assistance of two citizen/professional committees: the Narcotics Enforcement Coordinating Committee (NECC) which advises on the planning and distribution of state and federal anti-drug funds targeted for the criminal justice system and the Drug Abuse Prevention Resource Council (DAPRC) which advises on the development and implementation of drug prevention activities. The legislatively mandated functions of this program are:

1. Gather and make available information on supply and demand reduction.
2. Foster cooperation among drug program agencies and function as a clearinghouse for information from other drug program agencies.
3. Provide training and other programs to improve the effectiveness of supply and demand reduction.
4. Coordinate the distribution of federal Anti-Drug Abuse Act funds and state anti-drug and crime prevention funds.
5. Submit an annual comprehensive statewide anti-drug strategy to the Governor and state legislature.
6. Assist local governments and groups in planning, organizing and establishing community-based drug abuse prevention programs.
7. Provide technical assistance to organizations seeking funding for drug abuse prevention programs.
8. Assist providers of drug programs in implementing, monitoring and evaluating new and existing programs and services.
9. Analyze and provide information on the relative public and private costs of drug abuse prevention, enforcement, intervention and treatment efforts.

The office has multiple audiences and constituencies. It informs and makes recommendations to the Governor and legislature and several federal government agencies, and it interacts with all units of government in Minnesota, non-profit and business organizations, community groups/associations and system professionals in criminal justice, education, human services, health care and prevention.

PERFORMANCE:

In each of the last 2 legislative sessions, the legislature has addressed drug policy matters and has increased funding for anti-drug initiatives. In 1989, they appropriated \$500,000 for community-based prevention initiatives and allocated \$30 million for the Consolidated Chemical Dependency Treatment Fund for the biennium. In 1990, \$14.5 million was appropriated for a broad range of anti-drug initiatives. Federal grants have also risen steadily in the past 2 years. In 1990 the state received about \$10 million in federal anti-drug funds; and in 1990, the state is receiving \$27.8 million.

Minnesota's criminal and civil penalties for the sale, distribution and use of illegal drugs have been increased substantially. Arrests, prosecutions and incarceration rates have increased dramatically. There is an overall heightened awareness among the public of the dangers of drug use. Evaluation of the effectiveness of some of the state's policies and programs has been initiated. It appears that casual use of illegal drugs among Minnesotans has decreased, the supply of crack/cocaine has been reduced and hospital emergency admissions due to drug abuse are down.

Minnesota was one of the first states to establish an Office of Drug Policy modeled after the national office. Because the office was not created until August 1989, nor fully staffed in January 1990, we lack sufficient information and experience to appropriately gauge our impact. The following is a summary of accomplished tasks to-date:

- Federal and state anti-drug grant awards to local government and community groups have doubled from 70 to 140; federal and state funds administered have increased by \$19.5 million.
- Coordination of multiple agencies in anti-drug initiatives has been increased through the establishment of a state interagency drug team, the successful passage of a comprehensive drug package in 1990, and the creation and expansion of the NECC and DAPRC advisory committees. The office has stimulated local coordination by requiring collaboration among units of government and community programs in order to be eligible for federal and state funding.
- Over 100 onsite visits have been conducted throughout the state providing technical assistance and training in grant application and operation, in prevention planning and implementation, and in monitoring and assessment of existing programs.
- Through subgrants we have instituted training for state judges, state and local correction personnel, prosecutors and defense attorneys, law enforcement officers, teachers and school administrators, public health nurses and community prevention professionals.
- Through the development of the 1990 legislative drug package and the 1991 drug strategy, the office seeks to insure a comprehensive and cohesive anti-drug strategy for Minnesota. This includes collection and analysis of data on drug supply and demand indicators, identification of public and private funds supporting drug initiatives, and recommendations of professionals and citizens, and youth through surveys and planning sessions.
- Funds and technical assistance are made available to community groups and drug agencies. The office has: 1) streamlined and simplified the funding application and implementation process; 2) developed grant manuals and held training sessions on grant application and contract compliance; 3) committed itself to assisting groups in their own communities; and 4) involved community representatives in state funding decisions.
- The first state video and training manual was produced on community-based drug/alcohol prevention designed to encourage and train community groups in establishing prevention and intervention initiatives in their areas.

PROSPECTS:

State and local jurisdictions rely heavily on federal anti-drug funds to support both administrative and programmatic anti-drug initiatives. Federal and state funds have been used to stimulate neighborhood and community anti-drug and crime mobilization efforts. This creates a dual demand for increased government service to those neighborhoods (primarily law enforcement and social service) and financial support for the neighborhood efforts. Due to the federal budget deficit, we do not anticipate an increase in federal support during F.Y. 1992-93, leading either to cutbacks in existing efforts or greater reliance on state and local revenue.

Nationally, there is growing recognition that drug use is not a criminal justice problem but a public health problem. Several states have begun to reduce their investment in prison expansion due to exorbitant costs. Greater emphasis will be given toward increased financial investment in long term public health prevention programming and to expanding community based correctional sanctions.

While casual use of cocaine/crack has diminished significantly, addiction to these drugs remains high in certain population groups requiring more targeting in prevention and intervention policies and programs. There appears to be little change in marijuana use; LSD use appears on the increase among the young; and there is always the possibility for new addictive drugs to emerge.

PROGRAM: Drug Policy
(Continuation)
Agency: Public Safety, Department of

1992-93 Biennial Budget

As a result of the emphasis on illegal drug use, greater attention is being paid to the problems of alcohol use by youth, pregnant women, and overall alcohol abuse among the general population. The longer term consequences of drug and alcohol abuse have emerged in terms of cocaine babies, fetal alcohol syndrome and increased protection and domestic assault caseloads. These groups will continue to place special demands and pressures on our health care, social service and education systems.

PLAN:

During the F.Y. 1992-93 biennium, through legislative and administrative action, we will attempt to turn over to other state agencies responsibility for the implementation of grant programs and corresponding contractual management and monitoring duties, while maintaining our fiscal and programmatic oversight responsibility. Other state agencies have both the capacity and experience to assume these program responsibilities. Furthermore, such a transfer is good public policy. Alcohol and drug abuse do not function in isolation, but are both symptomatic and creators of other health and social issues, therefore the integration of the anti-drug fund programs within other state agencies is essential.

A major transfer we hope to secure during the 1991 legislative session involves the Department of Health. As part of our drug strategy, we seek to legitimize and institutionalize drug/alcohol prevention funding and programming. This is best accomplished through the community health programs administered by the Department of Health. We will recommend that our community prevention funds, grant management and technical assistance functions be transferred to Health during F.Y. 1992-93.

The program is unable to take full advantage of federal funds available to support its functions. Of the \$175,000 general fund appropriation, approximately \$79,000 is available for state match. A match of \$133,000 in state funds would be needed to support the \$400,000 in available federal funds. Without additional administrative match funding the following will occur:

1. A 33% reduction in technical assistance to communities and organizations in seeking public or private funding; and in assisting drug program providers in implementing, monitoring and evaluating new and existing programs/services.
2. An increase in grant caseloads from 35 to 48.
3. Reduction in activities (collection and dissemination of information on demand and supply reduction, coordination of drug agency program activities, and serving as a clearinghouse for information from other drug agencies).
4. Elimination of the analysis of public and private costs of drug abuse prevention, enforcement, intervention and treatment efforts.

GOVERNOR'S RECOMMENDATION:

The Governor concurs with the agency's plan.

1992-1993 B I E N N I A L B U D G E T
(DOLLARS IN THOUSANDS)

AGENCY: PUBLIC SAFETY, DPT OF
PROGRAM: DRUG POLICY

				FY 1992			FY 1993		
ACTIVITY RESOURCE ALLOCATION:	FY 1989	FY 1990	Est. FY 1991	Adjusted Base	Agency Plan	Governor Recomm.	Adjusted Base	Agency Plan	Governor Recomm.
=====	=====	=====	=====	=====	=====	=====	=====	=====	=====
DRUG POLICY		1,950	5,640	7,509	7,509	7,509	7,509	7,509	7,509
=====	=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL EXPENDITURES BY ACTIVITY		1,950	5,640	7,509	7,509	7,509	7,509	7,509	7,509
DETAIL BY CATEGORY:									
=====									
STATE OPERATIONS		439	582	534	534	534	540	540	540
LOCAL ASSISTANCE		1,511	5,058	6,975	6,975	6,975	6,969	6,969	6,969
=====	=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL EXPENDITURES BY CATEGORY		1,950	5,640	7,509	7,509	7,509	7,509	7,509	7,509
SOURCES OF FINANCING:									
=====									
DIRECT APPROPRIATIONS:									
GENERAL		162	991	762	762	762	762	762	762
STATUTORY APPROPRIATIONS:									
FEDERAL		1,788	4,649	6,747	6,747	6,747	6,747	6,747	6,747
=====	=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL FINANCING		1,950	5,640	7,509	7,509	7,509	7,509	7,509	7,509

PROGRAM: Pipeline Safety
Agency: Public Safety, Department of

1992-93 Biennial Budget

PROGRAM PURPOSE:

This program was created following the tragic pipeline accident in Mounds View in 1986. There are more than 50,000 miles of pipelines traversing our state carrying highly volatile and hazardous products that, without professional and qualified inspection, could lead to extensive damage and loss of life. The program conducts inspection and enforcement activities designed to:

- Reduce the number of violations of pipeline safety codes, which can lead to accidents causing death and significant property loss.
- Investigate pipeline accidents to determine the cause and implement responses that would eliminate similar accidents in the future.
- Educate the public on potential pipeline hazards and how to reduce those hazards.
- Provide trend analysis of violations and accidents to increase prompt industry response to changing technologies and environments that affect the reliability and safety of pipelines.
- Become an agent of the federal government to inspect interstate gas and liquid pipelines, which are currently inspected by the federal government every 5 years.

PERFORMANCE:

Pipelines traversing Minnesota include natural gas lines operated by private companies and municipal governments, propane gas lines operated by mobile home parks, resorts and distributors, liquefied natural gas and hazardous liquid pipelines. Prior to 1987, nearly 75% of the miles of natural gas lines were never inspected and no propane operator was inspected. Since the office's inception in September of 1987, over 7,500 violations of minimum safety code have been uncovered. The types of violations include hazardous facilities of imminent danger to the public and warnings and violations that could lead to hazardous conditions that would endanger lives unless remedial action is taken. The office has also investigated over 150 accidents on pipelines since 1987.

This program provides an initial comprehensive inspection of every pipeline operator, followed-up with a comprehensive field inspection. The office evaluates the findings of these inspections and issues orders for remedial action. The findings serve as the basis for future inspections. Nearly 1,200 enforcement actions have been issued requiring significant equipment, facility and training changes. We have also issued civil penalties for inadequate response to remedial action, continued abuse of minimum code, and accidents leading to injuries.

A comprehensive inspection program for remedial action has been instituted. The program, titled "3-5-7," directs operators to rectify immediate hazards and provide plans for eliminating those hazards within 3 years. By the 5th year the pipeline operator must outline a draft for complete compliance with all codes and by the 7th year each operator shall have rectified their problems.

The work of Gopher State One-Call a non-profit, privately run operation, is vital to protecting lives and property. The primary cause of pipeline accidents comes from excavators, with damage estimated at nearly \$10 million dollars in the metro area in 1989. This is a real and present danger, considering its potential to cause loss of life from resulting pipeline ruptures or loss of emergency services from phone line damage.

PROSPECTS:

The pipeline infrastructure in Minnesota is aging as is the management structure responsible for safety compliance. The newly competitive world of gas and liquid production and sale has lead to

dramatic economic changes in the pipeline industry and in their understanding of operation and maintenance. Pipeline safety codes are performance standards. We need to ensure that consistency and updating on technology and equipment is maintained throughout the state, and that the performance of pipeline operators is meeting code.

Training is a growing need within the pipeline industry in order to ensure consistency in performance. Lack of training was the leading cause of 147 accidents in the past 3 years. The smaller pipeline operators do not have the financial ability or experience to provide adequate training. This office will seek to implement rules directing pipeline operators to improve their training standards. This office needs to expand its training capabilities, to ensure that all Minnesotans get the same level of protection.

In the next two years the office will complete its initial inspection of another 75 operators. It will be necessary to implement a program that will ensure timely compliance of safety codes. Many of the operators are small companies or municipal operators, and their own budget problems limit aggressive compliance programs. The office will work with each operator to effect a timely compliance program that is reasonable but where safety is the primary result.

The interstate companies are expected to become jurisdictional to Minnesota in July 1991. This increase in the number and miles of pipelines will be extensive. Federal law changes also continue to add responsibilities to the office. The cost of these programs are spread over all rate payers through a dedicated fund. The office is working with the Congressional delegation and others to increase the federal contribution to this program. The federal government can contribute up to 50% but has failed to do so since 1987.

PLAN:

This program is funded out of a special revenue account from fees and assessments back to the operators. The office will manage an annual inspection to ensure that each operator is completing the remedial action promptly and that the chosen performance selected by pipeline operators is being met. All activities will be managed within the current fee structure.

Agency Reallocations:

1. Pipeline Safety Salaries	F.Y. 1992	\$30,000	F.Y. 1993	\$60,000
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The agency requests a reallocation of special revenue account dollars to fully fund salaries in this program.

2. Attorney General Fees	F.Y. 1992	\$40,000	F.Y. 1993	\$40,000
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The Office of Pipeline Safety has extensive enforcement authority including primary enforcement of liquefied gas and the Gopher State One-Call requirements. The statutory responsibilities of the office has generated extensive legal work, including numerous rulemaking, complex federal pre-emption issues, and legal questions regarding federal interstate agency status. Enforcement actions such as contested cases, law suits and out-of-court negotiations will continue to grow as this program moves past its initial inspection phase of operation. The Attorney General is requesting 1 position to be funded through an interagency agreement with Public Safety.

GOVERNOR'S RECOMMENDATION:

The Governor concurs with the agency's plan.

1992-1993 B I E N N I A L B U D G E T
(DOLLARS IN THOUSANDS)

AGENCY: PUBLIC SAFETY, DPT OF
PROGRAM: PIPELINE SAFETY

				FY 1992			FY 1993		
			Est.	Adjusted	Agency	Governor	Adjusted	Agency	Governor
ACTIVITY RESOURCE ALLOCATION:	FY 1989	FY 1990	FY 1991	Base	Plan	Recomm.	Base	Plan	Recomm.
PIPELINE SAFETY	456	528	846	940	1,010	1,010	940	1,040	1,040
TOTAL EXPENDITURES BY ACTIVITY	456	528	846	940	1,010	1,010	940	1,040	1,040
DETAIL BY CATEGORY:									
STATE OPERATIONS	456	528	846	940	1,010	1,010	940	1,040	1,040
TOTAL EXPENDITURES BY CATEGORY	456	528	846	940	1,010	1,010	940	1,040	1,040
SOURCES OF FINANCING:									
DIRECT APPROPRIATIONS:									
GENERAL	318								
SPECIAL REVENUE		391	709	803	873	873	803	903	903
STATUTORY APPROPRIATIONS:									
FEDERAL	138	137	137	137	137	137	137	137	137
TOTAL FINANCING	456	528	846	940	1,010	1,010	940	1,040	1,040

PROGRAM PURPOSE:

The Crime Victims Services program is a provider of direct government benefits to crime victims, a resource for individuals in the criminal justice system who deal with crime victims. The program is comprised of two statutorily defined entities:

- The Crime Victim and Witness Advisory Council is a 15 member policy council which is mandated to perform such functions as the promotion of effective services for victims, examination of the relationship between the criminal justice system and crime victims, and monitoring victim-related legislation. The council's overall mission is to act as a resource and policy advocate for all crime victims in Minnesota and for those who directly serve or act on behalf of victims.
- The Crime Victims Reparations Board provides financial assistance to victims of crime who have suffered personal injury. The board attempts to recover these payments through civil actions. Its mission is to limit out-of-pocket expenses incurred by victims as a result of crimes which they could not prevent.

The missions of the council and board are carried out through public and professional training and education, facilitation of study groups and policy analysis, provision of technical assistance statewide, research and communications, interagency coordination, and administration of the crime victims reparations act, including the receipt and processing of claims, case investigation, determination of eligibility, payment of claims, and litigation.

PERFORMANCE:

In 1989, 12,556 violent crimes were reported to local law enforcement agencies in Minnesota. At least that many are believed to have gone unreported. An additional 178,000 property crimes were also reported. Each victim's life is affected in myriad ways. Lost time from work, health care needed by injured victims, mental health costs and local justice system costs for all of these crimes total in the tens of millions of dollars.

The treatment of crime victims in Minnesota is among the most progressive in the nation. As a result of the efforts of grassroots groups and the council, Minnesota's victims are provided with a great many rights in law. Implementation of these rights has been a struggle, however, and research efforts by the council indicate preliminarily that lack of compliance with statute by local criminal justice actors is an area of concern. Council technical assistance, begun in 1990, is beginning to demonstrate that local units of government can respond to these mandates in cost effective ways.

- The council has convened annual study groups in areas identified as problematic by those in the criminal justice system. Its reports on restitution and harassment have resulted in innovative changes in state policies and practices.
- The council has, through separate solicitation and collection of public and private revenues, held an annual conference which provides state-of-the-art training in the area of victimization and violence. These conferences have been attended by over 200 professionals.
- Council speaking and training reached a combined audience of nearly 5,000 in 1990-91.
- The board received 889 new claims for reparations in 1989 and 990 in 1991. It awarded 992 and 1132 total claims respectively and denied 338 the first year and 398 the second year.
- The average processing time each year for reparations claims is less than 90 days.
- The board launched a public information campaign focused on enhancing awareness of the

PROSPECTS:

Changing federal requirements have resulted in expanded victim eligibility for reparations, including compensation for victims of all drunk driving crashes and liberalized criterion for payment of domestic abuse victims. These requirements will result in increased demands for compensation.

Rising levels of reported violent crime and continual expansion of knowledge and understanding regarding crime victims will keep victims issues in a high-profile arena. As third-party payments and other assistance programs become narrower in scope, the demand for reparations as stopgap funding will increase. Heightened activities involving illegal drugs, youth gang activity and racially-motivated crimes all point to an increased level of public awareness regarding the damages inflicted by crime and the helplessness of the victim in the justice system. Victims continue to demand the time and resources of local government, and the level of creativity, resourcefulness, and technical knowledge required of local criminal justice personnel expands continuously. If current trends continue, reparations claims will continue to increase in number and heighten in complexity.

As local governments attempt to fulfill the mandates of law, additional assistance will be needed in assembling administrative, legal, and programmatic mechanisms to assure proper compliance with legal mandates. This will create a continued demand for technical assistance and training provided by the Council. Services for the traditionally unserved, such as persons of color, the differently abled and children are more in demand than ever, and a continuous monitoring of services is required.

While victimization is an increasing likelihood in the life of each Minnesotan, resource requirements limit the ability of the state to respond effectively. This program has been devoting a great deal of effort securing to interagency budget transfers, small outside grants, and in-kind donations in order to assure that the council can perform its statutory role. The council's technical assistance and training efforts are important activities that help the council accomplish its mission. In light of legislative action and operational realities, the board faces a need for a greater proportion of its budget to be dedicated to administrative support for the processing of increasing number of claims.

PLAN:

As a result of revenue generated through forfeiture dollars designated for victim assistance, monies accruing from these sources have grown each year:

Revenue Collection (in thousands)	F.Y. 1989	F.Y. 1990	F.Y. 1991 (est.)
Forfeiture	\$ 49,690	\$239,679	\$250,000
Assessment/Surcharges	522,060	550,024	550,000
Fines	99,752	102,069	140,000

Agency Reallocations:

It is proposed that those dollars generated from assessments and surcharges on criminal fines (M.S.609.101) continue to be used as the source of reparations payments, along with the dollars generated through forfeiture. In addition, it is proposed that additional funds be allocated to this program for administrative support.

1. Administrative Support	F.Y. 1992	\$129,000	F.Y. 1993	\$ 96,000
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Automated information and microfilm document storage are critical components of maintaining a functional claims processing system without adding personnel to handle the increasing number of telephone inquiries and data transfer requirements. Additional storage for permanently

PROGRAM: Crime Victims Services
(Continuation)
Agency: Public Safety, Department of

1992-93 Biennial Budget

retained claim files, and the development of video training materials will be necessary in order to reallocate staff time now devoted to on site training.

It is proposed that the councils activities, particularly facilitation of multidisciplinary study efforts, convening of an annual statewide conference, and the training of trainers in the criminal justice system be funded through the increase in revenue generated by those who have committed crimes.

2. Crime Victim Reparations F.Y. 1992 \$200,000 F.Y. 1993 \$200,000

It is proposed that additional dollars generated from fines and assessments go directly to crime victims by increasing the account from which the board makes its grants.

GOVERNOR'S RECOMMENDATION:

The Governor concurs with the agency's plan. The agency must ensure that increased expenditures are offset with increased revenue.

1992-1993 B I E N N I A L B U D G E T
(DOLLARS IN THOUSANDS)

AGENCY: PUBLIC SAFETY, DPT OF
PROGRAM: CRIME VICTIMS SERVICES

				FY 1992			FY 1993		
ACTIVITY RESOURCE ALLOCATION:	FY 1989	FY 1990	Est. FY 1991	Adjusted Base	Agency Plan	Governor Recomm.	Adjusted Base	Agency Plan	Governor Recomm.
=====	=====	=====	=====	=====	=====	=====	=====	=====	=====
CRIME VICTIMS SERVICES	1,684	1,710	2,098	1,787	2,116	2,116	1,787	2,083	2,083
=====	=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL EXPENDITURES BY ACTIVITY	1,684	1,710	2,098	1,787	2,116	2,116	1,787	2,083	2,083
=====	=====	=====	=====	=====	=====	=====	=====	=====	=====
DETAIL BY CATEGORY:									

STATE OPERATIONS	1,684	1,710	2,098	1,787	2,116	2,116	1,787	2,083	2,083
=====	=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL EXPENDITURES BY CATEGORY	1,684	1,710	2,098	1,787	2,116	2,116	1,787	2,083	2,083
=====	=====	=====	=====	=====	=====	=====	=====	=====	=====
SOURCES OF FINANCING:									

DIRECT APPROPRIATIONS:									
GENERAL	828	1,062	1,594	1,291	1,620	1,620	1,291	1,587	1,587
STATUTORY APPROPRIATIONS:									
SPECIAL REVENUE	761		8						
FEDERAL	95	648	496	496	496	496	496	496	496
=====	=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL FINANCING	1,684	1,710	2,098	1,787	2,116	2,116	1,787	2,083	2,083

PROGRAM: Children's Trust Fund
Agency: Public Safety, Department of

1992-93 Biennial Budget

PROGRAM PURPOSE:

The Office of the Children's Trust Fund is the program within state government whose principal purpose is to provide funding to community-based programs designed to help prevent child maltreatment, and to provide education, leadership and resources to local prevention organizations.

The mission of the office is to prevent child maltreatment through partnerships with communities across the state. This office, with the advice and assistance of an 18 member Advisory Council, strives to achieve its mission through efforts and programs that:

1. Provide technical assistance to county leaders in order to organize a local prevention council, survey existing programs and services, assess the need for additional programs and services and develop a county-wide prevention plan.
2. Provide grants in an equitable and effective manner to private nonprofit and public agencies in support of their efforts to prevent child maltreatment.
3. Provide direction to authorized county prevention councils regarding the process for reviewing and ranking grant applications from their geographic area.
4. Increase the awareness of the responsibility that local communities have for the well-being of all children, including the prevention of child abuse and neglect.
5. Identify effective primary and secondary prevention programs that can be adapted and/or replicated throughout the state.

By statute this program is required to provide statewide educational and public informational seminars to develop public awareness on preventing child abuse, encourage professional persons and groups to recognize instances of child abuse and work to prevent them, make information on child abuse prevention available to the public, organizations and agencies, and encourage the development of prevention programs.

PERFORMANCE:

The responsibility for identifying prevention needs rests with local prevention councils. Public and private nonprofit agencies may apply for grant monies only if their county has a prevention council authorized to review grant applications from their geographic area. To date, 40 of the 87 counties have local councils. In 1989, applications were received from authorized counties totaling \$1.5 million, however, only \$370,682 was available for distribution.

A simplified process for counties to seek authorization as a prevention council was developed. Although the amount of grant funds is limited, counties are encouraged to organize a prevention council and develop community awareness and public education programs. Two year awards were established in 1989 in order to fund programs that lend themselves to more measurable outcomes. A 2 year process allows more time for the council and staff to focus their time and limited resources on other aspects of the program.

The annual operating budget of this program limits its ability to develop and maintain a program intended to serve the primary and secondary child maltreatment prevention needs of the entire state. Since 1987, only 20 programs received grants each year. The \$100,000 operating budget primarily allows a staff of 2 to do only limited program development. Technical assistance and program monitoring is limited to telephone contact and review of quarterly reports. These limitations inhibit any prospects of providing for coordination and exchange of program maintenance and operation information among grantees.

Revenue from the birth certificate surcharge in Minnesota does not come near the expectations that were projected when this program began. Limited operating funds do not allow for staff time and resources to be devoted to generating additional revenue. In contrast, Ohio, with 88 counties, realizes revenue from surcharges on birth and death certificates and on divorce and dissolution decrees. From those sources they had over \$3 million available for distribution in 1989. This allowed Ohio to earmark funds for every county according to the number of children residing in the county, and to set aside funds for minority initiative grants, program evaluation and public awareness activities.

All states that have established Children's Trust Funds and who have funds dedicated to support child abuse prevention activities, are eligible to apply for Federal Challenge Grant monies. The funds Minnesota received were utilized to accomplish some of the programs and services set forth in statute.

- Sponsored 2 annual forums for chairpersons of local prevention councils and members of the Children's Trust Fund Advisory Council in order to solicit input and feedback on existing programs, exchange information, and plan future strategies.
- Developed and published a communications guide and public relations materials for use by local prevention councils.
- Funded a community resources developer, who provides consultation and technical assistance to counties interested in organizing prevention councils and training for council members on how to develop and conduct community education programs.

PROSPECTS:

A Federal Challenge Grant has been received for 1991 for reduced amount. This will only enable us to continue funding the community resources developer through June 1991. If Challenge Grant monies are not appropriated by Congress for F.Y. 1992, this program will not be able to continue providing technical assistance to current and developing local councils.

Counties with no local prevention council state that the amount of grant funds available for distribution in Minnesota does not warrant the required effort to seek authorization status. While this attitude is understandable, it inhibits achieving the goal of establishing a strong and responsible infrastructure at the community level for the prevention of child maltreatment. It is unrealistic to expect that the \$380,000 currently available annually will effectively serve the prevention needs of Minnesota's 1.3 million children and their parents. This is only 29 cents per child.

The very nature of prevention requires a long term effort before measurable results are evident. Evaluation data on currently funded programs is not yet available. Our desired position is to be able to award research and evaluation grants along with service and programs grants.

The formula governing the distribution of trust fund monies appropriates \$100,000 annually for program administration. It also provides that until the total amount of assets in the trust fund exceeds \$20 million, the amount available for grants cannot exceed 60% of the gross amount contributed to the trust fund each year, plus 100% of all earnings credited to the trust fund the previous fiscal year, and all monies collected in federal grants, gifts, donations, bequests, and net proceeds from the sale of promotional items.

Funds available for distribution in grants from the surcharge on birth certificates have not been realized at the level anticipated. When the formula was developed, it was expected that revenues would be close to \$1 million per year. In fact, revenues from the birth certificates surcharge is only \$579,000, and the heirloom birth certificate brings in only \$1,000 per year. If the funds available for grants continues to be limited to revenue generated from gifts, donations and the surcharge, it can be projected that only \$380,000 to \$395,000 per year will ever be available for grants.

PROGRAM: Children's Trust Fund
(Continuation)
Agency: Public Safety, Department of

1992-93 Biennial Budget

Cost increases attributable to inflation, supply/expense items, legislative increases in per diems and salaries have not been realized since the inception of this program in 1986. Had these factors been taken into account each year, the operating budget would now be \$112,000. To date, these costs have been managed by a minimum development of services, delaying certain tasks and programs, and with the assistance of federal dollars. Continuing to operate within these limitations will not allow this program to provide the leadership, technical assistance and resources to communities throughout the state to prevent the maltreatment of children that was planned for when the Children's Trust Fund was created.

Additional sources of revenue would provide a more equitable opportunity for grantees to serve the prevention needs of Minnesota's 1.3 million children. To this end there are alternatives to consider:

- Reallocate grant monies for program development purposes.
- Transfer the operating budget into the general fund.
- Identify additional sources of revenue for the fund.

PLAN:

Program Restructuring:

- A percentage of each grant award in 1992-94 will be set aside for evaluation purposes.
- The awarding of \$1,000 mini-grants will be extended for an additional year in order to provide more councils with the opportunity to develop and conduct community awareness programs. Providing this resource is believed to be the most efficient way to build an infrastructure that will be sustained at the local level. This priority and endeavor will be evaluated in 1991 and a decision to continue or to redirect these funds will be made at that time.
- Meetings of the CTF Advisory Council will be reduced from 12 to 6 per year, with the understanding that certain tasks will be undertaken by work group committees. This will help reduce the expenses of the Advisory Council.
- A proposal will be submitted to various volunteer service organizations asking them to adopt the "heirloom birth certificate" program as a project. This involves securing the services of a marketing firm to develop a plan that will increase sales, and is to include maintenance strategies. Increased revenue from the sale of promotional items will, in turn, increase the amount of funds available for distribution in grant awards.

Agency Reallocations:

The issues discussed suggest the need for additional administrative and support monies in order to provide for the professional leadership, technical assistance, materials and other resources necessary to help communities prevent the maltreatment of children.

1. <u>Administrative Costs</u>	<u>F.Y. 1992</u>	\$8,000	<u>F.Y. 1993</u>	\$12,000
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The department requests the Children's Trust Fund operating budget be increased to support increased administrative expenses.

2. <u>Children's Trust Fund Grants</u>	<u>F.Y. 1992</u>	(\$8,000)	<u>F.Y. 1993</u>	(\$12,000)
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In order to finance the increased administrative and program development costs of this office, the department requests that funds available for grants be reduced by like amounts.

GOVERNOR'S RECOMMENDATION:

The Governor recommends that special revenue administrative cost funding continue at \$100,000 per year and the balance be distributed as grants. In addition, the Governor recommends \$25,000 for administrative costs and \$475,000 for child abuse grants each year from the General Fund. Also, \$45,000 each year from the General Fund for a child abuse professional consultant's telephone line is recommended.

1992-1993 B I E N N I A L B U D G E T
(DOLLARS IN THOUSANDS)

AGENCY: PUBLIC SAFETY, DPT OF
PROGRAM: CHILDRENS TRUST FUND

ACTIVITY RESOURCE ALLOCATION:	FY 1989	FY 1990	Est. FY 1991	FY 1992			FY 1993		
				Adjusted Base	Agency Plan	Governor Recomm.	Adjusted Base	Agency Plan	Governor Recomm.
CHILDRENS TRUST FUND	450	588	571	553	553	1,098	553	553	1,098
TOTAL EXPENDITURES BY ACTIVITY	450	588	571	553	553	1,098	553	553	1,098
DETAIL BY CATEGORY:									
STATE OPERATIONS	105	128	146	146	154	171	146	158	171
LOCAL ASSISTANCE	345	460	425	407	399	927	407	395	927
TOTAL EXPENDITURES BY CATEGORY	450	588	571	553	553	1,098	553	553	1,098
SOURCES OF FINANCING:									
DIRECT APPROPRIATIONS:									
GENERAL						545			545
SPECIAL REVENUE		98	145	100	108	100	100	112	100
STATUTORY APPROPRIATIONS:									
SPECIAL REVENUE	443	441	383	410	402	410	410	398	410
FEDERAL	7	49	43	43	43	43	43	43	43
TOTAL FINANCING	450	588	571	553	553	1,098	553	553	1,098

PROGRAM PURPOSE:

The Emergency Response Commission directs the implementation of the Emergency Planning and Community Right-To-Know Act (Title III of the Federal Superfund Amendments and Reauthorization Act of 1986 and M.S., section 299.K). The commission is the principal office of state government involved primarily with directing local planning for hazardous chemical emergencies and receiving and processing hazardous chemical lists, inventory forms, and toxic chemical release forms submitted annually by handlers of hazardous chemicals.

The mission of the commission is to ensure that the public and local governments are aware of potential chemical hazards in their communities and that emergency response plans are prepared and tested. The commission strives to achieve this mission through the following:

1. Provide leadership and technical assistance to local units of government and business and industry in developing and exercising plans that can reduce the risk of loss of life, injury, property damage, and environmental damage resulting from a hazardous chemical accident.
2. Assure that emergency plans for hazardous chemical accidents prepared by local governments are effective and meet the requirements of federal law.
3. Reduce the risk of loss of life, injury, property damage, and environmental damage associated with hazardous chemical accidents through a program to identify the locations of hazardous chemical storage.
4. Provide access to the hazardous chemical community right-to-know information submitted by facilities under the federal law.
5. Enhance citizen awareness of chemical hazards and encourage greater citizen involvement in planning for community response to a hazardous chemical emergency.
6. Improve reporting compliance under the federal act through technical assistance, outreach, inspections, and enforcement.

PERFORMANCE:

- Hazardous chemical incidents occur over 25,000 times a year nationwide. Minnesota witnessed a 60 percent increase in reported spills between 1987 and 1988. The federal act expanded Minnesota's fire fighters right-to-know law into a broader community right-to-know concept. With proper planning, the public and appropriate response personnel, such as fire, police, and emergency medical, are made aware of the potential chemical hazards in the community and have developed a plan to handle an emergency with a minimum of adverse health and environmental consequences. The program also addresses the need for better monitoring of toxic chemical releases to the air, water, and land by manufacturing facilities to encourage pollution prevention and minimize the transfer of toxic chemicals from one environmental medium to another.
- Seven regional review committees, including representatives of business and industry, emergency response organizations, and the public, have been established to review and assure local emergency plans meet federal requirements. These committees provide a forum for dialogue among the various interests concerned about hazardous chemical emergencies and have improved the planning efforts of local government. The 86 plans reviewed by these committees establish a foundation for better emergency preparedness at the local level.

- During the F.Y. 1990-91 biennium, a centralized computer data management system has been established to process the chemical reports submitted by facilities in the state. The centralized system can alleviate the significant local costs for handling duplicate information and makes the information readily available to the public, planners, and emergency responders statewide. The system can be accessed through modem and through the Criminal Justice Information System by local public safety agencies.
- Reporting of hazardous chemical storage and toxic chemical releases continues to increase. In F.Y. 1988, 700 facilities submitted hazardous chemical inventories. In F.Y. 1990, 4,000 facilities submitted their inventories. Toxic chemical release reports were submitted by 300 manufacturers in F.Y. 1989, but has increased to 400 in F.Y. 1991. These increases are attributable to training and outreach conducted by the commission and also to more stringent reporting requirements established under state law in F.Y. 1989.
- Recent interest about toxic chemical releases to the environment was prompted by the reports on releases submitted to the commission. Minnesota was one of only a few states in the nation to issue a toxic chemical release report for the public. In F.Y. 1990, the legislature passed the toxic pollution prevention act which seeks to reduce toxic chemical use and releases. The commission has expanded its data quality assurance activities to better monitor progress through annual reporting.

PROSPECTS:

Data Management: During the past year, the commission has designed a system that can manage a large amount of hazardous chemical information. The quantity of information will continue to increase as compliance improves and if reporting requirements expand. The 1989 legislature has directed the commission to prepare a report on the need for expansion. The commission intends to generate a turnaround report each year to facilities to assist in their reporting and to reduce data entry costs. Electronic transmittal of data by facilities is also under consideration. Better on-line access for emergency responders and the integration of other hazardous chemical response databases into the system would significantly improve local response capabilities.

Application of Data: Currently, the hazardous chemical inventory data is used to pre-plan accidents. This database provides a historical record of hazardous chemicals at a site which may be used for environmental or property transaction purposes. The toxic chemical release data can help prioritize environmental regulatory efforts, track improvements in emissions reductions, and delineate areas in the state where additional health assessments may be necessary. The application and interpretation of data and the education of the public about chemical risks are future issues that require multi-agency coordination.

Planning: Significant efforts are still needed to improve the quality of planning for hazardous chemical accidents and to establish a structure at a local level that involves all response organizations, businesses, and the public. The commission could assist local efforts by incorporating a hazard analysis component into its data management system which would integrate geographic and demographic information to define risk areas. The commission and regional review committees will continue to provide technical assistance for local planning.

Hazardous Materials Response: The implementation of regional hazardous materials incident response teams throughout the state could affect program operations. Planning districts would be realigned to correspond with response regions and regional teams would require direct access to the data management system.

Compliance: To date, the state has relied primarily upon the voluntary compliance of facilities. Voluntary efforts alone have not protected the public. The commission feels that an enforcement component is essential to assure comprehensive and accurate reporting.

Accident Prevention: The current law focuses on preparedness and sharing chemical information, but does not include accident prevention considerations. The commission feels that there will be an

PROGRAM: Emergency Response
(Continuation)
Agency: Public Safety, Department of

1992-93 Biennial Budget

emphasis on identifying safety hazards or operational deficiencies and on implementing measures that prevent chemical accidents from occurring.

PLAN:

While the strategy outlined suggests the need to enhance technical assistance for local planning and enforcement of the law and to initiate an accident prevention component, the commission will be unable to redirect sufficient resources to these programs.

The need to enhance computer data management systems is a critical need that must be addressed. The implementation of a regional hazardous materials response network will increase the need for information about chemicals and their locations in the state and for pre-planning hazardous chemical incidents. In addition, the demand for accurate data on toxic chemical releases will require the commission to analyze the information submitted by manufacturing facilities in the state.

Agency Reallocation:

<u>Data Management Systems</u>	<u>F.Y. 1992</u>	\$10,000	<u>F.Y. 1993</u>	\$10,000
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The department proposes to increase funding for data management of hazardous chemical information by \$10,000 to assure the maintenance of the system. The department projects that this additional funding can be met through an increase in the number of facilities paying fees during the biennium. It is projected that this will increase at least 5%. If the revenue collected through fees is less than the data management costs, the fees could be increased.

GOVERNOR'S RECOMMENDATION:

The Governor concurs with the agency's plan. The agency must ensure that increased expenditures be offset with increased revenue.

1992-1993 B I E N N I A L B U D G E T
(DOLLARS IN THOUSANDS)

AGENCY: PUBLIC SAFETY, DPT OF
PROGRAM: EMERGENCY RESPONSE

				FY 1992			FY 1993		
ACTIVITY RESOURCE ALLOCATION:	FY 1989	FY 1990	Est. FY 1991	Adjusted Base	Agency Plan	Governor Recomm.	Adjusted Base	Agency Plan	Governor Recomm.
=====	=====	=====	=====	=====	=====	=====	=====	=====	=====
EMERGENCY RESPONSE	128	344	411	406	416	416	406	416	416
=====	=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL EXPENDITURES BY ACTIVITY	128	344	411	406	416	416	406	416	416
DETAIL BY CATEGORY:									
=====									
STATE OPERATIONS	128	344	411	406	416	416	406	416	416
=====	=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL EXPENDITURES BY CATEGORY	128	344	411	406	416	416	406	416	416
SOURCES OF FINANCING:									
=====									
DIRECT APPROPRIATIONS:									
GENERAL	128	344	363	365	375	375	365	375	375
ENVIRONMENTAL			48	41	41	41	41	41	41
STATUTORY APPROPRIATIONS:									
=====	=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL FINANCING	128	344	411	406	416	416	406	416	416

PROGRAM: Private Detective Security Licensing
Agency: Public Safety, Department of

1992-93 Biennial Budget

PROGRAM PURPOSE:

The Private Detective and Protective Agent Services Board is the licensing authority for this industry charged with assuring that qualifications are met and standards of conduct are maintained.

The board is comprised of two public members, one licensed private detective, one licensed protective agent, and the superintendent of the Bureau of Criminal Apprehension. Its mandate is to ensure that persons and companies offering services as private detectives and protective agents (security) possess the necessary knowledge and experience to operate in these occupations and to require maintenance of these qualifications, since these occupations hold a position of public trust and confidence. Further, the board monitors license holders for adherence to statutory responsibility and conduct.

The board aims to succeed in their charge by:

1. Providing complete information on the licensing qualifications and procedures.
2. Conducting thorough analysis of applicants for license through application, background investigation and oral interview.
3. Continuously monitoring the license holders for adherence to statutory requirements, and dealing effectively with violations.
4. Responding to complaints.
5. Providing information to all interested parties regarding statute and rule changes in the licensing program.

PERFORMANCE:

The board has proven itself in 2 major areas:

- It has worked toward enhancement of the licensing statute. It has ensured that requirements for licensing are reasonable and consistent with the changes in the general population and the demand for these services.
- It has improved documentation and thoroughly developed background and experience investigations of applicants. These measures have decreased the potential for costly contested case hearings that are required when an applicant fails to meet statutorily required experience thresholds.

The board is frequently complimented by license applicants, license holders, the business community, and law enforcement (in Minnesota and nationally) for its effectiveness and thorough licensing process. They actively monitor license holders for adherence to requirements of statute and have dealt effectively and reasonably with violations of statute, always taking into consideration the type of violation and its frequency. A violation of a serious nature could warrant a fine, license suspension, and/or license revocation. These disciplinary instances have notably increased, resulting in an increase in contested case hearings pursuant to the Administrative Procedure Act.

The board has effectively responded to complaints. Investigations of preliminary facts are presented to, and considered by, a committee of the board. Their evaluation ensures that the Administrative Procedures Act process for disciplinary actions (fines in excess of \$500, license suspension, or license revocation) is protected.

PROSPECTS:

During the 1990 legislative session, significant legislation passed mandating the adoption of administrative rules for the training of license holder employees who are armed. There are no current model or uniform standards for firearm training and there are other discrepancies in this legislation. Therefore rulemaking will be postponed until the 1991 Legislature has an opportunity to clarify the language.

The development of an automated system would increase the efficiency of licensing, reporting and monitoring licensee activities. Additional equipment will enable the board to handle the continuing growth in board activity.

Reduced expenditures for license denial contested case hearings is offset by expenditures that are on the rise for disciplinary contested case hearings, as well as hearing proceedings for administrative rules. This fiscal impact is in technical and professional services. The board cannot be placed in a position of making a disciplinary decision based on budget considerations.

PLAN:

The expenditures of this program are consistent with the fees received to finance its activities. With no change in base level funding for F.Y. 1992-93, the board will continue to carry out its statutorily required responsibilities; however, any growth in disciplinary actions will place a considerable strain on this budget.

GOVERNOR'S RECOMMENDATION:

The Governor concurs with the agency's plan.

1992-1993 B I E N N I A L B U D G E T
(DOLLARS IN THOUSANDS)

AGENCY: PUBLIC SAFETY, DPT OF
PROGRAM: PRIVATE DETECTIVE AND SECURITY LIC

				FY 1992			FY 1993		
ACTIVITY RESOURCE ALLOCATION:	FY 1989	FY 1990	Est. FY 1991	Adjusted Base	Agency Plan	Governor Recomm.	Adjusted Base	Agency Plan	Governor Recomm.
PRIVATE DETECTIVE AND SECURITY LIC	44	56	67	68	68	68	67	67	67
TOTAL EXPENDITURES BY ACTIVITY	44	56	67	68	68	68	67	67	67
DETAIL BY CATEGORY:									
STATE OPERATIONS	44	56	67	68	68	68	67	67	67
TOTAL EXPENDITURES BY CATEGORY	44	56	67	68	68	68	67	67	67
SOURCES OF FINANCING:									
DIRECT APPROPRIATIONS:									
GENERAL	44	56	67	68	68	68	67	67	67
STATUTORY APPROPRIATIONS:									
TOTAL FINANCING	44	56	67	68	68	68	67	67	67

PROGRAM PURPOSE:

The mission of the Office of Crime Victims Ombudsman is to ensure compliance with statutory protection for crime victims and empower victims by providing access to information about rights and services. The office strives to achieve its mission by:

1. Conducting investigations of complaints regarding violations of rights and mistreatment of victims.
2. Providing a centralized, comprehensive source of information and referral for crime victims.
3. Informing the public and professionals about victims rights through speaking engagements, training and the media.
4. Acting as liaison between agencies and victims/witnesses.
5. Providing leadership in policy making and planning regarding victim services.
6. Monitoring compliance through collection of data.

RECENT BUDGET HISTORY:

A group called the Minnesota Association for Crime Victims (MACV) was formed in 1983 as a non-profit "grassroots" organization created by victims for victims. This group provided testimony to state legislators in attempts to pass early victim legislation. MACV also petitioned the Governor to appoint a task force to hold public hearings around the state to determine needs of victims and identify problems within the criminal justice system. Out of those hearings came the recommendations to create the Minnesota Crime Victim and Witness Advisory Council, to expand the Minnesota Crime Victims Reparations Board to include a victim of crime, to implement the Victims Bill of Rights, and to create the Crime Victims Ombudsman. Since its creation in 1985, the ombudsman's office has been a part of the Crime Victim Services program. Statutory changes in 1990 separated the office as an independent program in Public Safety.

PERFORMANCE:

Minnesota has been a leader in the pursuit of fair treatment of crime victims evidenced by the creation of the first and only Crime Victim Ombudsman in the nation. This office has been used as a model by other states including those seeking constitutional rights for crime victims. The office provides a perspective on treatment of victims statewide that contributes to policy making, new legislation, and curriculum development for the POST Board, Supreme Court Racial Bias Task Force, Hennepin County Crime Victim Council, Hennepin County Child Abuse Task Force, and the Minnesota Task Force on Missing Children. The ultimate goal is reduction in the number of complaints registered with the office and more uniform standards and policies statewide regarding implementation of rights.

- The ombudsman has conducted training for approximately 500 law enforcement personnel regarding their obligation under M.S. 611a.
- Speaking engagements provided victims rights information to 200 judges, 3 social service agencies, 10 county attorneys, regional community corrections, 4 community groups, 2 university classes, 1 high school class, 2 police academy classes, several hundred advocates and 1 public forum.
- The ombudsman office has handled 700 complaints resulting in varying degrees of resolution. In addition, some 2,500 calls for referral and information have been received and processed.

- The agency distributes 10,000 brochures annually and utilizes free air time statewide for public service announcements.

The Crime Victim Ombudsman is the enforcer of the Victims Bill of Rights with authority to investigate victim complaints concerning the criminal justice system, victim service providers and the reparations board. Complaints are presently being handled by the ombudsman, an assistant and a small volunteer force. Complaints require anywhere from 1 to 40 hours of communication between the agency, victims and professionals in the criminal justice system. The office also maintains a comprehensive statewide referral directory and refers victims to local services that the ombudsman cannot provide. In addition, the agency provides education about legislation and legal obligations of criminal justice and social service professionals. These same professionals are now referring victims to the ombudsman's office because they are frustrated with other components of the criminal justice system.

The power of the ombudsman's office provides a valuable service to victims even when they are under proper treatment. Often victims not familiar with the criminal justice system are intimidated by it and are unable to articulate their concerns. The Victims Bill of Rights places the obligation of victim's input in the hands of criminal justice professionals. Victims now feel they are a legitimate part of the process, reporting that positive changes have occurred once this office became involved.

This office has the capability to identify problem areas. Policies and procedures that differ from county to county and department to department, resulting in no uniformity or standardization statewide, is one area that is being addressed by the state restitution task force. Lack of clear policy regarding parental kidnapping, guardian ad litem programs, and meeting of victims rights under misdemeanor charges are others.

Most professionals do not resist compliance and in fact are appreciative of our input. The following complaints represent some of the issues dealt with by the Ombudsman's Office:

- Office contacted domestic abuse officials for information for a woman wanting a restraining order for her husband in another county.
- Office is investigating a complaint made by an assault victim who, 5 months after making the initial report to police, has not yet heard from the officer or police department involved.
- Transportation allowance was revoked by county social service for 2 women receiving sexual assault therapy from an agency outside their county of residence (because of professional misconduct by their former therapist). After intervention, agency agreed to provide a female therapist in their county and pay for therapy already received.
- Sexual assault victim complained of not receiving restitution payments. Investigation found that restitution monies received were being applied to previous fines incurred by assailant. Probation officer and assistant court administrator were contacted resulting in restitution being applied correctly.
- Complainant contacted office regarding a juvenile vandalism case on which no action had been taken for 2 years. Damage was approximately \$30,000 and several juveniles were involved. Charges were not made until intervention by this office caused county attorney to review case.
- Complainant's brother was killed by 16-year-old unlicensed, epileptic driver. Complaint filed concerned family not receiving any information about the court procedures. The local district attorney and probation office were contacted by this office to ensure that family members received accurate information about sentencing dates and probation office made every effort to allow impact statement from family.
- A domestic abuse victim living in a shelter contacted the office for advice on securing her personal property and financial aid. We referred her to local crime victim center.

PROGRAM: Crime Victims Ombudsman
(Continuation)
Agency: Public Safety, Department of

1992-93 Biennial Budget

- Victim participated in prosecution of defendant but was not being notified of recent developments in the case. Office called local prosecutors office to ensure compliance with the right to notification.
- A complainant responded to a burglary alarm at his store. He was verbally brutalized by a police officer at the scene and then was arrested for obstructing justice. Office contacted area Chief of Police who then gave the errant officer a written reprimand. (Ombudsman's office could not become involved with complainant's arrest.)
- Parents of sexually abused daughter contacted office after harassment by the offender and lack of restitution payments. Office contacted the probation officer, the harassment stopped, and restitution payment were started.

PROSPECTS:

The staff complement required to ensure quality service has yet to be determined. In the first year of operation the agency logged 35 calls. We now open from 20 to 30 investigations each month. As a result of educational and outreach efforts, the caseload is growing and turnaround time is getting slower. This does not appropriately serve the crime victim complainants who have already been waiting too long for service in a cumbersome criminal justice system.

PLAN:

The strategy outlined points to the need for additional staff time and resources to better respond to the needs of victims.

Agency Reallocation:

<u>Victim Services</u>	<u>F.Y. 1992</u>	\$41,000	<u>F.Y. 1993</u>	\$44,000
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The agency requests an increase of 1 position and the above funds from fines and forfeiture dollars designated for victim assistance. This will enable the ombudsman to respond to victims complaints in a more timely and effective manner, and it will provide resources for training and education in the rights of victims and services available.

GOVERNOR'S RECOMMENDATION:

The Governor concurs with the agency's plan. The agency must ensure that increased expenditures are offset by increased revenue.

1992-1993 B I E N N I A L B U D G E T
(DOLLARS IN THOUSANDS)

AGENCY: PUBLIC SAFETY, DPT OF
PROGRAM: CRIME VICTIMS OMBUDSMAN

ACTIVITY RESOURCE ALLOCATION:	FY 1989	FY 1990	Est. FY 1991	FY 1992			FY 1993		
				Adjusted Base	Agency Plan	Governor Recomm.	Adjusted Base	Agency Plan	Governor Recomm.
CRIME VICTIMS OMBUDSMAN	114	105	112	112	153	153	112	156	156
TOTAL EXPENDITURES BY ACTIVITY	114	105	112	112	153	153	112	156	156
DETAIL BY CATEGORY:									
STATE OPERATIONS	114	105	112	112	153	153	112	156	156
TOTAL EXPENDITURES BY CATEGORY	114	105	112	112	153	153	112	156	156
SOURCES OF FINANCING:									
DIRECT APPROPRIATIONS:									
GENERAL	25	27	29	29	70	70	29	73	73
STATUTORY APPROPRIATIONS:									
SPECIAL REVENUE		78	83	83	83	83	83	83	83
FEDERAL	89								
TOTAL FINANCING	114	105	112	112	153	153	112	156	156

MISSION:

The Minnesota Safety Council's (MSC) mission is to prevent or reduce personal and economic loss from injuries, accidents and environmental health hazards. These organizational goals support our mission:

- Decreased deaths and injuries from accidents and environmental health hazards; maintaining Minnesota's accident death rate per 100,000 population below the national average.
- Increased public perception of the importance of safety and environmental health issues.
- Increased organizational vitality to provide the resources to fulfill our mission.

MSC works in these program areas to assist in achieving goals and objectives: occupational safety and health, traffic and transportation safety, and off-the-job safety and health. Objectives include:

- to develop and increase participation in training, consulting and program services in occupational safety and health, and in traffic safety to assist private sector and government units to meet safety and health needs, and to comply with state and federal safety and health regulations (emphasis on small business and employers in Greater Minnesota)
- to obtain grants and contracts from private sector and federal government sources to develop and implement public safety and health programs
- to develop and implement a personal membership program to support public safety activities
- to develop the Minnesota Safety & Health Conference to provide updates on major issues and introduce new safety and health concepts to public and private sector employers, labor, enforcement personnel and the general public
- to provide public leadership in increasing the perception of accidents as a major public health risk
- to develop MSC as a media resource to provide public education on driving skills, falls prevention, childhood accidents, special considerations of mature drivers and other public safety issues
- to develop and implement an effective system of grass roots volunteer involvement to allow us to stretch our resources
- to work with departments of state and local government to strengthen their safety and health activities, including programs for employees and the general public
- to decrease accidental death and injury to children by establishing Minnesota Safety Kids as an ongoing and viable injury reduction program

MAJOR POLICY DRIVERS:

Accidents are the leading cause of death and injury to Minnesotans to age 35, and the 4th leading cause of death to all Minnesotans. Studies show more years of life lost from accidents than heart disease, cancer and strokes. Minnesota's population death rate is below the national average. During the 1980s, accidental deaths dropped from a high of more than 1,500 to just over 1,400 a year. Minnesota's economic loss from accidents was estimated at \$2.17 billion last year. A study for the Centers for Disease Control (CDC) said projected long-term cost of accidents are at least 25% more. Accident costs will continue to rise. The CDC study also cites "devastating impacts" other than economic when accidents result in serious injury and disability, which disrupt and dominate family life indefinitely. In dollars alone, disabling injuries create stress on health care systems and social service systems as well as on families.

On the job, there is a need for basic training in accident prevention. There will be increased attention on issues such as ergonomics, hazardous chemicals and more. MSC services to public and private sector employees assist them to deal with those issues. MSC's low fees for services make them accessible to all Minnesota employers and employees. MSC trained more than 8,000 supervisors, managers and employees in on-the-job accident avoidance last year.

Traffic accidents are the largest cause of accidental death and injury. Most traffic accidents are

caused by driver error, and MSC provides training to licensed drivers in accident avoidance to reduce those risks. MSC trains almost 18,000 drivers in the Defensive Driving Course and other training courses each year.

Minnesota's population is aging. Accident prevention is an important issue for senior citizens. MSC assists seniors to remain mobile and in independent living situations through accident prevention. They participate in MSC programs to make them better drivers and to qualify them for reduced auto insurance rates. We help senior citizens identify and reduce risk where they live. We are developing countermeasures to prevent falls injuries, the primary cause of accidental death to this segment of our population.

More children die from accidents than from all childhood diseases combined. Almost half of the fatalities are motor vehicle-related. Each year, 1 child in 4 suffers an injury serious enough to require medical attention. Accidents are the leading health risk to children, but a national survey of parents showed that they do not understand the severity of the threat to their children from preventable injuries. Parents think their children are more at risk from kidnapping, abuse, drug use and disease than from accidents. MSC is the lead agency and provides program and administrative support for the Minnesota Safe Kids Coalition. More than 40 other organizations and agencies representing children, child health, and safety and minority issues in the private and public sector are part of Safe Kids. Safe Kids traffic programs focus on bicycle safety, principally in the importance of bike helmets in protecting children from serious head injury. The program makes bike helmets available to children and adults at low cost. Other Safe Kids activities include providing smoke detectors to low income families and families on Minnesota's American Indian reservations, and produce safety issues such as dangers with garage door openers.

Cities, counties and school districts require accident prevention support but have few resources. We provide free or low-cost services including audio-visual training programs, consulting services, etc. to these agencies.

EXPLANATION OF BUDGET ISSUES AND ALTERNATIVES:

MSC requests same level funding for the 1991-93 biennium, \$102,000 for general operations and \$40,000 for the Minnesota Safe Kids program.

Since the initial statutory grant of \$40,000 per year in 1967, MSC's total budget has grown from \$75,000 to nearly \$2 million in 1990. MSC matches each state dollar with \$5 in contributions from the private sector. Current funding sources: corporate contributions - 16%; training - 52%; state appropriation - 3%; grants for special projects - 5%; other earned income - 24%.

This allocation assists MSC to develop programs and provide services for which no revenue can be generated. It helps us provide services in Greater Minnesota, including toll-free telephone access to staff technical expertise. Minnesota Safe Kids funds are critical to its continuance. The state appropriation provides funds for an employee to coordinate Safe Kids efforts in traffic safety and to raise funds from the private sector for program development. Total Safe Kids budget is approximately \$100,000 annually.

GOVERNOR'S RECOMMENDATION:

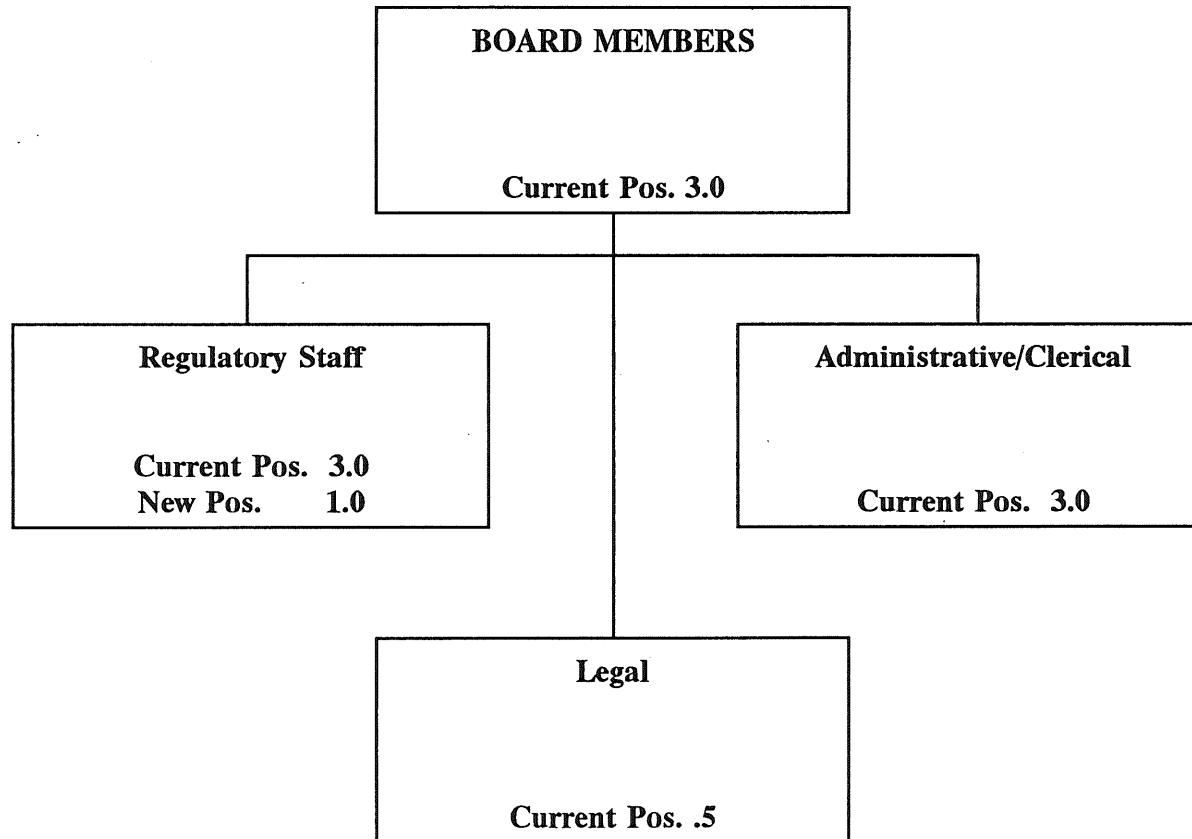
The Governor concurs with the agency's plan.

1992-1993 BIENNIAL BUDGET
(DOLLARS IN THOUSANDS)

AGENCY: SAFETY COUNCIL
PROGRAM: MINN SAFETY COUNCIL

ACTIVITY RESOURCE ALLOCATION:	FY 1989	FY 1990	Est. FY 1991	FY 1992			FY 1993		
				Adjusted Base	Agency Plan	Governor Recomm.	Adjusted Base	Agency Plan	Governor Recomm.
=====	=====	=====	=====	=====	=====	=====	=====	=====	=====
MINN SAFETY COUNCIL	51	71	71	71	71	71	71	71	71
=====	=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL EXPENDITURES BY ACTIVITY	51	71	71	71	71	71	71	71	71
=====	=====	=====	=====	=====	=====	=====	=====	=====	=====
DETAIL BY CATEGORY:									
=====									
LOCAL ASSISTANCE	51	71	71	71	71	71	71	71	71
=====	=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL EXPENDITURES BY CATEGORY	51	71	71	71	71	71	71	71	71
=====	=====	=====	=====	=====	=====	=====	=====	=====	=====
SOURCES OF FINANCING:									
=====									
DIRECT APPROPRIATIONS:									
TRUNK HIGHWAY	51	71	71	71	71	71	71	71	71
=====	=====	=====	=====	=====	=====	=====	=====	=====	=====
STATUTORY APPROPRIATIONS:									
=====	=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL FINANCING	51	71	71	71	71	71	71	71	71

**TRANSPORTATION REGULATION BOARD
ORGANIZATION CHART 09/15/90**



Transportation Regulation Board

Position and Employee Status Information

Position Reconciliation:

Authority:	Current <u>F.Y. 1991</u>	Requested <u>For 6-30-93</u>
Legislative Complement:		
Trunk Highway	9.5	10.5
Total Permanent Positions	9.5	10.5
TOTAL Positions	<u>9.5</u>	<u>10.5</u>
Employees on 6-30-90	9.5	

Employees by Employment Status:

	<u>6-30-90</u>
Full-Time Unlimited	<u>9.5</u>
TOTAL	9.5

MISSION:

The mission of the Minnesota Transportation Regulation Board (TRB) is to guarantee the general public of the state a reliable, safe, efficient and reasonable motor carrier service. This is accomplished through fair and equitable regulation of rates and granting of authority to operate based on fitness, ability and need.

MAJOR POLICY DRIVERS:

The motor carrier industry has been regulated in the state since 1925. Obviously, the transportation industry as well as our economy, has changed dramatically since that time. Not only the changes in the motor carrier segment of the industry, but the introduction of the airline industry and the major reorganization and the redirection of the railroads, all have had a major impact on the motor carrier industry and the regulation of it. The last major change in state statutes governing the regulation of motor carriers was in 1957. Since that time, the regulatory agencies in the state have been restructured and reorganized. The transportation needs of our state have changed drastically as our economy has changed character along with our businesses and industries.

All these changes require review of both the statutes and rules governing the process, as well as the process itself, to be sure it continues to serve the industry effectively and efficiently. The motor carrier industry continues to change and adjust to the needs of our businesses, industries and the general public. This ongoing change requires constant monitoring of the regulatory process to evaluate its effectiveness in meeting the needs of the public.

Technology continues to play a greater role in the industry. The motor carrier's operations are highly computerized and new processes such as electronic data interchange (EDI) are becoming commonplace. This dictates certain levels of technological capability for the regulatory agencies to be able to function effectively. More technological advances will undoubtedly place further demands on the agency.

Unfortunately, the agency has not been able to keep up with the changes and advances. Limited resources and limited staff have been a problem in dealing with the rapid changes in the motor carrier industry. It is now necessary to play "catch up" as well as keep up. Unfortunately, the situation is now in a very critical state, maybe even a crisis. Very definite and positive steps need to be taken, cooperatively, by all 3 involved agencies to improve the situation. Realizing the seriousness of the situation and the limited resources of the state, all the agencies involved have had a year long dialogue and very intense activities to take full advantage of cooperative efforts.

The agency has been working with the Department of Administration (DOA) on a study of its operations and technological needs.

Agency Priorities

There is a need to improve the regulatory process. The process currently is divided between 3 separate state agencies and departments, the TRB, Department of Public Safety (DPS) and Minnesota Department of Transportation (MnDOT). Each has its own areas of responsibilities and authorities and some of these overlap between agencies. The TRB is responsible for processing applications for authority, granting authority, filing tariffs, and prescribing rates for certificated carriers. It sets hearings for and makes final decisions on contested cases, acting as a quasi-judicial agency. The TRB issues orders to carry out its decisions. MnDOT accepts applications for authority, collects a variety of regulatory fees, enforces safety regulations and enforces economic regulations. They have compliance and enforcement responsibility for the statutes and rules. DPS has safety enforcement and compliance authority and is the lead agency in the federal safety program. The regulatory process needs to be reorganized with respect to responsibilities, functions and services to eliminate duplication, overlap and omission. The goal is to eliminate confusion and inefficiency and to increase coordination between agencies. The motor carrier industry needs to be reassured that statutes and rules are current, appropriate and applied fairly and that the regulatory process is simple, expedient, thorough and

effective.

The agency needs to improve and expand its services to the motor carrier industry. The current services are inadequate to effectively meet the needs of the regulatory process. Greater support and more expedient service are needed in the tariff and rate filing process. There is a critical need for more efficient access to board orders and decisions. This will require electronic systems and equipment. More extensive and more effective communications efforts must be made to keep everyone involved with or affected by the industry better informed.

The TRB in cooperation with MnDOT and DPS will improve information management and sharing. Improvement of core data in support of the administrative and regulatory processes and reduction or elimination of duplication of records are goals which will be accomplished by networking, common planning, and sharing equipment and software problems.

Activity Statistics:	Actual F.Y. 1989	Actual F.Y. 1990	Estimate F.Y. 1991	Estimate F.Y. 1992	Estimate F.Y. 1993
Orders-Rate matters	257	323	350	385	420
Orders-Authority matters	457	439	450	450	450
Orders-Rail road regulation	15	7	10	15	20

EXPLANATION OF BUDGET ISSUES AND ALTERNATIVES:

The agency has determined that the current situation, statutory requirements, projected increases in costs of goods and services (including salaries) results in funding demands which exceed the agency's base funding of \$682,000. The agency has been attempting to reallocate available resources to deal with added responsibilities resulting from the 1986 mandated collective ratemaking procedure. Necessary personnel, space, funds and equipment have not been available to successfully implement the new and complex process. The credibility of the process and the agency have suffered. The agency has been aggressively pursuing solutions, including dialogue with the Safety and Compliance Unit of the Minnesota Department of Transportation about cooperative efforts on the common problem. It has been concluded, after much research and deliberation, that definite actions need to be taken to resolve this problem. The agency needs computer capability to accomplish the mandated task of regulating the tariffs and rates of motor carriers. The agency presently has no computers. Rate and tariff analyses are very complex and are computerized by collective ratemaking organizations (CROs) and individual motor carriers. The agency was appropriated funds for use during the 1990-91 biennium for a study of the agency's needs for computer equipment. The DOA has conducted that study and analysis with the agency.

The following increase requests can be accommodated within the Trunk Highway Fund due to growth in the fund:

BASE Re-Allocation Decisions (B.R.D's)

	F.Y. 1992	F.Y. 1992
Base	\$682	\$682
Service Level	32	55
Rate Analysis System	16	20
Rate Analysis Position	35	35
Total Request	\$765	\$792

The service levels request includes full funding for current positions and \$12,000 each year for the hourly rate increase of the Office of Administrative Hearings.

The rate analysis system request will allow the agency to implement an effective rate analysis system now being used by many other states. The collective ratemaking process now demands a system of rate analysis that is very sophisticated and requires computer capability. This system will be tailored to the Minnesota motor carrier industry and will be done as a cooperative venture with MnDOT. There is an initial one-time

start-up cost (hardware not included) for the program and an ongoing minimal annual cost for maintenance of the program. This will give both agencies capability to analyze rates in the detail necessary.

The rate analyst request is based on the fact that the volume of work generated by collective ratemaking far exceeds the volume that the 1 rate analyst in the agency can handle even with the proposed new rate analysis system. The collective ratemaking process generates voluminous requests for changes, exemptions, exceptions, etc. This coupled with the rapidly changing character and competitiveness of the motor carrier industry dictates the need for 1 additional analyst.

1992-1993 B I E N N I A L B U D G E T
(DOLLARS IN THOUSANDS)

AGENCY: TRANSP REG BOARD
PROGRAM: TRANSP REGULATION BD

				FY 1992			FY 1993		
			Est.						
ACTIVITY RESOURCE ALLOCATION:	FY 1989	FY 1990	FY 1991	Adjusted	Agency	Governor	Adjusted	Agency	Governor
				Base	Plan	Recomm.	Base	Plan	Recomm.
=====	=====	=====	=====	=====	=====	=====	=====	=====	=====
TRAN REG BD - TRB	579	634	709	682	765	765	682	792	792
=====	=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL EXPENDITURES BY ACTIVITY	579	634	709	682	765	765	682	792	792
=====	=====	=====	=====	=====	=====	=====	=====	=====	=====
DETAIL BY CATEGORY:									
=====									
STATE OPERATIONS	579	634	709	682	765	765	682	792	792
=====	=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL EXPENDITURES BY CATEGORY	579	634	709	682	765	765	682	792	792
=====	=====	=====	=====	=====	=====	=====	=====	=====	=====
SOURCES OF FINANCING:									
=====									
DIRECT APPROPRIATIONS:									
TRUNK HIGHWAY	579	634	709	682	765	765	682	792	792
=====	=====	=====	=====	=====	=====	=====	=====	=====	=====
STATUTORY APPROPRIATIONS:									
=====	=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL FINANCING	579	634	709	682	765	765	682	792	792
=====	=====	=====	=====	=====	=====	=====	=====	=====	=====

BASE RECONCILIATION REPORT
for 1992-1993 Biennium

AGENCY: TRANSP REG BOARD

	ALL FUNDS		GENERAL FUND		OTHER STATE FUNDS		FEDERAL FUNDS	
	F.Y.92	F.Y.93	F.Y.92	F.Y.93	F.Y.92	F.Y.93	F.Y.92	F.Y.93
F.Y.91 FUNDING LEVEL	709	709			709	709		
NON_RECURRING EXPENDITURES	<37>	<37>			<37>	<37>		
SALARY ANNUALIZATION	7	5			7	5		
DOCUMENTED RENT/LEASE INCR.	3	5			3	5		
TOTAL	682	682			682	682		
BIENNIAL TOTAL		1,364				1,364		

ACTIVITY:
PROGRAM:
AGENCY: Transportation Regulation Board

1992-93 Biennial Budget

DECISION ITEM: Service Level Continuation and Rate Analysis Enhancement

	Dollars in Thousands			
	<u>F.Y. 1992</u>	<u>F.Y. 1993</u>	<u>F.Y. 1994</u>	<u>F.Y. 1995</u>

AGENCY PLAN:

Expenditures				
Trunk Highway Fund	\$ 83	\$ 110	\$ 90	\$ 90

GOVERNOR'S RECOMMENDATION:

Expenditures				
Trunk Highway Fund	\$ 83	\$ 110	\$ 90	\$ 90

Requires statutory change: _____ Yes X No
Statutes Affected:

ITEM SUMMARY:

Funding is requested to maintain current service levels and to enhance the agency's rate analysis ability.

RATIONALE:

The service levels request includes full funding for current positions and \$12,000 each year for the hourly rate increase of the Office of Administrative Hearings.

The rate analysis system request will allow the agency to implement an effective rate analysis system now being used by many other states. The collective ratemaking process now demands a system of rate analysis that is very sophisticated and requires computer capability. This system will be tailored to the Minnesota motor carrier industry and will be done as a cooperative venture with MN DOT. There is an initial one-time start-up cost (hardware not included) for the program and an ongoing minimal annual cost for maintenance of the program. This will give both agencies capability to analyze rates in the detail necessary.

The rate analyst request is based on the fact that the volume of work generated by collective ratemaking far exceeds the volume that the 1 rate analyst in the agency can handle even with the proposed new rate analysis system. The collective ratemaking process generates voluminous request for changes, exemptions, exceptions, etc. This coupled with the rapidly changing character and competitiveness of the motor carrier industry dictates the need for one additional analyst.

GOVERNOR'S RECOMMENDATION:

The Governor concurs with the funding level requested by the agency. The service level increase is intended to cover the increased cost associated with hearings. Salary increases should be absorbed through internal budget reallocations.

ACTIVITY: 1992-93 Biennial Budget
PROGRAM:
AGENCY: Transportation Regulation, Board of

DECISION ITEM: Administrative Law Judge Costs

	Dollars in Thousands		
	F.Y. 1991	F.Y. 1992	F.Y. 1993
AGENCY PLAN:			
Expenditures			
Trunk Highway Fund	\$ 40	\$ -0-	\$ -0-

	Dollars in Thousands		
	F.Y. 1991	F.Y. 1992	F.Y. 1993
GOVERNOR'S RECOMMENDATION:			
Expenditures			
Trunk Highway Fund	\$ 40	\$ -0-	\$ -0-

Requires statutory change: _____ Yes X No
Statutes Affected:

ITEM SUMMARY:

It is requested that additional funds be appropriated for administrative law judge expenses.

RATIONALE/OPTIONS:

The law requires that contested cases be heard before an administrative law judge. The TRB has no control over the number of cases which require the services of the Office of Administrative Law Judge. The additional anticipated costs can not be accommodated within existing appropriations. The agency has experienced other unforeseen costs including employee severance costs, higher than usual Attorney General costs and increased rent costs. The only option available to the agency is to cancel further hearings. This would be unfair and costly to motor carriers who are awaiting decisions on authority and rate matters.

GOVERNOR'S RECOMMENDATION:

The Governor concurs with the agency's request.

MISSION:

The mission of the Regional Transit Board (RTB) is to plan, prioritize, coordinate and administer a system of cost-effective transit services in the Twin Cities metropolitan area which are responsive to and meet the needs of area residents. The RTB was created by the Legislature in 1984 to consolidate metropolitan transit planning, financing and arranging for transit services. The RTB is responsible for transit planning, policy making, administration and facilitation of new and alternative transit services. The major functions of the RTB, as specified in the enabling legislation, include:

- to prepare transit implementation plans;
- to prepare and present required transit budgets, financial plans and staffing plans;
- to execute and administer transit project contracts and to assume rideshare program responsibilities;
- to appoint members to the Metropolitan Transit Commission (MTC);
- to request, review and approve the MTC budget;
- to assume replacement services program responsibilities; and
- to conduct research and render advice on transportation issues.

MAJOR POLICY DRIVERS:

Transit in the 1990s must provide a variety of services to a changing population with diverse needs. The basic transit system of the past, largely made up of a regular route local service and express service to downtowns, must continue to be supplemented with demand-responsive and circulation services in the developing areas of the region and special services for persons with disabilities unable to use traditional services. The region must also look to new transit technologies, such as light rail transit, to maintain the viability of the transit system.

Despite the changes in demographic and development patterns that have had major effects on transit needs in the last decade, transit continues to be a viable and cost-effective alternative to the pollution and congestion that result from reliance on automobiles. However, demographic and lifestyle transformations, environmental concerns, and urban dynamics within cities are all combining to force transit systems to adapt their traditional methods in providing service.

Transit must also fulfill new roles in a society that bases its transportation decisions on the least amount of time required to get from one point to another. For many, the preferred mode of transportation has been the single occupant automobile. But this approach is starting to be reassessed. In the Twin Cities, a metropolitan area that has long ranked among the nation's leaders in quality of life measures, traffic has not been perceived to be a major problem compared to Chicago, Washington, D.C., or Los Angeles. That attitude is beginning to change as residents spend more time in their cars, backed up on I-35W or I-494 or in downtown Minneapolis walking to get onto the I-94 entrance ramp.

Transit is also extremely important in maintaining the quality of life for the metro area's transit dependent and transit disadvantaged citizens. For those who have no automobile or cannot drive, transit provides the means to get to work, training or other needs. Many persons who comprise this population are senior citizens or persons with disabilities. For them, accessible transit or paratransit options are as necessary a part of the infrastructure government provides as are streets, hospitals, libraries and schools.

The number of "transit dependents", i.e., those individuals who because of age, disability and/or income depend on transit services as their primary means of travel, is increasing. These growing number of transit dependent persons will demand additional transit service including accessible regular route transit service as well as paratransit service.

These trends are reflected in growing demand for Metro Mobility service. Not only is the need for

Metro Mobility increasing, but State Human Rights law requires Metro Mobility service to be provided at current levels.

Transit is a critical link in the overall metropolitan transportation system for several reasons. One important role is its potential to relieve congestion; 1 bus takes 40 cars off the road. This is a service the regular route transit supports very well.

Transit is an effective tool for reducing pollution and saving energy. Riding the bus, or ridesharing, reduces the amount of pollutants released into the air and improves the air quality of our region. Transit systems also work to improve air quality. Extensive research is underway on particulate traps and alternative-fueled buses that will lessen emissions as well. Riding the bus or ridesharing also reduces the need to fill up the gas tank as often. As the price of gasoline fluctuates in response to a volatile world economy, reducing the need for gasoline is important for efficient energy management.

Transit is also significant tool in maintaining the viability of central cities. Minneapolis and St. Paul have taken strong measures to retain strong downtowns and supporting neighborhoods that have helped them remain the heart of the metropolitan area. Transit has traditionally focused on bringing persons to the downtown employment centers and even in recent years, over 40% of commuter trips into downtown Minneapolis were by transit. Transit is one way to ensure that growth and is accompanying tax-base expansion can continue in the central cities without traffic congestion becoming a disincentive for new development.

In an effort to respond to these trends, the RTB has adopted policies and programs that will increase transit system ridership in a cost-effective manner. Major directions are:

- Providing adequate funding. Higher fuel costs and other factors will lead to higher operating costs for transit service providers. This will require higher levels of state and regional funding, as well as fare increases, to maintain quality transit service.
- Meeting the Needs of Transit Dependent Persons. The capacity and performance of transit services to meet the travel needs of the transit dependent, especially the elderly and disabled, must be optimized. This includes increasing the transit options available for persons with disabilities.
- Responding to changing travel markets and demands. As travel patterns and markets change within the region, transit services must respond in a cost-effective manner to attract riders and their demands.
- Relieving traffic congestion. Transit services and travel demand strategies offer a means of relieving congestion in major travel corridors.
- Enhancing customer service and service quality. To attract and retain riders, transit service must be marketed effectively and provided in a safe and reliable manner.

EXPLANATION OF BUDGET ISSUES AND ALTERNATIVES:

The RTB's current program guidelines and response to statutory mandates has required funding in excess of F.Y. 1991 resources - primarily a combination of Metro Area property taxes and state appropriations - by \$6.03 million. This funding and spending imbalance was intended, as the 1989 Legislature instructed the agency to spend down its fund balance, and, in response, the RTB's request for mainline transit support in the 1990-91 biennium was reduced from that of the previous biennium. The reduction in fund balance was accelerated by the absence of supplemental support for Metro Mobility in the 1990 Session, and the cuts made in the state appropriation and local government aid reductions. RTB fund balances will be nearly exhausted by the middle of F.Y. 1992, well below adequate margins of fiscal safety.

To maintain the same level of services in F.Y. 1992-93, accommodate increased demand for Metro Mobility and provide necessary service improvement, agency requirements will exceed anticipated funding sources, including state support at the F.Y. 1991 level, by \$5.8 million in F.Y. 1992 and \$7.3 million in F.Y. 1993. This resource imbalance remains after a \$.25 increase in the base regular route fare effective 4-1-91, and maximum property tax revenue growth is assumed.

AGENCY: Regional Transit Board
(Continuation)

1992-93 Biennial Budget

GOVERNOR'S RECOMMENDATION:

Failure to secure resources at least equal to the F.Y. 1991 level, including the amount of fund balance used, will necessitate, after application of the agency reallocations indicated below, termination of all new service implementation efforts beginning in F.Y. 1992, elimination of all LRT planning activity (currently requiring approximately \$400,000 each year) beginning in F.Y. 1992, reduction of general agency operations of more than 20% by F.Y. 1993, and significant cutbacks in existing public transit services in the biennium in both regular route (including MTC) and suburban and exurban communities. Metro Mobility would be maintained at current service levels, including anticipated increased demand.

Agency Reallocations:

Metro Mobility F.Y. 1992 \$3,130,000 F.Y. 1993 \$3,950,000
The RTB is required, both by the State Human Rights Act and the newly enacted Americans with Disabilities Act at the federal level, to provide transit services for persons with disabilities at the current service level. This reallocation shifts state funds to cover the anticipated program cost. The RTB has had to transfer funds internally to support the program in F.Y. 1991.

Agency Operations F.Y. 1992 \$ -0- F.Y. 1993 \$500,000
State support for the operations of the RTB have been at the F.Y. 1991 level since the last biennium, even though agency budgets have showed a higher level of spending than the level of state support. This has been possible because of the carry-over of unspent fund balances from year to year. Opportunities for internal savings will be fully realized by the end of F.Y. 1992, and any remaining fund balances will be exhausted by that time as well, necessitating new resources in F.Y. 1993.

Regular Route Transit F.Y. 1992 \$(3,130,000) F.Y. 1993 \$(4,450,000)
Regular Route Transit is reluctantly brought in to the reallocation plan only because it is the only possible source of reallocation dollars within the state appropriation available to the agency. The resulting shortfall is mitigated somewhat by expected growth in property taxes which are the major revenue source for this element of the RTB program, but exacerbated declining federal support to the MTC; to meet that net effect, transit services will have to be cut to match available resources.

Primary RTB Revenue Sources

	<u>F.Y. 1989</u>	<u>F.Y. 1990</u>	<u>F.Y. 1991</u>	<u>F.Y. 1992</u>	<u>F.Y. 1993</u>
Property Taxes	52,600,000	56,300,000	59,538,000	62,699,000	65,834,000
State Transit Assistance Fund	14,955,000	\$15,783,000	14,617,000	14,617,000	14,617,000
State General Fund	13,825,000	9,656,000	8,159,000	8,159,000	8,159,000
RTB Fund Balanced Used	-0-	4,255,000	6,110,000	3,570,000	Exhausted
Total Sources	81,380,000	85,994,000	88,424,000	89,045,000	88,610,000

Since F.Y. 1990, when the RTB was instructed to reduce its fund balance, the level of state appropriations to support transit has decreased. F.Y. 1991 was especially low in view of increasing costs in Metro Mobility and lack of supplemental appropriations to support increasing costs. At the end of F.Y. 1992, the RTB has exhausted all fund balances. Total primary sources show a slight increase from F. Y. 1990 through F.Y. 1992 due to higher property taxes. However, total sources are not sufficient to offset increasing expenses, estimated at an annual 5% rate, throughout the period, accommodate increased demand for Metro Mobility and provide necessary service improvements.

1992-1993 B I E N N I A L B U D G E T
(DOLLARS IN THOUSANDS)

AGENCY: REGIONAL TRANSP BD
PROGRAM: REGIONAL TRANSIT BD

				FY 1992			FY 1993		
ACTIVITY RESOURCE ALLOCATION:	FY 1989	FY 1990	Est. FY 1991	Adjusted Base	Agency Plan	Governor Recomm.	Adjusted Base	Agency Plan	Governor Recomm.
REGIONAL TRANSIT BD	29,480	25,439	22,776	22,776	22,776	22,776	22,776	22,776	22,776
TOTAL EXPENDITURES BY ACTIVITY	29,480	25,439	22,776	22,776	22,776	22,776	22,776	22,776	22,776
DETAIL BY CATEGORY:									
LOCAL ASSISTANCE	29,480	25,439	22,776	22,776	22,776	22,776	22,776	22,776	22,776
TOTAL EXPENDITURES BY CATEGORY	29,480	25,439	22,776	22,776	22,776	22,776	22,776	22,776	22,776
SOURCES OF FINANCING:									
DIRECT APPROPRIATIONS:									
GENERAL	14,525	9,656	8,159	8,159	8,159	22,776	8,159	8,159	22,776
TRANSIT ASSISTANCE	14,955	15,783	14,617	14,617	14,617		14,617	14,617	
STATUTORY APPROPRIATIONS:									
TOTAL FINANCING	29,480	25,439	22,776	22,776	22,776	22,776	22,776	22,776	22,776

BASE RECONCILIATION REPORT
for 1992-1993 Biennium

AGENCY: REGIONAL TRANSP BD

	ALL FUNDS		GENERAL FUND		OTHER STATE FUNDS		FEDERAL FUNDS	
	F.Y. 92	F.Y. 93	F.Y. 92	F.Y. 93	F.Y. 92	F.Y. 93	F.Y. 92	F.Y. 93
F.Y. 91 FUNDING LEVEL	22,776	22,776	8,159	8,159	14,617	14,617		
TOTAL BIENNIAL TOTAL	22,776	22,776 45,552	8,159	8,159 16,318	14,617	14,617 29,234		

F.Y. 1991 Budget Reductions (Information Only)

The following F.Y. 1991 reductions were implemented in Laws 1991, Chapter 2. These reductions are not reflected as changes to F.Y. 1991 or F.Y. 1992-93 BASE Levels within the budget documents.

Regional Transit Board

General Fund
\$ 600,000

**ACTIVITY
PROGRAM**

1992-93 Biennial Budget

GOVERNOR'S RECOMMENDATION:

AGENCY: Regional Transit Board

The Governor concurs with the agency's plan.

DECISION ITEM: BASE Reallocations

AGENCY PLAN:

	<u>Dollars in Thousands</u>			
	<u>F.Y. 1992</u>	<u>F.Y. 1993</u>	<u>F.Y. 1994</u>	<u>F.Y. 1995</u>

Expenditures

General Fund	\$	-0-	\$	-0-	\$	-0-	\$	-0-
Transit Assistance Fund								

Revenues

General Fund	\$	-0-	\$	-0-	\$	-0-	\$	-0-
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GOVERNOR'S RECOMMENDATION:

Expenditures

General Fund	\$	-0-	\$	-0-	\$	-0-	\$	-0-
Transit Assistance Fund								

Revenues

General Fund	\$	-0-	\$	-0-	\$	-0-	\$	-0-
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Requires statutory change: _____ Yes X No
Statutes Affected:

ITEM SUMMARY:

The agency proposes to reallocate \$3,130,000 in F.Y. 1992 and \$3,950,000 in F.Y. 1993 from Regular Route Transit to Metro Mobility. The agency also proposes to reallocate \$500,000 from Regular Route Transit to Agency Operations in F.Y. 1993.

RATIONALE:

Additional state funding for Metro Mobility is requested in order to meet the requirements of the State Human Rights Act and the Americans with Disabilities Act to provide transit services for persons with disabilities. Funds have had to be reallocated internally to cover cost increases in the program in F.Y. 1991.

Agency operations have been partly funded by state appropriations and partly funded by carry-over of unspent fund balances from year to year. Without additional funding the agency expects its fund balances to be exhausted by the end of F.Y. 1992. The proposed reallocation will support a reduced level of agency operations from current levels.

The agency proposes that regular route transit is the only possible source of reallocation dollars within its state appropriation. Growth in property taxes is likely to offset a portion of the reduction in state support.

ACTIVITY:

1992-93 Biennial Budget

PROGRAM:**AGENCY:** Regional Transit Board**DECISION ITEM:** Eliminate Transit Assistance Fund

Dollars in Thousands			
<u>F.Y. 1992</u>	<u>F.Y. 1993</u>	<u>F.Y. 1994</u>	<u>F.Y. 1995</u>

GOVERNOR'S RECOMMENDATION:**Expenditures**

General Fund	\$ 14,617	\$ 14,617	\$ 14,617	\$ 14,617
Transit Assistance Fund	(14,617)	(14,617)	(14,617)	(14,617)

Requires statutory change: X Yes No**Statutes Affected:** M.S. 174.32, 297B.09**ITEM SUMMARY:**

As part of the Governor's recommendation to eliminate the Motor Vehicle Excise Tax (MVET) transfer from the General Fund, the Governor also recommends the abolishment of the Transit Assistance Fund and the full funding of state assistance for transit out of the General Fund. This decision item reflects the General Fund amount needed for replacement of base level expenditures from the Transit Assistance Fund in F.Y. 1992 and F.Y. 1993 for the Regional Transit Board.

RATIONALE:

With the recommended elimination of the MVET transfer, supplemental state General Fund support is needed for transit programs to replace Transit Assistance Fund monies no longer available to help maintain basic transit services to the citizens of the state. The provision of state support for transit exclusively from the General Fund will promote need-based decisions on transit funding levels rather than formula-driven decisions that have occurred through Transit Assistance Fund support.

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1992-93 B^Y ANNUAL BUDGET

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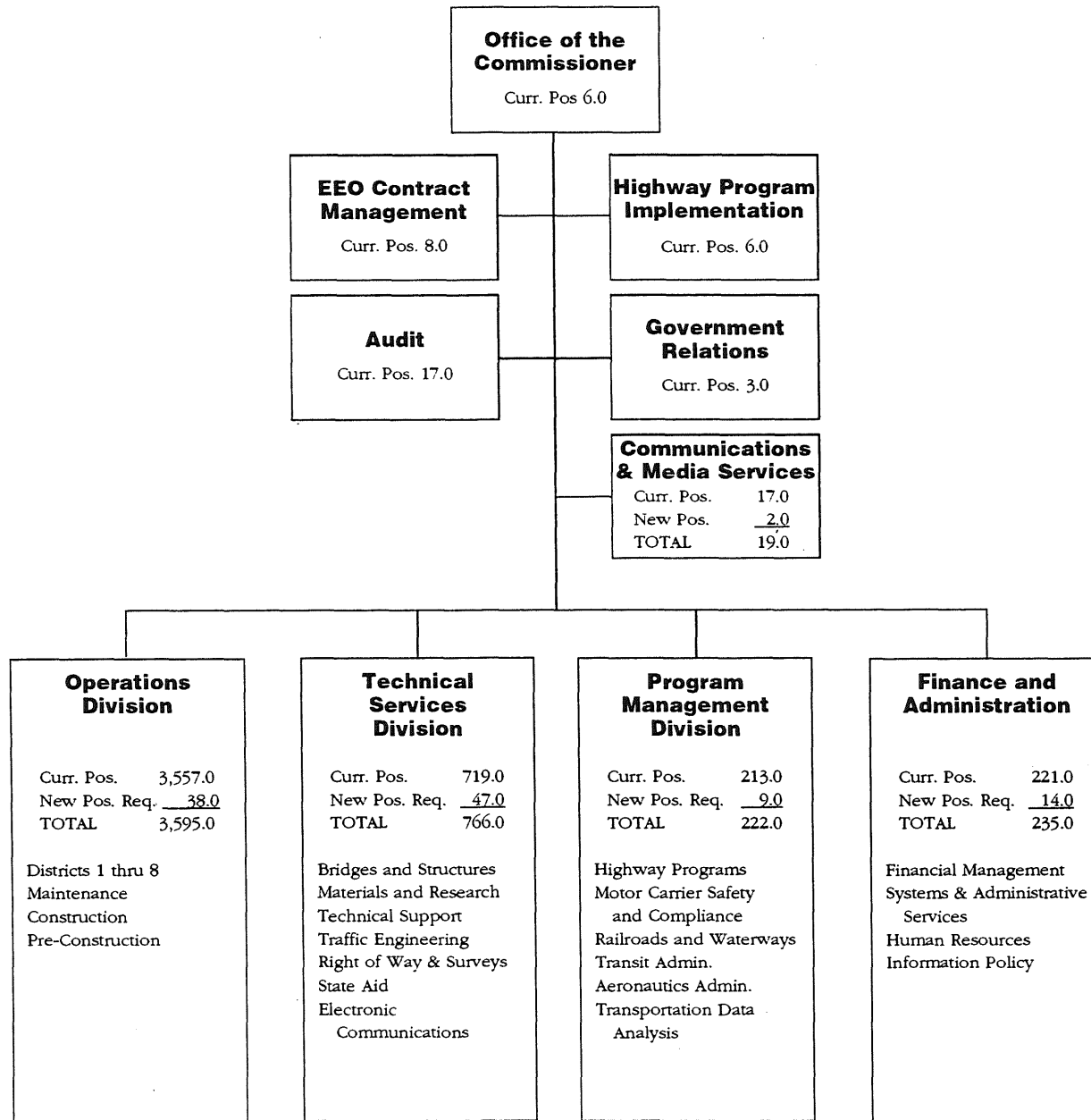
Construction Engineering

1992-93 BIENNIAL BUDGET

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Department of Transportation 7-1-90



Transportation, Department of
Position and Employee Status Information

Position Reconciliation:

Authority:	Current <u>F.Y. 1991</u>	Requested <u>For 6-30-93</u>
Legislative Complement:		
General Fund	14.0	14.0
State Airports	40.0	43.0
Trunk Highway	4,703.0	4,810.0
Federal	10.0	10.0
Total Permanent Positions	4,767.0	4,877.0
Other Complement (FTE)	<u>1,117.0</u>	<u>1,085.0</u>
TOTAL Positions	5,884.0	5,962.0
Employees on 6-30-90	5,495.0	

Employees by Employment Status:

	<u>6-30-90</u>
Full-Time Unlimited	4,570
Full-Time Temporary	294
Full-Time Emergency	4
Full-Time Seasonal	287
Part-Time Unlimited	176
Part-Time Temporary	36
Part-Time Seasonal	3
Intermittent Temporary	60
Intermittent Seasonal	<u>60</u>
TOTAL	5,495

MISSION:

The Minnesota Department of Transportation was established and operates in accordance with Statutory authority "to provide a balanced transportation system, which system includes aeronautics, highways, motor carriers, ports, public transit, railroads and pipelines." Further, Mn/DOT is sanctioned to function as the "principal agency of the State of Minnesota for the development, implementation, administration, consolidation and coordination of State transportation policies, plans and programs."

Mn/DOT's mission reflects a realization and commitment that the agency's reason for existence goes beyond its historical role to plan, design, construct and maintain a transportation infrastructure. Our mission is to: Manage a Transportation System to Serve the People in Minnesota - making the system work!

VISION:

Within the construct of this legislative mandate, Mn/DOT has set its vision and established its mission to assure a consistent sense of direction for long range initiatives and near term operations. Our vision is a picture of Mn/DOT ten to twenty years in the future. It includes our highest aspirations for what we can become and serves as a source of motivation for everyone associated with Mn/DOT.

Our vision is: Quality Transportation Through People who Make a Difference. We see Mn/DOT being excellent as a result of:

- continuous improvement
- customer service
- a trained and diverse workforce
- demonstrated leadership
- technological innovation
- social and environmental stewardship
- partnerships
- expanded idea of transportation

VALUES:

Our sustained commitment to this vision and mission in a life of constant change must be built on a solid foundation. That foundation is a set of values intrinsic to Mn/DOT. We believe in:

- Providing Quality Products and Services:
 - Striving for continuous improvement; and
 - Maintaining professionalism.
- Maintaining Public Trust:
 - Being honest with our clients;
 - Seeking fair and impartial solutions;
 - Looking for responsible ways to say "yes"; and
 - Treating the environment responsibly.
- The Value of Our Employees:
 - Fostering employee pride, loyalty and integrity;
 - Treating employers fairly and with respect; and
 - Developing a skilled and competent workforce.

MAJOR POLICY DRIVERS:

The development, shape, delivery, and accountability of Mn/DOT programs is driven by a number

of external social, technical, and political considerations. They include:

- The need to manage increasing volumes of automobile and truck traffic, and attendant congestion, on a highway system which is not significantly adding lane miles. Vehicle registrations continue to climb and this places a strain, especially in the metropolitan area, on the capacity of the highway system to accommodate the resulting increase in traffic demands.
- The need for major investments in the reconstruction, rehabilitation, and replacement of an aging state and local road and bridge infrastructure. In this respect, projected needs over the next ten to twenty years are expected to exceed available resources. Special emphasis must be placed on finding non-traditional, alternative revenue sources and working in partnership with the private sector whenever possible.
- The need to protect, in every possible way, the safety of the motoring public. As traffic volume increases, so too does the potential for accidents. Safety needs to be systematically managed, from structure design and condition issues, to traffic management strategies and devices.
- The need to be responsive to heightened public awareness and broadened legal requirements associated with the management of environmental concerns as Mn/DOT delivers its transportation programs.
- The need for active public involvement in transportation decisions, as well as cooperation with regional and local governmental entities in their delivery, to assure that transportation challenges are globally addressed and met. The citizenry, through department efforts to increase awareness and disseminate information, will be better able to participate in dialogue on state transportation issues.
- The need to continue planning and promoting transportation alternatives to use of the automobile, as well as to manage all modes of transportation - aviation, waterways, railroads, bikeways, and highways - as a unified transportation network.
- The need to encourage, develop, and strategically manage new technology and research activities. Capitalizing on newly-found knowledge and making it work can, and does, result in tangible benefits to the public.
- The proscribed uses of federal dollars received by the department are dramatically changing. With the completion of interstate construction efforts, the federal focus is shifting toward management of transportation systems.
- The need to complement economic development strategies with transportation systems that effectively move people, goods, and services within the state.

Mn/DOT is just completing a successful era of building an interstate highway network. We are now entering an era where we must also be good at managing our transportation system. This sense of mission, vision, values, and external policy influences has become the basis for the objectives, goals, and programs represented in this biennial budget document.

EXPLANATION OF BUDGET ISSUES AND ALTERNATIVES:

The base adjustment/reallocation totals are broken down as follows:

	F.Y. 1992	F.Y. 1993
Base Adjustments	\$(109,815.0)	\$(106,962.0)
Reallocation Decisions	637.0	41,691.0
TOTALS	<u>\$(109,178.0)</u>	<u>\$(65,271.0)</u>

Base Adjustments

The agency base adjustments are primarily made up of three large items. Over \$177 million base reduction is for biennial Federal-County road and bridge receipt adjustments. Another \$33 million is for biennial reductions in estimated dedicated receipts. This decrease was countered by a #31 million positive amount for debt service payments that were not listed in the Biennial Budget System (BBS). We also have reduced almost \$60 million from F.Y. 1991 base appropriations that were a result of funds carried forward from F.Y. 1990 in BBS. Smaller adjustments were made for biennial appropriations (equipment) and annualization of F.Y. 1991 salaries per the Department of Finance. Other minor adjustments were made for non-recurring expenditures, new programs, and rent increases as authorized by BBS instructions.

Budget Reallocation Decisions
(Dollars in Thousands)

<u>A. Research-Transportation</u>	<u>F.Y. 1992</u>	<u>\$900.0</u>	<u>F.Y. 1993</u>	<u>\$788.0</u>
<u>System Management</u>				
<u>Design Engineering Program</u>	<u>F.Y. 1992</u>	<u>\$772.0</u>	<u>F.Y. 1993</u>	<u>\$655.0</u>
1. <u>Intelligent Vehicle</u>	<u>F.Y. 1992</u>	<u>\$612.0</u>	<u>F.Y. 1993</u>	<u>\$495.0</u>
<u>Highway System</u>				
A request is made for \$1,107,000 and 3 positions, over the biennium, for IVHS (Intelligent Vehicle Highway System). This request will establish IVHS expertise in the department and allow for a maintained, operable, and expanded system. This request involves the next generation highway system, which will lead to reduced accidents and improved traffic control.				
2. <u>Minnesota Physical</u>	<u>F.Y. 1992</u>	<u>\$160.0</u>	<u>F.Y. 1993</u>	<u>\$160.0</u>
<u>Research Projects</u>				
A request is made for \$320,000 over the biennium. Significant changes are occurring in the transportation industry. Environmental priorities, economics, human factors, elderly driver problems, safety issues and climate factors require a greater and broader research effort. The installation of a complex instrumentation network will require the utilization of consulting and technical assistance to conduct Minnesota Road Research activities.				
3. <u>Position Conversion</u>	<u>F.Y. 1992</u>	<u>\$0.0</u>	<u>F.Y. 1993</u>	<u>\$0.0</u>
To maintain a stable work force, the department is requesting the conversion of 20 part-time positions to full-time. The positions are in the following areas: Technical Support-7, Materials-13.				
<u>General Administration Program</u>	<u>F.Y. 1992</u>	<u>\$128.0</u>	<u>F.Y. 1993</u>	<u>\$133.0</u>
<u>Research</u>				
The Office of Electronic Communications requests \$261,000 and 4 positions over the biennium to provide support for and evaluate collaborative research in Intelligent Vehicle Highway Systems (IVHS). Two of the positions will concentrate on IVHS while the other 2 are conversions from part-time to full-time positions.				
The converted positions deal with expanding metro area mobile radio installations and in an ever-growing electronic parts stockroom. Funds are also being requested for electronic parts for metro area "call boxes," Highway Advisory Radio (HAR) freeway signs, and parts, units and electronic modules for newly installed mobile data terminals in State Patrol units.				

<u>B. Regulation</u>	<u>F.Y. 1992</u>	<u>\$229.0</u>	<u>F.Y. 1993</u>	<u>\$174.0</u>
<u>Motor Carrier</u>	<u>F.Y. 1992</u>	<u>\$229.0</u>	<u>F.Y. 1993</u>	<u>\$174.0</u>
<u>Regulation Program</u>				
The Office of Motor Carrier Safety and Compliance has made a request for \$403,000 and four positions, over the biennium:				
1. two positions to respond to a continued increase in the work load; and				
2. truck safety program for which the legislature has appropriated 6 additional positions F.Y. 1990-91 but not the support dollars to achieve the program's goals.				
<u>C. Motor Services</u>	<u>F.Y. 1992</u>	<u>\$3,815.0</u>	<u>F.Y. 1993</u>	<u>\$3,815.0</u>
<u>Construction</u>	<u>F.Y. 1992</u>	<u>\$2,115.0</u>	<u>F.Y. 1993</u>	<u>\$2,115.0</u>
<u>Engineering Program</u>				
1. <u>Freeway Operations</u>	<u>F.Y. 1992</u>	<u>\$595.0</u>	<u>F.Y. 1993</u>	<u>\$595.0</u>
<u>Traffic Congestion</u>				
This allocation to the Construction Engineering Program is to escalate the attack on metro-traffic congestion, in order to reduce motorist delays and accidents by broadly expanding proven techniques and testing new techniques for freeway management, as well as establishing accurate and effective traffic information programs for motorists. Congestion reduction is one of the department's top 3 priorities and this request will add two technicians and one programmer to work on programmed ramp meter expansion. We will also have funding for 4 engineers and their expenses involved in highway advisory radio, surveillance, and monitoring projects.				
2. <u>Freeway Operations</u>	<u>F.Y. 1992</u>	<u>\$1,520.0</u>	<u>F.Y. 1993</u>	<u>\$1,520.0</u>
<u>Base Funding</u>				
The department requests this appropriation to maintain a newly established Metro District Traffic Management function within the Construction Engineering Program.				
<u>State Road</u>	<u>F.Y. 1992</u>	<u>\$1,700.0</u>	<u>F.Y. 1993</u>	<u>\$1,700.0</u>
<u>Operations Program</u>				
1. <u>New Lane Miles</u>	<u>F.Y. 1992</u>	<u>\$1,300.0</u>	<u>F.Y. 1993</u>	<u>\$1,300.0</u>
<u>and Utilities</u>				
This request includes funding for 20 highway maintenance worker positions (per reduced snow and ice formula) due to lane miles added to the system. This request also includes provision for the cost of utilities (lighting) associated with the added lane miles.				
2. <u>Highway Helper</u>	<u>F.Y. 1992</u>	<u>\$400.0</u>	<u>F.Y. 1993</u>	<u>\$400.0</u>
These funds and 8 highway maintenance worker positions would allow expansion of this customer-conscious/service-oriented program.				
<u>D. Automation</u>	<u>F.Y. 1992</u>	<u>\$2,784.0</u>	<u>F.Y. 1993</u>	<u>\$2,826.0</u>
<u>Trunk Highway Fund</u>	<u>F.Y. 1992</u>	<u>\$2,734.0</u>	<u>F.Y. 1993</u>	<u>\$2,776.0</u>
<u>State Airports Fund</u>	<u>F.Y. 1992</u>	<u>\$50.0</u>	<u>F.Y. 1993</u>	<u>\$50.0</u>
<u>Design Engineering Program</u>	<u>F.Y. 1992</u>	<u>\$419.0</u>	<u>F.Y. 1993</u>	<u>\$419.0</u>
An allocation of \$838,000, over the biennium, is requested for increases in maintenance contracts, licensing fees, production costs, and EDP related supplies for in-house computer-aided road design and other systems.				
<u>General</u>	<u>F.Y. 1992</u>	<u>\$2,365.0</u>	<u>F.Y. 1993</u>	<u>\$2,407.0</u>
<u>Administration Program</u>				

AGENCY: Transportation, Department of
(C ation)

1992-93 Biennial Budget

1. <u>Systems Office</u>	<u>F.Y. 1992</u>	\$332.0	<u>F.Y. 1993</u>	\$382.0
A request is made for an allocation of \$714,000 and 2 positions over the biennium. The positions will be involved in managing local area networking and to increase expertise in the field of database management. An increase over the biennium of \$525,000 is sought for local area network costs. During the current biennium, high speed digital communicative service lines (T-1) will be installed in all Mn/DOT locations. This will allow and provide for improved voice, data services, and video conferencing between locations.				
2. <u>Highway Program Implementation</u>	<u>F.Y. 1992</u>	\$20.0	<u>F.Y. 1993</u>	\$11.0
A request is made for \$31,000 over the biennium to provide for the operation and documentation of the ARTEMIS System. ARTEMIS is a database management system that has been specifically designed for Mn/DOT project management. It is used to schedule, track and manage all highway preconstruction activities on over 1,000 projects and to track the funding of Mn/DOT's \$1.6 billion construction program.				
3. <u>Data Processing Development</u>				
<u>Trunk Highway Fund</u>	<u>F.Y. 1992</u>	\$1,963.0	<u>F.Y. 1993</u>	\$1,964.0
<u>Aeronautics Fund</u>	<u>F.Y. 1992</u>	\$50.0	<u>F.Y. 1993</u>	\$50.0
An allocation of \$4,027,000 is requested to provide for the department's program of data processing development. The department has submitted documentation to the Department of Administration's Information Policy Office which details this request.				
E. <u>Environmental</u>	<u>F.Y. 1992</u>	\$2,400.0	<u>F.Y. 1993</u>	\$2,385.0
<u>State Road Construction Program</u>	<u>F.Y. 1992</u>	\$(669.0)	<u>F.Y. 1993</u>	\$(669.0)
<u>Junkyard Regulation</u>	<u>F.Y. 1992</u>	\$(669.0)	<u>F.Y. 1993</u>	\$(669.0)
This activity will be approaching termination over the course of the biennium. The reduction of \$669,000 per year will leave \$200,000 each year for completion of contracts and for other miscellaneous expenses.				
<u>Design Engineering Program</u>	<u>F.Y. 1992</u>	\$2,121.0	<u>F.Y. 1993</u>	\$2,121.0
Three positions and associated costs are requested to deal with the increased workload regarding hazardous waste and groundwater contamination. In addition, \$4,000,000 is requested over the biennium to deal with sites owned by Mn/DOT, or involving Mn/DOT as a third party, in the cleanup of hazardous materials or waste. Failure to meet this request could impact other programs since resolving the hazardous waste issue is a department priority item.				
<u>State Road Operations Program</u>	<u>F.Y. 1992</u>	\$750.0	<u>F.Y. 1993</u>	\$750.0
This request continues the underground tank replacement program at district facilities. Completion of the program is necessary to be in compliance with federal, state, and local environmental protection regulations.				
<u>General Administration Program</u>	<u>F.Y. 1992</u>	\$198.0	<u>F.Y. 1993</u>	\$183.0
1. <u>Employee Health and Wellness</u>	<u>F.Y. 1992</u>	\$96.0	<u>F.Y. 1993</u>	\$81.0
The department requests the allocation of 1 additional position and \$177,000 over the biennium for employee health, safety, and wellness. These funds will be utilized to obtain an employee to fulfill the needs of departmental coordination of underground storage tanks				

and hazardous waste handling. Funding would also be provided for such endeavors as the update and issuance of its safety handbook, coordinate and support various initiatives in the employee well-being area.

2. <u>Electronic Communication</u>	<u>F.Y. 1992</u>	\$102.0	<u>F.Y. 1993</u>	\$102.0
The department requests the allocation of \$204,000 over the biennium for 1 radio technician position with associated funding for training and electronic parts to service the Minnesota Road Research Project near Monticello. This position will service, maintain, and upgrade the pavement-installed electronic sensors and ancillary equipment. This equipment is experimental and unique and requires highly specialized maintenance and service.				
F. <u>Economic Adjustment</u>	<u>F.Y. 1992</u>	\$9,626.0	<u>F.Y. 1993</u>	\$20,052.0
<u>Trunk Highway Fund</u>	<u>F.Y. 1992</u>	\$9,563.0	<u>F.Y. 1993</u>	\$19,896.0
<u>State Airports Fund</u>	<u>F.Y. 1992</u>	\$63.0	<u>F.Y. 1993</u>	\$156.0
<u>Aeronautics Program</u>				
<u>State Airports Fund</u>	<u>F.Y. 1992</u>	\$36.0	<u>F.Y. 1993</u>	\$114.0
<u>Salary Supplement</u>				
The allocation requested will fulfill the salary requirements of the present complement for anticipated 4.5% contract settlement from the State Airports Fund.				
<u>Transit Program</u>	<u>F.Y. 1992</u>	\$13.0	<u>F.Y. 1993</u>	\$23.0
<u>Salary Supplement</u>				
The allocation requested will fulfill the salary requirements of the present complement for anticipated 4.5% contract settlements from the Trunk Highway Fund.				
<u>Railways and Waterways Program</u>	<u>F.Y. 1992</u>	\$9.0	<u>F.Y. 1993</u>	\$59.0
<u>Salary Supplement</u>				
The allocation requested will fulfill the salary requirements of the present complement for anticipated 4.5% contract settlements from the Trunk Highway Fund.				
<u>Motor Carrier Regulation Program</u>	<u>F.Y. 1992</u>	\$30.0	<u>F.Y. 1993</u>	\$94.0
<u>Salary Supplement</u>				
The allocation requested will fulfill the salary requirements of the present complement for anticipated 4.5% contract settlements from the Trunk Highway Fund.				
<u>Local Road Construction Program</u>	<u>F.Y. 1992</u>	\$0.0	<u>F.Y. 1993</u>	\$36.0
<u>Salary Supplement</u>				
The allocation requested will fulfill the salary requirements of the present complement for anticipated 4.5% contract settlements from the Trunk Highway Fund.				
<u>State Road Construction Program</u>	<u>F.Y. 1992</u>	\$168.0	<u>F.Y. 1993</u>	\$371.0
<u>Salary Supplement</u>				
The allocation requested will fulfill the salary requirements of the present complement for anticipated 4.5% contract settlements from the Trunk Highway Fund.				

AGENCY: Transportation, Department of
(Continuation)

1992-93 Biennial Budget

<u>Design Engineering Program</u>	<u>F.Y. 1992</u>	\$756.0	<u>F.Y. 1993</u>	\$2,123.0
1. <u>Overtime and Non-Complement Needs</u>	<u>F.Y. 1992</u>	\$100.0	<u>F.Y. 1993</u>	\$100.0
To fund the increasing costs of overtime and non-complement positions per bargaining agreements.				
2. <u>Salary Supplement</u>	<u>F.Y. 1992</u>	\$656.0	<u>F.Y. 1993</u>	\$2,023.0
The allocation requested will fulfill the salary requirements of the present complement for anticipated 4.5% contract settlements from the Trunk Highway Fund.				
<u>Construction Engineering Program</u>	<u>F.Y. 1992</u>	\$1,308.0	<u>F.Y. 1993</u>	\$4,111.0
<u>Salary Supplement</u>				
The allocation requested will fulfill salary requirements of the present complement for anticipated 4.5% contract settlements from the Trunk Highway Fund.				
<u>State Road Operations Program</u>	<u>F.Y. 1992</u>	\$6,397.0	<u>F.Y. 1993</u>	\$11,545.0
1. <u>Fleet Insurance</u>	<u>F.Y. 1992</u>	\$330.0	<u>F.Y. 1993</u>	\$330.0
Funding is necessary to pay the biennial risk insurance premium for Mn/DOT's road equipment, as determined by the Department of Administration.				
2. <u>Greenview</u>	<u>F.Y. 1992</u>	\$170.0	<u>F.Y. 1993</u>	\$170.0
Funding is necessary to accommodate 2 years maintenance on the additional rest areas within the Greenview contract as follows: Hayward, St. Cloud, LeSueur, Pine City.				
3. <u>Non-Complement</u>	<u>F.Y. 1992</u>	\$900.0	<u>F.Y. 1993</u>	\$900.0
This funding represents 11% of the division's non-complement position funding. Recent bargaining agreement language extends benefits (vacation, sick leave, insurance and severance) to qualified non-complement employees.				
4. <u>Fuel Costs</u>	<u>F.Y. 1992</u>	\$1,000.0	<u>F.Y. 1993</u>	\$1,000.0
Funding is necessary for the conversion in several district locations from bulk tank purchase to purchasing from local vendors. The funding change also addresses recent increases in the cost of fuel.				
5. <u>Waste Removal</u>	<u>F.Y. 1992</u>	\$150.0	<u>F.Y. 1993</u>	\$150.0
A request of \$300,000 per biennium is necessary to pay for increases in dumping fees and hazardous waste removal.				
6. <u>Salary Supplement</u>	<u>F.Y. 1992</u>	\$3,847.0	<u>F.Y. 1993</u>	\$8,995.0
The allocation requested will fulfill the salary requirements of the present complement for anticipated 4.5% contract settlements from the Trunk Highway Fund.				
<u>General Administration Program</u>				
<u>Trunk Highway Fund</u>	<u>F.Y. 1992</u>	\$882.0	<u>F.Y. 1993</u>	\$1,534.0
<u>State Airports Fund</u>	<u>F.Y. 1992</u>	\$27.0	<u>F.Y. 1993</u>	\$42.0
1. <u>Department Program Support</u>	<u>F.Y. 1992</u>	\$275.0	<u>F.Y. 1993</u>	\$275.0

Of this request, \$50,000 per year is for increased telecommunications costs and \$225,000 per year is for general operating supplies. Six non-complement conversions are also included in this request.

2. Salary Supplement

<u>Trunk Highway Fund</u>	<u>F.Y. 1992</u>	\$607.0	<u>F.Y. 1993</u>	\$1,259.0
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<u>State Airports Fund</u>	<u>F.Y. 1992</u>	\$27.0	<u>F.Y. 1993</u>	\$42.0
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Of this allocation, \$607,000 in F.Y. 92 and \$1,259,000 in F.Y. 93 will fulfill the salary requirements of the present complement for anticipated 4.5% contract settlements from the Trunk Highway Fund. An additional \$27,000 in F.Y. 92 and \$42,000 in F.Y. 93 will fulfill the salary requirement of the present complement for anticipated 4.5% contract settlements from the State Airports Fund.

<u>G. Program Delivery</u>	<u>F.Y. 1992</u>	\$2,146.0	<u>F.Y. 1993</u>	\$2,070.0
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<u>State Road Construction Program</u>	<u>F.Y. 1992</u>	\$372.0	<u>F.Y. 1993</u>	\$326.0
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1. Traffic Systems Support F.Y. 1992 \$174.0 F.Y. 1993 \$128.0
Improved data management to reduce manual collection, improve equipment, change to a statistical method and improve accuracy and timeliness of transportation data will require 2 positions and \$302,000 over the biennium.

2. Planning Support F.Y. 1992 \$198.0 F.Y. 1993 \$198.0
Nine regional Development Commissions will each receive a \$29,000 planning grant annually; an increase of \$2,000 per year. Metropolitan Planning Organizations in Greater Minnesota will share federal funds and an increase in state grants (up to \$180,000 per year) to stabilize their budget for transportation planning and coordination.

<u>Design Engineering Program</u>	<u>F.Y. 1992</u>	\$596.0	<u>F.Y. 1993</u>	\$596.0
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1. Technical Training F.Y. 1992 \$282.0 F.Y. 1993 \$282.0
A request is made for \$564,000 over the biennium for training for the Office of Traffic Engineering to keep abreast of rapidly developing technology. It will allow for the review, investigation, and implementation of new technology concerning electrical devices and provide direction for Mn/DOT.

2. Bottleneck Reduction F.Y. 1992 \$314.0 F.Y. 1993 \$314.0
A request is made for \$628,000 and 3 positions over the biennium for the Office of Surveying and Mapping. The positions and associated expenses will be utilized in support of the geodetic database and use of the Global Positioning System. Included in the request is \$400,000 over the biennium for consultant mapping agreements. This request is will assist in alleviating an identified "bottleneck" in the program delivery process.

<u>Construction Engineering Program</u>	<u>F.Y. 1992</u>	\$130.0	<u>F.Y. 1993</u>	\$130.0
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Technical Training F.Y. 1992 \$130.0 F.Y. 1993 \$130.0
A request is made for the technical training of personnel involved in road design and construction. This will enable our construction staff to maintain current practices in program delivery from CAD design through final delivery of the construction program.

<u>General Administration Program</u>	<u>F.Y. 1992</u>	\$1,048.0	<u>F.Y. 1993</u>	\$1,018.0
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1. Training F.Y. 1992 \$458.0 F.Y. 1993 \$428.0
The department is proposing an allocation of \$886,000 and 3 additional positions over the

biennium for technical and other training purposes. These funds will implement a technical certification program, conduct a department-wide quality improvement program, and develop a comprehensive training program for pre-construction project managers.

2. Affirmative Action F.Y. 1992 \$130.0 F.Y. 1993 \$130.0
A request is made for \$260,000 and 2 positions, over the biennium, for Mn/DOT's Affirmative Action Program. The request is pursuant to a 1989 FHA audit finding that Mn/DOT was not in compliance with FHWA affirmative action requirements. This request will bolster current efforts and help bring Mn/DOT into compliance with FHWA requirements.

3. Position Conversion F.Y. 1992 \$0.0 F.Y. 1993 \$0.0
A request is made to convert two current part-time employees in the Communications and Media Services Section to full-time. These employees, an office manager and a specialist in preparing radio and television programming, are valuable to the department for their skills, and their expertise should be kept on a permanent basis.

4. Legal Services F.Y. 1992 \$460.0 F.Y. 1993 \$460.0
A request is made for an allocation of \$920,000 over the biennium to cover the charges, for Mn/DOT, from the Office of the Attorney General.

H. Equipment F.Y. 1992 \$1,032.0 F.Y. 1993 \$1,491.0
Equipment Program F.Y. 1992 \$1,032.0 F.Y. 1993 \$1,491.0

1. Road Equipment F.Y. 1992 \$492.0 F.Y. 1993 \$1,007.0
Need to sustain existing replacement cycles with expected 4.5% inflation rate each year of the biennium.

2. Office Equipment F.Y. 1992 \$57.0 F.Y. 1993 \$57.0
Need to replace obsolete equipment with up-to-date equipment, and to purchase drafting tables and equipment for new work stations. The acquisition of modular equipment will allow more efficient use of space due to overcrowding.

3. Scientific Equipment F.Y. 1992 \$341.0 F.Y. 1993 \$358.0
Accelerate replacement of aging materials testing equipment that is becoming increasingly difficult and expensive to maintain. Purchase of new technology equipment for our survey activities including global positioning system receivers and total stations is necessary for efficient use of personnel. The purchase of additional and replacement field test equipment needed to meet demands of our expanded construction program, and the purchase of additional safety and environmental monitoring equipment.

4. Electronics Equipment F.Y. 1992 \$142.0 F.Y. 1993 \$69.0
Supply a growing fleet with the necessary communications equipment, required for the fleet to perform its duties adequately, timely, and safely both in daily responsibilities and during emergencies and special events. The funds will also purchase additional portable and mobile radio equipment to connect maintenance and construction personnel, and to accommodate vast roadway construction scheduled for the future.

I. Safety F.Y. 1992 \$1,888.0 F.Y. 1993 \$1,523.0

Railroads and F.Y. 1992 \$76.0 F.Y. 1993 \$76.0
Waterways Program

Railroad Grade F.Y. 1992 \$76.0 F.Y. 1993 \$76.0

Crossing Safety

In response to issues raised at transportation safety forums, the department proposes to initiate a railroad grade crossing safety program. This funding will provide for 2 part positions and associated expenses to improve visibility at crossings.

Design Engineering Program F.Y. 1992 \$1,312.0 F.Y. 1993 \$947.0

1. Traffic Safety F.Y. 1992 \$418.0 F.Y. 1993 \$418.0
A request is made for 3 positions and \$836,000 over the biennium, which includes a statewide signal optimization program, training and direction to local units, and the analysis of accident data on all systems and roadways. This effort will support the drive to reduce highway fatality rates by 50% by the year 2000.

2. Bridge Safety F.Y. 1992 \$894.0 F.Y. 1993 \$529.0
A request is made for an allocation of 10 positions and \$1,423,000 over the biennium for a bridge safety program. This comprehensive program will deal with 4 areas of concern; fracture critical inspection program, underwater inspection program, hydraulic scour analysis program, and a federally mandated program of studying the cost effectiveness of bridge replacement/rehabilitation.

State Road F.Y. 1992 \$500.0 F.Y. 1993 \$500.0
Operations Program

Attenuators F.Y. 1992 \$500.0 F.Y. 1993 \$500.0
This request would install crash attenuators on our road equipment to prevent and/or limit damage from collisions in work zones. Attenuators are specially designed trailers that will help absorb the impact of a rear-end collision on some of our essential but often bulky and slow-moving road equipment.

J. Aeronautic - State Airports Fund F.Y. 1992 \$1,864.0 F.Y. 1993 \$1,614.0

Aeronautics Program F.Y. 1992 \$1,861.0 F.Y. 1993 \$1,611.0

1. Construction Grants: State F.Y. 1992 \$1,111.0 F.Y. 1993 \$1,111.0
This increase to airport construction grants is to meet future needs for development of aviation facilities that are expected to exceed the state funds available as demonstrated by the capital improvement program submitted by the public airport sponsors. This request will respond to the needs of the municipalities that own airports.

2. Maintenance Grants: State F.Y. 1992 \$327.0 F.Y. 1993 \$327.0
This increase to the airport maintenance program will be used to offset escalating costs of maintaining facilities at airports, including pavements, lighting, buildings, and snow removal. This activity has not requested an increase for state share over the last 3 bienniums.

3. Pine Creek Airport F.Y. 1992 \$250.0 F.Y. 1993 \$0.0
This request will provide Minnesota's share of a joint project with the Canadian Government to provide an all-season surface (paved and lighted landing surface) at the Pine Creek Airport, which is owned jointly by the State of Minnesota and the Local Government, District of Piney, Manitoba.

4. Navigation Aids F.Y. 1992 \$85.0 F.Y. 1993 \$85.0
The requested funds are for increased installation and maintenance of automated weather observation stations, which relay information used by all forms of transportation in Minnesota and the general public.

5. Mid-America Resource F.Y. 1992 \$88.0 F.Y. 1993 \$88.0
Aviation Consortium
This request is to create two full-time positions to develop and operate the Mid-America

Aviation Resource Consortium. This program is a joint effort between the Federal Aviation Administration, the Minnesota Higher Education System, the Minnesota Department of Transportation, and private industry to plan for and satisfy the training needs of government and the aviation industry. The positions requested are a Principal Transportation Administrator and a Clerk Steno II to provide oversight for this program.

<u>General Administration Program</u>	<u>F.Y. 1992</u>	\$3.0	<u>F.Y. 1993</u>	\$3.0
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1. <u>Position Conversion</u>	<u>F.Y. 1992</u>	\$0.0	<u>F.Y. 1993</u>	\$0.0
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This request for one full-time complement position is for an aircraft and airline scheduler. The funding was approved in the 1990-91 biennial budget as a non-complement position, but the position has been fully staffed since it was acquired and has justified its need as a permanent position.

2. <u>Telecommunications</u>	<u>F.Y. 1992</u>	\$3.0	<u>F.Y. 1993</u>	\$3.0
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An allocation is requested for an increase in telecommunications expenses, and for the conversion of 1 part-time position to a full-time position.

K. <u>State Road Construction</u>	<u>F.Y. 1992</u>	\$(26,176.0)	<u>F.Y. 1993</u>	\$4,953.0
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<u>State Road Construction Program</u>	<u>F.Y. 1992</u>	\$(26,176.0)	<u>F.Y. 1993</u>	\$4,953.0
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A reduction in state funds available for construction (about \$18 million), together with changing estimates of federal (and local) funds available for construction result in annual program fluctuations.

1992-1993 BIENNIAL BUDGET
(DOLLARS IN THOUSANDS)

AGENCY: TRANSPORTATION,DPT OF

PROGRAM RESOURCE ALLOCATION:	FY 1989	FY 1990	Est. FY 1991	FY 1992			FY 1993		
				Adjusted Base	Agency Plan	Governor Recomm.	Adjusted Base	Agency Plan	Governor Recomm.
AERONAUTICS	36,007	36,692	46,801	48,113	50,010	49,974	47,411	49,136	49,022
TRANSIT	17,506	15,404	15,882	13,807	13,820	10,049	13,815	13,838	10,057
RAILROADS_& WATERWAYS	5,869	3,961	9,165	1,228	1,313	1,304	1,220	1,355	1,296
MOTOR CARRIER REGULATION	1,396	1,519	2,037	2,058	2,317	2,207	2,052	2,320	2,146
LOCAL ROADS	300,206	353,254	519,750	413,109	413,109	413,109	416,106	416,142	416,106
STATE ROAD CONSTRUCTION	443,837	412,117	465,400	463,335	437,159	411,619	464,546	469,527	443,830
DESIGN ENGINEERING	45,989	51,214	54,204	54,791	60,767	58,610	54,674	61,535	58,011
CONSTRUCTION ENGINEERING	54,840	63,269	64,481	65,493	69,046	67,232	65,267	71,623	67,006
STATE ROAD OPERATIONS	122,888	130,554	139,289	140,715	150,062	144,665	140,362	154,857	144,312
EQUIPMENT	11,120	24,524	11,177	16,234	17,266	17,266	16,238	17,729	17,729
GENERAL ADMINISTRATION	27,896	29,883	29,092	28,580	33,231	30,434	28,625	33,945	29,514
=====	=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL EXPENDITURES BY PROGRAM	1,067,554	1,122,391	1,357,278	1,247,463	1,248,100	1,206,469	1,250,316	1,292,007	1,239,029
SOURCES OF FINANCING:									

DIRECT APPROPRIATIONS:									
GENERAL	5,078	4,470	4,741	4,275	4,275	7,644	4,274	4,274	7,643
STATE AIRPORTS	13,520	11,557	14,521	14,140	16,117	16,054	14,139	15,959	15,803
MUNICPL/ST AID-HGHWY	48,791	59,972	65,453	66,000	66,000	66,000	67,000	67,000	67,000
CNTY/STATE AID-HGHWY	186,383	224,245	258,020	240,000	240,000	240,000	242,000	242,000	242,000
TRUNK HIGHWAY	702,627	707,425	759,703	765,617	764,946	727,136	766,118	806,658	757,594
HGHWY USER TAX DISTR	65								
FEDERAL	500								
ENVIRONMENTAL		866	869	869	200	200	869	200	200
TRANSIT ASSISTANCE	9,537	7,630	7,614	7,127	7,127		7,127	7,127	
MOTOR VEHICLE TRANS	868								
STATUTORY APPROPRIATIONS:									
GENERAL		8							
SPECIAL REVENUE	4,779	2,896	7,852	50	50	50	50	50	50
STATE AIRPORTS	601	691	2,593	1,865	1,865	1,865	1,915	1,915	1,915
MUNICPL/ST AID-HGHWY	2,024	2							
CNTY/STATE AID-HGHWY	280	6							
TRUNK HIGHWAY	3,726	3,525	3,601	3,603	3,603	3,603	3,602	3,602	3,602

1992-1993 B I E N N I A L B U D G E T
(DOLLARS IN THOUSANDS)

AGENCY: TRANSPORTATION,DPT OF

PROGRAM RESOURCE ALLOCATION:	FY 1989	FY 1990	Est. FY 1991	FY 1992			FY 1993		
				Adjusted Base	Agency Plan	Governor Recomm.	Adjusted Base	Agency Plan	Governor Recomm.
HGHMY USER TAX DISTR	472	537	537	537	537	537	537	537	537
TRANSPORTATION	85	3	59						
FEDERAL	88,070	98,395	231,563	143,228	143,228	143,228	142,533	142,533	142,533
AGENCY	148	163	150	150	150	150	150	150	150
GIFTS AND DEPOSITS			2	2	2	2	2	2	2
TOTAL FINANCING	1,067,554	1,122,391	1,357,278	1,247,463	1,248,100	1,206,469	1,250,316	1,292,007	1,239,029

BASE RECONCILIATION REPORT
for 1992-1993 Biennium

AGENCY: TRANSPORTATION, DPT OF

	ALL FUNDS		GENERAL FUND		OTHER STATE FUNDS		FEDERAL FUNDS	
	F.Y. 92	F.Y. 93	F.Y. 92	F.Y. 93	F.Y. 92	F.Y. 93	F.Y. 92	F.Y. 93
F.Y. 91 FUNDING LEVEL	1,357,278	1,357,278	4,741	4,741	1,120,974	1,120,974	231,563	231,563
BIENNIAL APPROPRIATIONS	7,784	7,788			7,784	7,788		
APPROPRIATIONS CARRIED FWD	<30,551>	<30,551>	<478>	<478>	<29,879>	<29,879>	<194>	<194>
NON RECURRING EXPENDITURES	<34>	<34>			<34>	<34>		
SALARY ANNUALIZATION	3,185	2,390	11	9	3,174	2,381		
ANNUALIZG NEW PROG COST	255	255			255	255		
DOCUMENTED RENT/LEASE INCR.	89	147	1	2	88	145		
DEDICATED RECEIPTS AND FUNDS	<17,266>	<14,215>			<17,266>	<14,215>		
FEDERAL RECEIPTS	<88,141>	<88,836>					<88,141>	<88,836>
OPEN APPROPRIATIONS	14,864	16,094			14,864	16,094		
TOTAL	1,247,463	1,250,316	4,275	4,274	1,099,960	1,103,509	143,228	142,533
BIENNIAL TOTAL		2,497,779		8,549		2,203,469		285,761

F.Y. 1991 Budget Reductions (Information Only)

The following F.Y. 1991 reductions were implemented in Laws 1991, Chapter 2. These reductions are not reflected as changes to F.Y. 1991 or F.Y. 1992-93 BASE Levels within the budget documents.

	Other Funds
Program - Local Roads	
Activity - County State Aids	\$ 13,276
Activity - Municipal State Aids	3,864
Program - State Road Construction	
Activity - State Road Construction	\$ 33,568
Program - Design Engineering	
Activity - Design Engineering	\$ 1,500

ACTIVITY:
PROGRAM: Agency Wide Decision
AGENCY: Transportation, Department of

1992-93 Biennial Budget

DECISION ITEM: Economic Adjustment

	Dollars in Thousands			
	F.Y. 1992	F.Y. 1993	F.Y. 1994	F.Y. 1995
AGENCY PLAN:				
Expenditures				
Trunk Highway Fund				
Salary Supplement	\$ 6,638	\$ 16,971	\$ 16,971	\$ 16,971
Economic Adjustment	2,925	2,925	2,925	2,925
State Airports Fund				
Salary Supplement	63	156	156	156
Agency Total	\$ 9,626	\$ 20,052	\$ 20,052	\$ 20,052

GOVERNOR'S RECOMMENDATION:

Expenditures				
Trunk Highway Fund	\$ 1,000	\$ 1,000	\$ 1,000	\$ 1,000
Revenues				
General Fund	\$	\$	\$	\$

Requires statutory change: _____ Yes X No
Statutes Affected:

ITEM SUMMARY:

The expenditure of these funds will allow the agency to provide for an anticipated 4.5% employee contract settlement and to provide for increase above inflation in other on-going functions. The General Administration Program requests six non-complement conversions to accomplish this goal.

RATIONALE:

Salary Supplement. The department must make provision to fund anticipated employee contract adjustments based on an estimate of 4.5% each year of the biennium.

Economic Adjustments. Additional funding will be required to maintain our basic fleet insurance on over 4100 vehicles and other road equipment. This insurance has increased by over 9%, but is considered imperative to proper fleet management. Fuel costs have risen dramatically in the past biennium. Mn/DOT is pursuing the goal of replacing or removing many of its underground fuel tanks to abide by environmental standards. This means that in addition to the inflationary fuel increases, we have to pay an ever increasing percent of production dollars to purchase fuel at a commercial gas site. A recent department study shows that an 18¢ rise in the cost of all fuel will result in over \$1 million erosion in the purchasing power of that line item.

The Greenview contract to maintain highway rest areas will be increased to cover new openings at Hayward, St. Cloud, LeSueur, and Pine City within the next biennium. The rest sites are not in the present contract and therefore no funding is available for these essential safety rest stops.

Landfill and garbage tipping fees have climbed dramatically in the past biennium. Because there was

no way to predict the final extent of the waste removal fees, we will be underfunded for the next 2 years.

Non-complement expenses have risen extensively in the past year. Recent contract interpretations have left Mn/DOT in a position of paying greater fringes for the part-time and seasonal workers. Additional parkway miles and interstate landscaping requires more personnel-hours to groom the highways to meet public satisfaction. Also, an eroding base of funding due to inflation and other department priorities has left fewer numbers of part-time personnel available for emergency hire or fill-ins for maintenance workers temporarily assigned to construction activities.

All categories of expense items have increased in recent years, but we are requesting additional funds for department support supply dollars. This area provides internal support for the rest of the agency and therefore it needs to be expanded to meet the demands of the agency.

GOVERNOR'S RECOMMENDATION:

The Governor recommends elimination of the economic adjustment request with the exception of \$1,000,000 per year for anticipated fuel increased costs.

It is recommended that the Department of Transportation fund its anticipated biennial salary increase needs of \$23.5 million through a series of management steps. The department should manage its vacancy rate to generate \$13.5 million of savings. This will cover the entire first year's increase and \$6.9 million of the second year's need. The balance of the \$10 million should be generated in the following manner: \$4 million should be generated by maximizing federal salary reimbursements. This amount should be available from the increase in available federal funding. Three million five hundred thousand dollars (\$3.5 million) should be generated by reduced equipment purchases in the secondary year of the biennium. The remaining \$2.5 million should be generated by managing the department's use of overtime and part-time employees.

The agency's request to convert 6 part-time positions to full-time complement is recommended.

ACTIVITY
PROGRAM: Agency Wide Decision
AGENCY: Transportation, Department of

1992-93 Biennial Budget

Additional staff are needed to:

- coordinate preparation and distribution of research results;
- prepare, process, and monitor contract services; and
- identify and prioritize research needs for state, county, and city transportation officials.

DECISION ITEM: Research Transportation System Management

Additional funding is also needed to develop and produce video tape and other forms of research publications and also to acquire expertise and manpower beyond the resources of permanent complement positions.

Dollars in Thousands			
F.Y. 1992	F.Y. 1993	F.Y. 1994	F.Y. 1995

AGENCY PLAN:

Expenditures				
Trunk Highway Fund	\$ 740	\$ 628	\$ 628	\$ 628
Intelligent Vehicle Highway System				
Minnesota Physical Research Projects	\$ 160	\$ 160	\$ 160	\$ 160
Agency Total	\$ 900	\$ 788	\$ 788	\$ 788

GOVERNOR'S RECOMMENDATION:

Expenditures				
General Fund	\$ 900	\$ 788	\$ 788	\$ 788

Requires statutory change: _____ Yes X No
Statutes Affected:

ITEM SUMMARY:

The intelligent Vehicle Highway System item will establish expertise in the department and allow for a maintained, operable and expanded system. The Minnesota Physical Research Project item will concentrate on environmental priorities, economics, human factors, elderly driver problems, safety issues and climate factors.

RATIONALE:

Intelligent Vehicle Highway System

Minnesota has rapidly attained national IVHS leadership through cooperative efforts with the University of Minnesota Center for Transportation Studies. Numerous programs are emerging to compete for an increasing financial commitment from federal and private sources. The strategic planning effort identified IVHS as the future of freeway and traffic operations. IVHS is the next generation highway system of no less significance than the Interstate Program. It is critical to rapidly escalate the efforts so as to bring about this 1995 system to fruition.

Minnesota Physical Research Project

Additional staff and funding are needed to adequately address and manage increasingly complex and broad-ranging problems facing the transportation industry in Minnesota.

GOVERNOR'S RECOMMENDATION:

The Governor concurs with the agency's plan. This recommendation includes the conversion of 22 part-time positions to full-time complement, 5 new positions for the IVHS activity.

ACTIVITY:
PROGRAM: Agency Wide Decision
AGENCY: Transportation, Department of

1992-93 Biennial Budget

DECISION ITEM: Motor Services

motoring public.

State Road Operations. As new lane miles are added to the maintenance responsibilities of the agency, our snow and ice formula dictates additional maintenance positions to protect our investment in traffic mobility and safety. Also, the popular highway helper program is scheduled to be expanded into a greater portion of the metro area to help keep traffic moving in peak traffic demand time periods.

GOVERNOR'S RECOMMENDATION:

The Governor concurs with the agency's plan with the exception of a reduction of \$376,000 and 10.0 positions each year.

This recommendation includes the addition of 20.0 maintenance positions to accommodate added lane miles and 8.0 positions for the Highway Helper activity.

AGENCY PLAN:	Dollars in Thousands			
	F.Y. 1992	F.Y. 1993	F.Y. 1994	F.Y. 1995
Expenditures				
Trunk Highway Fund				
Construction Engineering Program				
Freeway Operations:				
Traffic Congestion	\$ 595	\$ 595	\$ 595	\$ 595
Freeway Operations:				
Base Funding	1,520	1,520	1,520	1,520
State Road Operations Program				
New Lane Miles & Utilities	1,300	1,300	1,300	1,300
Highway Helper	400	400	400	400
Agency Total	\$ 3,815	\$ 3,815	\$ 3,815	\$ 3,815

GOVERNOR'S RECOMMENDATION:

Expenditures				
Trunk Highway Fund	\$ 3,439	\$ 3,439	\$ 3,439	\$ 3,439

Requires statutory change: _____ Yes X No
Statutes Affected:

ITEM SUMMARY:

Minnesota highway congestion has become a growing concern among Mn/DOT's constituents. The Motor Services Decision Item is included in this budget request to address the needs of motorists caught in extreme traffic conditions. Almost half of this request for funding is for Freeway Operations, Base Funding. This request will allow the department to maintain a recently established Metro District Management function within the Construction Engineering Program. Over \$1 million for the biennium and 10 new positions are allocated for Freeway Operations, Traffic Congestion. This funding will escalate measures taken to alleviate metro traffic congestion by promoting programmed ramp meter expansion, highway advisory radio, surveillance and monitoring projects.

A request is also included in this item for funding for 20 new highway maintenance worker positions due to the addition of lane miles to our highway system. The request also includes provision for the cost of utilities associated with the added lane miles. A smaller piece of this request is for 8 new highway maintenance worker positions to expand our services in the metro area highway helper program. This customer conscious service oriented program is a direct link between Mn/DOT and a stranded member of the motoring public during the traffic rush hours.

RATIONALE:

Freeway Operations. Congestion reduction is one of the department's top 3 priorities. The department wants to reduce motorist delays and accidents by broadly expanding proven traffic handling techniques and testing new techniques and methods for freeway management. Another of the agency's main goals is to establish accurate and effective traffic information programs for the

ACTIV
PROGR Agency Wide Decision
AGENCY: Transportation, Department of

1992-93 Biennial Budget

DECISION ITEM: Automation

AGENCY PLAN:	Dollars in Thousands			
	F.Y. 1992	F.Y. 1993	F.Y. 1994	F.Y. 1995
Expenditures				
Trunk Highway Fund				
Design Engineering	\$ 419	\$ 419	\$ 419	\$ 419
Systems Office	332	382	382	382
Highway Program Implementation	20	11	11	11
Data Processing Development	1,963	1,964	-0-	-0-
State Airports Fund				
Data Processing Development	50	50	-0-	-0-
Agency Total	\$ 2,784	\$ 2,826	\$ 2,826	\$ 2,826

GOVERNOR'S RECOMMENDATION:

Expenditures				
Trunk Highway Fund	\$ 1,000	\$ 1,000	\$ 1,000	\$ 1,000
Aeronautics Fund	50	50	-0-	-0-

Requires statutory change: _____ Yes X No
Statutes Affected:

ITEM SUMMARY:

The Automation Decision Item is included primarily to maintain an operating base for data processing development per documentation submitted to the Department of Administration's Information Policy Office. This request also includes an allocation for increases in design engineering maintenance contracts, licensing fees, production costs, and related EDP supplies for in-house computer-aided road design and other automated systems.

Mn/DOT's General Administration Systems Office has requested an allocation for 2 new positions and supporting funds to manage an installed local area network and increase department expertise in database management. This will also provide for improved voice transmission, data services, and video conferences by installing high speed digital service lines. A very minor amount has been included for the operation and documentation of the ARTEMIS computer system (a database management system that has been specifically designed for Mn/DOT project management).

RATIONALE:

Design Engineering. Maintenance costs, utilization time and supply costs are consistently increasing to a point where an allocation adjustment is necessary to continue these expenditures.

General Administration. This program is responsible for the ever expanding utilization of Mn/DOT's local area network and its connection to outside maintenance computers. This service is expected to expand considerably over the next biennium in terms of usage and number of subscribers to the service. The ARTEMIS database is used to schedule, track and manage all highway preconstruction activities and funding on over 1,000 projects. Therefore, it is imperative that this system be

maintained and documented to the best extent possible.

Data Processing Development. The demand for data processing development is continuing to an extent where basic funding is essential to maintain the department's commitment to data processing. Much of Mn/DOT's request for development of applications have department-wide implications. The ARTEMIS system is a project management system used to schedule and coordinate the projects. This request will allow all users to shift to a new version that operates considerably faster and allows much of the processing to be done on PC's instead of using mainframe time. A portion of this request is for funds to lease or purchase equipment to connect the local area networks in Mn/DOT's nine district offices, six maintenance area offices, and central office to T1 communications lines. The agency is on schedule to achieve its goal of high-speed communications to all major locations. Mn/DOT is a committed partner with the rest of Minnesota government in the development of the Statewide Telecommunications Access and Routing System (STARS).

Funds are also included in this request for CADD-related development projects. The department would like to track digital design software used most frequently by external partners, develop a workstation accounting system to track CADD use, and develop new design applications such as hydraulics and bridge geometry.

Funds are requested for the development of facilities management systems. Three priority systems are maintenance management data collection, bridge management, and electrical services such as traffic signal maintenance. The agency is also planning preliminary design work for a new internal accounting system. Geographic Information Systems (GIS) hold future promise for the department as well as an integrated traffic data collection and traffic volume estimation system.

Several division-specific applications will be pursued with the remainder of this request. These applications have been organized by project type such as: to improve data access and sharing, to capture employees' knowledge, to improve facilities management, to improve communications with the public, and to improve data management, applications, networking, or program delivery.

GOVERNOR'S RECOMMENDATION:

The Governor recommends reductions of \$82,000 in F.Y. 1992 and \$82,000 in F.Y. 1993 from the systems office request and \$1,652,000 in F.Y. 1992 and \$1,694,000 in F.Y. 1993 from the data processing development request.

ACTIVITY:
PROGRAM: Agency Wide Decision
AGENCY: Transportation, Department of

1992-93 Biennial Budget

Junkyards. A decrease in the appropriation is requested since this activity will be approaching termination over the course of the biennium.

GOVERNOR'S RECOMMENDATION:

The Governor recommends reductions of \$302,000 and 3.0 positions each year in the contamination request, \$30,000 and 1.0 position in the health and wellness request and \$31,000 and 1.0 position in the road research request.

DECISION ITEM: Environmental

	Dollars in Thousands			
	<u>F.Y. 1992</u>	<u>F.Y. 1993</u>	<u>F.Y. 1994</u>	<u>F.Y. 1995</u>

AGENCY PLAN:

Expenditures

Trunk Highway Fund				
Contamination	\$ 2,121	\$ 2,121	\$ 2,121	\$ 2,121
Tank Replacements	750	750	750	750
Health/Wellness	96	81	81	81
Road Research Project	102	102	102	102
Environmental Fund				
Junkyards	(669)	(669)	(669)	(669)
Agency Total	\$ 2,400	\$ 2,385	\$ 2,385	\$ 2,385

GOVERNOR'S RECOMMENDATION:

Expenditures

Trunk Highway Fund	\$ 2,706	\$ 2,691	\$ 2,691	\$ 2,691
Environmental Fund	(669)	(669)	(669)	(669)
Total	\$ 2,037	\$ 2,022	\$ 2,022	\$ 2,022

Requires statutory change: _____ Yes X No
Statutes Affected:

ITEM SUMMARY:

These requests will permit the department to handle environmental contamination, replace underground tanks, establish an employee health/wellness program, and to maintain equipment at the departments road research project. The department is requesting 5 new positions to pursue pollution and environmental issues.

RATIONALE:

Contamination. Faced with an increasing occurrence of environmental problems, the department must be prepared to deal with hazardous waste or water contamination at sites either owned by Mn/DOT or involving Mn/DOT as a third party.

Tank Replacement. Funds are requested to continue a program of underground tank replacement at Mn/DOT district facilities.

Health/Wellness. To establish a coordinating position for hazardous waste handling and to support various initiatives in the employee wellness area.

Road Research Project. Equipment at the Minnesota Road Research Project is experimental and unique. It requires highly technical servicing, maintenance, and care. Resources are requested to obtain in-house expertise, training, and spare parts for this facility.

ACTIVITY
PROGRAM: Agency Wide Decision
AGENCY: Transportation, Department of

1992-93 Biennial Budget

GOVERNOR'S RECOMMENDATION:

Due to the reduction of \$25,000,000 each year in state road construction, the Governor commends elimination of the program delivery request. The agency's request to convert 2 part-time positions to full-time complement is recommended.

DECISION ITEM: Program Delivery

AGENCY PLAN:	Dollars in Thousands			
	F.Y. 1992	F.Y. 1993	F.Y. 1994	F.Y. 1995
Expenditures				
Trunk Highway Fund				
Traffic & Planning Support	\$ 372	\$ 326	\$ 326	\$ 326
Training	870	840	840	840
Bottleneck	314	314	314	314
Affirmative Action	130	130	130	130
Legal Services	460	460	460	460
Agency Total	\$ 2,146	\$ 2,070	\$ 2,070	\$ 2,070

GOVERNOR'S RECOMMENDATION:

Expenditures				
Trunk Highway Fund	\$ -0-	\$ -0-	\$ -0-	\$ -0-

Requires statutory change: _____ Yes X No

Statutes Affected:

ITEM SUMMARY:

This request is for the improvement of Mn/DOT's ability to deliver the construction program, through such avenues as improved data collection, increase in grants, improved technical and other training, elimination of bottlenecks, meeting affirmative action goals, and payment of attorney general fees. The above funds for expenditures and ten new positions are requested for these efforts. Also, 2 positions will be converted from non-complement to full time complement status.

RATIONALE:

Traffic & Planning Support. Additional resources and positions will allow for improved data collection and management with increased accuracy and timeliness. Increased grants to regional development and metropolitan planning bodies will permit stabilization of their efforts.

Training. An increase in departmental training efforts allows for keeping current with new technology, implementation of a technical certification program, quality improvement efforts, and a comprehensive pre-construction project manager training program.

Bottleneck. An identified bottleneck in the program delivery process can be alleviated with resources and additional positions directed toward support of the geodetics data base and the global positioning system.

Affirmative Action. Pursuant to a 1989 FHWA audit finding, Mn/DOT plans to direct additional resources and positions to obtaining compliance with all pertinent federal requirements in this area.

Legal Services. To meet increasing expenditures for, and charges by, the Attorney General, additional funding will be required to pay for these expenses.

ACTIVITY:
PROGRAM: Agency Wide Decision
AGENCY: Transportation, Department of

1992-93 Biennial Budget

GOVERNOR'S RECOMMENDATION:

The Governor concurs with the agency's plan.

DECISION ITEM: Equipment

	Dollars in Thousands			
	<u>F.Y. 1992</u>	<u>F.Y. 1993</u>	<u>F.Y. 1994</u>	<u>F.Y. 1995</u>
AGENCY PLAN:				
Expenditures				
Trunk Highway Fund				
Road Equipment	\$ 492	\$ 1,007	\$ 1,007	\$ 1,007
Office Equipment	57	57	57	57
Scientific Equipment	341	358	358	358
Electronic Communications Equip.	<u>142</u>	<u>69</u>	<u>69</u>	<u>69</u>
Agency Total	\$ 1,032	\$ 1,491	\$ 1,491	\$ 1,491

GOVERNOR'S RECOMMENDATION:

Expenditures				
Trunk Highway Fund	\$ 1,032	\$ 1,491	\$ 1,491	\$ 1,491

Requires statutory change: _____ Yes X No
Statutes Affected:

ITEM SUMMARY:

This request covers all types of equipment utilized by Mn/DOT; road equipment, office equipment, electronic equipment, and scientific equipment. The department's equipment management program demonstrates that a need exists to replace obsolete equipment, obtain new technology, and maintain a fleet in compliance with established replacement/trade-in criteria.

RATIONALE:

Road Equipment. Mn/DOT received an appropriation increase for the FY 1990-91 biennium which was intended to fund a gradual catch-up in the established economic replacement cycle. This process will take several bienniums to complete even with this cost related increase in funding.

Office Equipment. This portion of the request is for the replacement of obsolete and worn out items and for modular equipment to maximize work areas. New technology has brought with it the need for different types of office equipment, e.g. computer tables, and also the need to reconfigure work areas to provide maximum use of limited space.

Electronics Equipment. Purchase of fleet communication equipment, and with the increased roadway construction program, the use of portable and mobile radio equipment for maintenance and construction personnel.

Scientific Equipment. A need exists to replace aging and obsolete materials testing equipment. Utilization of new technology in the surveying area has demonstrated the efficiency and effectiveness utilization of Global Positioning Stations and other similar high tech equipment.

ACTIVITY: Agency Wide Decision
PROGR: Transportation, Department of
AGENCY:

1992-93 Biennial Budget

GOVERNOR'S RECOMMENDATION:

The Governor recommends reductions of \$503,000 and 13.0 positions each year in the Traffic Safety and Bridge Safety requests.

DECISION ITEM: Safety

AGENCY PLAN:	Dollars in Thousands			
	F.Y. 1992	F.Y. 1993	F.Y. 1994	F.Y. 1995
Expenditures				
Trunk Highway Fund				
Rail Safety	\$ 76	\$ 76	\$ 76	\$ 76
Traffic Safety	418	418	418	418
Bridge Safety	894	529	529	529
Equipment Safety	500	500	500	500
Agency Total	\$ 1,888	\$ 1,523	\$ 1,523	\$ 1,523

GOVERNOR'S RECOMMENDATION:

Expenditures				
Trunk Highway Fund	\$ 1,385	\$ 1,020	\$ 1,020	\$ 1,020

Requires statutory change: _____ Yes X No

Statutes Affected:

ITEM SUMMARY:

The department will strive to establish a safer work and traveling environment by the expenditure of additional resources in traffic, bridge, rail and equipment areas. Mn/DOT is requesting ten new Bridge Safety positions and three new Traffic Safety positions to insure that our commitment to safety will be realized.

RATIONALE:

Rail Safety. In response to public hearings, the department proposes to establish a rail crossing safety program. The program will improve visibility at crossing sites.

Traffic Safety. A statewide signal optimization program is proposed, which along with accident data analysis and training and direction to local units, it is hoped will reduce fatality rates 50% by the year 2000.

A top department priority is improving the safety of the traveling public when crossing rail lines. Increasing visibility and improving warnings and barriers are methods used.

Bridge Safety. A bridge safety program is proposed which will adhere to federal mandates and make a substantial inroad into one of the most critical of national transportation safety problems, deficient bridges.

Equipment Safety. Installation of crash attenuators on all of Mn/DOT's road equipment will prevent or limit damage from collisions in work zones. Attenuators are specially designed trailers that will absorb the impact of a rear-end collision on our slow-moving road equipment.

ACTIVITY: Program Wide Decision
PROGRAM: State Road Construction
AGENCY: Transportation, Department of

1992-93 Biennial Budget

DECISION ITEM: Road Construction

	<u>Dollars in Thousands</u>			
	<u>F.Y. 1992</u>	<u>F.Y. 1993</u>	<u>F.Y. 1994</u>	<u>F.Y. 1995</u>
AGENCY PLAN:				
Expenditures				
Trunk Highway Fund				
Road Construction	\$ (26,047)	\$ 4,953	\$ 5,953	\$ 4,953
Agency Total	\$ (26,047)	\$ 4,953	\$ 4,953	\$ 4,953

GOVERNOR'S RECOMMENDATION:

Expenditures				
Trunk Highway Fund	\$ (51,047)	\$ (20,047)	\$ (20,047)	\$ (20,047)

Requires statutory change: _____ Yes X No
Statutes Affected:

ITEM SUMMARY:

The purpose of this decision item is to align the size of the construction program with the available funding. Funding for this purpose is a variable, driven by estimates of state revenues and available federal funding.

RATIONALE:

The State Road Construction Program includes the road and bridge construction funding and activities for the state trunk highway system. A construction program of \$415 million and \$446 million in F.Y. 1991 and F.Y. 1992, respectively, are currently planned.

In federal F.Y.'s 1992 & 1993 federal revenues are likely to be increased due to an expanded federal program. The federal surface transportation program is scheduled for revision in 1992. The annual program fluctuations are due to a reduction in state funds available for construction (approximately \$18 million) and changing estimates of other funds available.

GOVERNOR'S RECOMMENDATION:

The Governor recommends reductions to the agency plan of \$25,000,000 each year due to Trunk Highway Fund's loss of MVET funds.

ACTIVE
 PROGRAM: Agency Wide Decision
 AGENCY: Transportation, Department of

1992-93 Biennial Budget

RATIONALE:

Construction Grants, State. Demand for state airport construction grants is expected to exceed the state funds available as demonstrated by the capital improvement program submitted by the public airport sponsors.

Maintenance Grants, State. Costs for all airport maintenance has continued to climb. Mn/DOT has contained these costs for three bienniums, but now must increase the allotment to protect our investment in the state's airports.

Pine Creek Airport. In a joint project with the Canadian government, Mn/DOT has been requested to fund 1/2 the cost of installing an all season runway and appropriate lighting at the Pine Creek Airport, which is jointly owned by the State of Minnesota and the District of Piney, Manitoba.

Navigation Aids. All forms of transportation in Minnesota rely on the data collected and made available by automated weather observation stations. Therefore, the more dispersed throughout the state that we can locate our weather data sensors, the more accurate our weather maps and forecasts will be.

Mid America Resource Aviation Consortium. This program is a joint effort between the Federal Aviation Commission, the Minnesota Higher Education System, the Minnesota Department of Transportation and private industry to plan for and satisfy the training needs of government avionics and the aviation industry. The Consortium will be instrumental in creating the first air traffic controller training facility in Minnesota.

General Administration Position Conversion. The funding for this position was approved for the 1990-91 biennium as a non-complement position, but the position has proven its merit and justified the need to make it a complement position.

General Administration - Telecommunications. The State Airports Fund supports payment for expenses incurred in the Aeronautics Program. Because of increasing telecommunications usage, the State Airports share of this cost will increase.

GOVERNOR'S RECOMMENDATION:

The Governor concurs with the agency's plan. This recommendation includes 3 new positions.

DECISION ITEM: Aeronautics

AGENCY PLAN:	Dollars in Thousands			
	F.Y. 1992	F.Y. 1993	F.Y. 1994	F.Y. 1995
Expenditures				
State Airports Fund				
Construction Grants:				
State	\$ 1,111	\$ 1,111	\$ 1,111	\$ 1,111
Maintenance Grants:				
State	327	327	327	327
Pine Creek Airport	250	-0-	-0-	-0-
Navigation Aids	85	85	85	85
Mid America Resource Aviation Consortium	88	88	88	88
General Administration				
Position Conversion	-0-	-0-	-0-	-0-
General Administration Telecommunications	3	3	3	3
Agency Total	\$ 1,864	\$ 1,614	\$ 1,614	\$ 1,614

GOVERNOR'S RECOMMENDATION:

Expenditures				
General Fund	\$ 1,864	\$ 1,614	\$ 1,614	\$ 1,614

Requires statutory change: _____ Yes X No
 Statutes Affected:

ITEM SUMMARY:

The Aeronautics Decision Item was presented as a composite of all State Airports funded requests. The requests will be funded by increased anticipated revenues from the state's airport usage fees and air flight taxes. The greatest use of the requested increase will be for state airport construction grants. The next largest requested increase is for state airport maintenance grants. Together these two items make up 78 percent of this \$1.8 million request. Construction grants will be used to meet future needs for development of aviation facilities, in response to the identified needs of municipalities that own airports. State airport maintenance grants are basically used to offset escalating costs of maintaining facilities at airports, including pavement, utilities, and buildings.

This decision item includes a one-time request to pave and install lighting on the runways at Pine Creek Airport. It also requests funds for navigation aids to be used for installation and maintenance of additional automated weather observation stations. The department is also requesting funds for two positions to provide oversight into developing the Mid-America Resource Aviation Consortium, along with a position conversion for an aircraft and airline scheduler from non-complement to full time. A very minor increase is included to cover increases in the Aeronautics Program's usage of the agency telecommunications devices.

ACTIVITY:

1992-93 Biennial Budget

PROGRAM:**AGENCY:** Transportation, Department of**DECISION ITEM:** Eliminate Transit Assistance Fund

Dollars in Thousands			
<u>F.Y. 1992</u>	<u>F.Y. 1993</u>	<u>F.Y. 1994</u>	<u>F.Y. 1995</u>

GOVERNOR'S RECOMMENDATION:**Expenditures**

General Fund	\$ 7,127	\$ 7,127	\$ 7,127	\$ 7,127
Transit Assistance Fund	(7,127)	(7,127)	(7,127)	(7,127)

Requires statutory change: X Yes No**Statutes Affected:** M.S. 174.32, 297B.09**ITEM SUMMARY:**

As part of the Governor's recommendation to eliminate the Motor Vehicle Excise Tax (MVET) transfer from the General Fund, the Governor also recommends the abolishment of the Transit Assistance Fund and the full funding of state assistance for transit out of the General Fund. This decision item reflects the General Fund amount needed for replacement of BASE level expenditures from the Transit Assistance Fund in F.Y. 1992 and F.Y. 1993 for the Transit Program. Other recommendations for reductions in transit funding are made elsewhere in this budget.

RATIONALE:

With the recommended elimination of the MVET transfer, supplemental state General Fund support is needed for transit programs to replace transit assistance fund monies no longer available to help maintain basic transit services to the citizens of the state. The provision of state support for transit exclusively from the General Fund will promote need-based decisions on transit funding levels rather than formula-driven decisions that have occurred through transit assistance fund support.

**ACTIVE
PROGRAM**

AGENCY: Transportation, Department of

DECISION ITEM: Transfer of MVET Revenues

1992-93 Biennial Budget

Dollars in Thousands			
F.Y. 1992	F.Y. 1993	F.Y. 1994	F.Y. 1995

GOVERNOR'S RECOMMENDATION:

Expenditures

Trunk Highway Fund	\$ (53,378)	\$ (57,945)	\$ (62,834)	\$ (66,735)
Ethanol Subsidy	(2,000)	(2,000)	(2,000)	(2,000)
Transit Assistance Fund	(18,459)	(19,982)	(21,611)	(22,912)
General Fund	73,838	79,927	84,445	89,647

Requires statutory change: X Yes No

Statutes Affected: 297B.09

ITEM SUMMARY:

Currently 30% of the revenue generated from the Motor Vehicle Excise Tax (MVET) is dedicated for transportation purposes. Of this 30%, 75% is allocated for highways and 25% for transit. The remaining 70% is maintained in the General Fund. This decision item proposes the elimination of the transfer for highway and transit purposes in future years. Funding for transit and ethanol subsidies will be provided through direct General Fund appropriations.

BACKGROUND:

In 1981, the legislature established a phase-in schedule to transfer MVET proceeds from the General Fund to the transportation funds. The original intent was to eventually dedicate all MVET proceeds for transportation purposes. Due to General Fund shortfalls, the phase-in schedule and amounts transferred have been adjusted several times. The highway portion, in current law, directs 5% to the Trunk Highway Fund and the balance to the Highway User Tax Distribution Fund to be divided according to constitutional formulas between the state, counties and cities. Current law also directs the entire highway portion to the Trunk Highway Fund beginning in F.Y. 1992. The 1991 Legislature eliminated the transfer for F.Y. 1991.

RATIONALE:

Elimination of the MVET transfer to the Trunk Highway Fund impacts the budget requests of the Department of Transportation and the Department of Public Safety as follows:

	F.Y. 1991	F.Y. 1992	Total
Transportation			
Salary Funding	\$ (8,563)	\$ (18,896)	
Automation	(1,734)	(1,776)	
Program Delivery	(2,146)	(2,070)	
Other Operating Accounts	(1,322)	(1,322)	
State Road Construction	(25,000)	(25,000)	
Capital Budget Items	3,778	(20,425)	
	\$ (34,987)	\$ (69,489)	\$ (104,476)

Public Safety

	F.Y. 1991	F.Y. 1992	To
Salary Funding	\$ (2,000)	\$ (4,000)	
State Patrol Equipment	(101)	792	
Drivers License Photo	(560)	(560)	
Information System	(110)	-0-	
	\$ 2,771	\$ 3,768	\$ (6,539)

Total Trunk Highway Fund \$ 37,758 \$ 73,257 \$ (111,015)

The transit share of MVET of \$18,459,000 in F.Y. 1992 and \$19,982,000 in F.Y. 1993 will be offset by General Fund appropriations.

The ethanol subsidy of approximately \$2,000,000 per year will be funded with General Fund appropriations.

ACTIVITY:

1992-93 Biennial Budget

PROGRAM:**AGENCY:** Transportation, Department of**DECISION ITEM:** Eliminate LRT Grants and Reduce Public Transit Assistance

	Dollars in Thousands			
	<u>F.Y. 1992</u>	<u>F.Y. 1993</u>	<u>F.Y. 1994</u>	<u>F.Y. 1995</u>

GOVERNOR'S RECOMMENDATION:**Expenditures**

General Fund	\$ (3,758)	\$ (3,758)	\$ (3,758)	\$ (3,758)
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Revenues

General Fund	\$ -0-	\$ -0-	\$ -0-	\$ -0-
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Requires statutory change: _____ Yes X No

Statutes Affected:

ITEM SUMMARY:

The Governor recommends eliminating light rail transit (LRT) grants at \$5,516,000 for the biennium and reducing state support for greater Minnesota public transit by \$2,000,000 for the biennium. Under current law, funding for these activities has been provided by the transit assistance fund. This recommendation assumes the elimination of that fund, as proposed elsewhere by the Governor, and shows the reductions to the General Fund.

RATIONALE:

The Department has received funding since F.Y. 1989 for matching grants to County Regional Rail Authorities (CRRAs) for LRT planning, preliminary engineering, design, and construction. Under current law, CRRAs also may levy property taxes for these expenditures. No further state funding should be made available to the CRRAs until a final decision is made on whether to proceed with LRT.

State support for greater Minnesota public transit was increased substantially in F.Y. 1989 in conjunction with the increase in the MVET transfer. This recommendation would reduce that support by the amount that is now allocated for the capital grant assistance program, which was rarely used before that time. The Department should be given the flexibility to allocate this reduction in the most efficient and effective manner among the components of its public transit assistance program.

ACTIVITY

1992-93 Biennial Budget

PROGRAM**AGENCY:** Transportation, Department of**DECISION ITEM:** Completion of Duluth Headquarters Building

	<u>Dollars in Thousands</u>			
	<u>F.Y. 1992</u>	<u>F.Y. 1993</u>	<u>F.Y. 1994</u>	<u>F.Y. 1995</u>

GOVERNOR'S RECOMMENDATION:**Expenditures**

Trunk Highway Fund	\$ 955	\$ -0-	\$ -0-	\$ -0-
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Revenues

Trunk Highway Fund	\$ -0-	\$ -0-	\$ -0-	\$ -0-
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Requires statutory change: _____ Yes X No**Statutes Affected:****ITEM SUMMARY:**

The Governor recommends a direct appropriation from the Trunk Highway Fund to fully finance the construction and remodeling of the MN Dot Duluth District Headquarters Building.

BACKGROUND:

Laws of 1989, ch.269, Sect.2, Subd.11(b) appropriated \$3,900,000 to construct an addition for office, shops and vehicle storage; to remodel and update the 4-story office tower; to remove asbestos; to improve mechanical, electrical, fire and life safety items; and to enlarge the parking lot to accommodate relocated employees.

The low bid was significantly higher than the appropriation provided.

RATIONALE:

Providing the necessary funds at this time will allow for continuity and completion of this previously authorized project.

PROGRAM: Aeronautics
Agency: Transportation, Department of

1992-93 Biennial Budget

PROGRAM PURPOSE:

The purpose of the Aeronautics Program is to promote aviation so that it fosters economic development through activities that encourage the development and safe operation of the air transportation system. The system serves Minnesota citizens by providing access between Minnesota communities and the economic centers in other states and nations. This is accomplished through the following activities:

1. Overall system planning identifies the long term needs of the air transportation system and serves as the framework for development of the individual segments of the system.
2. Airport development and assistance activities:
 - Construction grants provide financial assistance to municipalities for airport development projects.
 - Maintenance grants provide financial assistance to municipalities for a portion of the operating and maintenance costs of their airport.
 - The navigational aids activity establishes and operates a system of electronic navigation aids to supplement the system owned and operated by the federal government.
3. Administration of the aviation enforcement, inspection, and safety activity:
 - Registers and collects registration fees on all general aviation aircraft.
 - Enhances the safety of the system through inspecting and licensing airports, flight schools, and aviation businesses.
 - Conducts safety seminars.
 - Maintains a library of materials for loan which promote aviation and aviation safety.
4. Funding a portion of the Civil Air Patrol's operating costs to assist with its program of aviation education and its emergency services activities.
5. Mid-America Aviation Resource Consortium (MARC) provides liaison with the aviation industry to determine its education and training needs and with the educational institutions who can deliver the education and training needed by industry. MARC also seeks funding to support the activities.
6. Managing the Federal Airport Improvement Program by providing liaison between the municipalities that own airports and the Federal Aviation Administration (FAA) to meet statutory responsibilities and to assist the municipalities in receiving federal funding to support improvements at their airports.

PERFORMANCE:

Minnesota's aviation program has a history of being well managed. Evidence of this shows in Minnesota's excellent airport system and its recognition as a leader in innovative aviation activities designed to serve its citizens. During the past biennium the office participated with the FAA in an effort titled the "FAA-Minnesota Partnership." This was a cooperative effort, unique to aviation, to work on issues and problems of joint interest that neither agency could solve alone. A significant success is the establishment of an Air Traffic Control Training facility to train air traffic controllers

for the FAA. Funding for the facility is provided by the FAA and is managed by MARC with the training provided by the Technical College System.

Another success of MARC is an agreement between the aviation industry and the State of Minnesota that will enhance the aviation mechanic training programs in the Technical Colleges. Under this agreement the industry will provide technical and financial support, and in return the Technical Colleges will double the number of students in their aviation mechanic training programs.

Mn/DOT is actively participating in the dual track planning process established by the 1989 Legislature to investigate the long term needs for a second major airport in the Metro area. As the agency responsible for the overall aviation programs in the state, it is imperative that Mn/DOT be involved to ensure that planning efforts in the Metro area are consistent with the needs of the state as a whole.

We continue to actively pursue providing better, more accurate weather information for pilots. Weather information is collected with a system of automated weather observation stations (AWOS) that supply the information both locally and to the national weather distribution system. Weather information is disseminated through a system of computer weather terminals that provide information on current conditions and forecast conditions and can prepare flight plans for the requestor. By increasing the number of automated weather stations, much more accurate weather information can be provided to the aviation community and the general public, enhancing safety.

Mn/DOT has contracted for installation of 4 precision instrument landing systems (ILS) and expects to issue contracts for the purchase of 2 additional systems before the end of the F.Y. 1990-91 biennium.

AERONAUTICS PROGRAM ACTIVITY

(Dollars in Thousands)

	<u>F.Y. 1989</u>	<u>F.Y. 1990</u>	<u>Anticipated F.Y. 1991</u>
Construction Grants-State			
Number	117	132	150
Amount	\$6,970.0	\$5,660.0	\$6,090.0
Construction Grants-Federal			
Number	20	20	23
Amount	\$13,110.0	\$15,950.0	\$27,720.0
Maintenance Grants			
Number	131	131	131
Amount	\$1,610.0	\$1,630.0	\$1,770.0
AWOS Stations	5	9	25
Weather Terminals at Publicly Owned Airports	75	86	89
Active Pilots	16,000	16,000	16,000
Registered Aircraft	6,068	6,124	6,150

PROSPECTS:

Aviation Careers

Activities of MARC have been very effective. Many additional prospects exist for improving educational and career opportunities in aviation through public-private partnerships between the educational institutions and the aviation industry. MARC will continue to play an effective role in facilitating these partnerships, that will provide good paying jobs for Minnesotans while providing the

industry with the workforce it needs to remain competitive and healthy. However, additional staff support is needed to ensure this happens.

Pine Creek Airport

The Piney-Pinecreek Border Airport is jointly owned by the State of Minnesota and the Local Government District of Piney, Manitoba. Local Canadian officials and a representative to Parliament are actively seeking funding in Canada to pave and light this airport. Funds need to be appropriated to support Minnesota's share of the project.

Construction Grants

Communities that own airports have identified needs that exceed the resources that have traditionally been available. There appears to be little possibility of any significant increase in federal funding for smaller airports. Consequently, if these needs are to be met, the amount of funding available for state construction grants must be increased.

Maintenance Grants

Inflation has increased the cost of operating airports just as for other public works. Since the funding for reimbursement to the municipalities for a portion of their operating and maintenance costs has not been increased for several bienniums, the local share of the cost of operating the airports has increased. Additional funding is needed for maintenance grants to provide relief to the municipalities and assist in offsetting their increasing maintenance and operating costs.

Air Service Scheduling

Scheduling activities to support the Air Transportation Service program have increased substantially in recent years. This support is currently provided with 1 full-time and 1 part-time employee. The work load has increased to the point that the part-time employee is used for the maximum time allowable. To provide the level of support needed for this program, the part-time position needs to be converted to a full-time position.

PLAN:

The base adjustment/reallocation totals are broken down as follows (dollars in thousands):

	<u>F.Y. 1992</u>	<u>F.Y. 1993</u>
Base Adjustments	\$1,312.0	\$ 610.0
Reallocation Decisions	1,897.0	1,725.0
TOTALS	<u>\$3,209.0</u>	<u>\$2,335.0</u>

The budget for the Aeronautics Program is based on the premise of utilizing the resources available within the State Airports Fund. The anticipated resources will be allocated among the various activities. Issues identified in the "Prospects" section indicate where additional resources are needed to meet identified needs and opportunities.

Base Adjustments

The Aeronautics base adjustments are primarily for increases in estimated federal receipts. Also, some adjustments have been made to remove F.Y. 1990 appropriations carried forward into the F.Y. 1991 base.

Aeronautics Fund Balance Allocations

Mn/DOT proposes an additional allocation to the Aeronautics Program of \$1,924,000, a 4.1% increase, in F.Y. 1992 and \$1,767,000, a 3.6% increase, in F.Y. 1993 from the State Airports Fund. This allocation is to provide for the following program activities:

<u>Aeronautics - State Airports Fund</u>	<u>F.Y. 1992</u>	\$1,861.0	<u>F.Y. 1993</u>	\$1,611.0
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1. Construction Grants: State

The increase of \$2,222,000 to airport construction grants is to meet future needs for development of aviation facilities that are expected to exceed the state funds available as demonstrated by the capital improvement program submitted by the public airport sponsors. This request will respond to the needs of the municipalities that own airports.

2. Maintenance Grants: State

This increase of \$654,000 to the airport maintenance activity will be used to offset escalating costs of maintaining facilities at airports, including pavements, lighting, buildings and snow removal. The state funding for this activity has not been increased in three bienniums.

3. Pine Creek Airport

This funding allocation of \$250,000 will provide Minnesota's share of a joint project with the Canadian Government to provide an all season surface (paved and lighted landing surface) at the Pine Creek Airport, which is owned jointly by the State of Minnesota and the Local Government, District of Piney, Manitoba.

4. Navigation Aids

The requested funds of \$170,000 are for increased installation and maintenance costs of automated weather observation stations, which relay information that is used by all forms of transportation in Minnesota and the general public.

5. Mid-America Resource

Aviation Consortium

This request for \$176,000 is to create two full-time positions to develop and operate the Mid-America Aviation Resource Consortium (MARC). This activity is a joint effort between the Federal Aviation Administration, the Minnesota Higher Education System, the Minnesota Department of Transportation, and private industry to plan for and satisfy the training needs of government and the aviation industry. The positions requested are a Principal Transportation Administrator and a Clerk Steno II to provide oversight for this activity.

6. Position Conversion

This request for one full-time complement position is for an aircraft and airline scheduler. The funding was approved in the 1990-91 biennial budget as a non-complement position, but the position has been fully staffed since it was acquired and has justified its need as a permanent position.

7. Economic Adjustment

<u>F.Y. 1992</u>	\$36.0	<u>F.Y. 1993</u>	\$114.0
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Salary Supplement

The requested funds will fulfill the salary requirements of the present complement of transportation employees currently being compensated from the State Airports Fund for the next biennium.

PROGRAM: Aeronautics

1992-93 Biennial Budget

(Continuation)

Agency: Transportation, Department of

GOVERNOR'S RECOMMENDATION:

The Governor recommends the funding as requested except for a biennial reduction of \$150,000 for salary supplement. This recommendation includes 2.0 positions related to the Mid-America Aviation Resource Consortium.

1992-1993 B I E N N I A L B U D G E T
(DOLLARS IN THOUSANDS)

AGENCY: TRANSPORTATION,DPT OF
PROGRAM: AERONAUTICS

ACTIVITY RESOURCE ALLOCATION:	FY 1989	FY 1990	Est. FY 1991	FY 1992			FY 1993		
				Adjusted Base	Agency Plan	Governor Recomm.	Adjusted Base	Agency Plan	Governor Recomm.
AIRPORT DEVELOP & ASSIST	33,046	32,007	41,922	41,038	42,811	42,811	41,041	42,564	42,564
CIVIL AIR PATROL	65	65	65	65	65	65	65	65	65
AERONAUTICS ADMINISTRATION	2,896	3,220	3,814	3,810	3,934	3,898	3,805	4,007	3,893
MID-AMER AVIATION RESRCE CONSORT		1,400	1,000	3,200	3,200	3,200	2,500	2,500	2,500
TOTAL EXPENDITURES BY ACTIVITY	36,007	36,692	46,801	48,113	50,010	49,974	47,411	49,136	49,022
DETAIL BY CATEGORY:									
STATE OPERATIONS	4,348	5,292	15,659	17,971	18,430	18,394	17,269	17,556	17,442
LOCAL ASSISTANCE	31,659	30,649	31,142	30,142	31,580	31,580	30,142	31,580	31,580
AID TO INDIVIDUALS		751							
TOTAL EXPENDITURES BY CATEGORY	36,007	36,692	46,801	48,113	50,010	49,974	47,411	49,136	49,022
SOURCES OF FINANCING:									
DIRECT APPROPRIATIONS:									
STATE AIRPORTS	13,337	11,298	14,308	13,938	15,835	15,799	13,936	15,661	15,547
STATUTORY APPROPRIATIONS:									
STATE AIRPORTS	3		1,404	917	917	917	917	917	917
FEDERAL	22,667	25,394	31,087	33,256	33,256	33,256	32,556	32,556	32,556
GIFTS AND DEPOSITS			2	2	2	2	2	2	2
TOTAL FINANCING	36,007	36,692	46,801	48,113	50,010	49,974	47,411	49,136	49,022

PROGRAM PURPOSE:

The Department of Transportation is the principal transportation resource management agency of state government. The agency's mission is to manage a transportation system to serve the people in Minnesota. The Public Transit Assistance Program provides grants to public and private providers of transportation services in 2 categories; Greater Minnesota Transit, and in the Twin Cities metropolitan area, Light Rail Transit (LRT). The following are the statutory purposes of the program:

- To provide access to transit for persons who have no alternative mode of transportation available;
- To increase the efficiency and productivity of public transit systems;
- To alleviate problems of automobile congestion and energy consumption and promote desirable land use where such activities are cost effective;
- To maintain a state commitment to public transportation; and
- To meet the needs of individual transit systems to the extent they are consistent with the other objectives stated above.

The transit services provided through this grant program are funded through a local, state, and federal funding partnership that shares in the total cost of providing public transit trips to residents of Minnesota.

The agency's Office of Transit administers the program in the eighty-county geographic area located outside the seven-county Twin Cities Metropolitan Area, and provides grants to eligible regional rail authorities in the Twin Cities Metro Area for LRT development. The major activities of the Office of Transit are:

- Examining, evaluating, and approving applications for transit assistance funds;
- Negotiating, executing, and administering contracts with transit service providers;
- Approving and initiating contract payments to transit service providers;
- Providing technical, professional, and management assistance to recipients of program funds;
- Developing transit policies in conjunction with affected and interested parties;
- Coordinating federal, state, and local transit program funding, policy, and goals;
- Monitoring and evaluating transit system costs and service delivery performance;
- Evaluating overall transit program performance; and
- Maintaining a comprehensive statewide transit inventory.

These activities are tied directly to the overall agency goal of managing a system of transportation to service the people in Minnesota. The resulting benefits of this program impact thousands of Minnesotans who rely on public transit to go to work, access medical services, reach congregate meal sites, travel to retail outlets, get to appointments, and enjoy local recreational functions.

Many of the transit systems in Greater Minnesota operate in counties that are "economically

distressed." Public transit is often the only means of transportation to life-sustaining goods, services, and work opportunities for many people, especially those who are poor, elderly, or mentally and physically disabled.

PERFORMANCE:

In calendar year 1991, the Office of Transit staff is managing 60 contracts in Greater Minnesota. These contracts represent a combination of public and private operators who serve large urbanized and urbanized areas, special services for the elderly and handicapped, and public transit services in small urban and rural areas. Four urban areas (Duluth, Rochester, Moorhead, St. Cloud) have separate elderly and handicapped systems, which are each under separate contracts.

In addition, the Office of Transit provides capital grants for large and small buses, vans, transit facilities, and operations related equipment. Capital assistance is provided on a 75/25 cost sharing basis based on technical criteria with an emphasis on helping start-up new systems. Also, technical assistance is being provided to help establish and support more than 25 local rideshare projects in Greater Minnesota.

The resulting benefits of this program impact thousands of Minnesotans who rely on public transit to go to work, access medical services, reach congregate meal sites, travel to retail outlets, get to appointments, and enjoy local recreational functions.

Many of the transit systems in Greater Minnesota operate in counties that are "economically distressed." Public transit is often the only means of transportation to life-sustaining goods, services, and work opportunities for many people, especially those who are poor, elderly, or mentally and physically disabled.

IMPACTS ON TRANSPORTATION SYSTEM OBJECTIVES

1. Maintaining a strong economy statewide

- Minnesota business benefits when public transit not only delivers access to goods and services for these individuals, but also provides a means to work, such as to the West Central Industries sheltered work site in Willmar.
- Thirty percent of the small urban work trip ridership earns less than \$5,000 per year.

2. Providing an integrated transportation system statewide

- A key federal and state role has emerged in the coordination of transit service delivery, including human service programs supplying funds for transportation as a support service. This role was initiated as a consequence of a 1988 agreement to coordinate programs and funding between the U.S. Department of Health and Human Services and the U.S. Department of Transportation. The Office of Transit established a statewide coordination Advisory Committee that works to increase access to nontraditional transit funds for delivery of human service public transit. Work has now begun to incorporate the 1990 memorandum of understanding between the Administration on Aging and the Urban Mass Transportation Administration.

3. Preserving a basic quality of life for all citizens

- The need for local transit, especially in Greater Minnesota, is increasing especially among elderly and low-income citizens. Statistics show that elderly and physically disabled persons account for over 70 percent of the transit riders in rural areas, and over 50 percent of the riders in small urban areas.

MEASURABLE PROGRAM OUTPUTS

Recent actual transit system performance data collected routinely by the Office of Transit indicate

PROGRAM: Public Transit Assistance
(Continuation)
Agency: Transportation, Department of

1992-93 Biennial Budget

promising trends in both ridership and cost performance areas.

	<u>System Use</u>		
	<u>1988</u>	<u>1989</u>	<u>% Change</u>
Overall Greater MN Ridership	8,833,260	9,166,640	3.7%+
Non-Urbanized Ridership	1,619,527	1,803,660	11.3%+
	<u>Cost/Rider</u>		
<u>System Categories</u>	<u>1988</u>	<u>1989</u>	<u>% Change</u>
Urbanized	\$1.37	\$1.40	2.0%+
Urbanized (Elderly & Handicapped)	\$4.63	\$4.86	4.9%+
Non-Urbanized	\$3.10	\$3.16	1.9%+

A key indicator of how well the program is addressing current objectives comes from comparing the in-puts (financial assistance) to out-puts (ridership). The dramatic 11% increase in non-urbanized ridership despite the cost increase of less than 2%, demonstrates the success of the program. Key to the success of the program has been the direction and strategy provided by the mission of the Office of Transit. The mission is:

- To provide the expertise from within the Minnesota Department of Transportation to maintain the State role in the delivery of transit service in partnership with the federal government and local communities through the development of policy and programs that:
 - Effectively utilize the state and federal investment in public transportation; and
 - Increase use and operation of existing transportation facilities so that a coordinated system of public transit exists which achieves an equitable balance between available resources and the transportation needs of the general public and transit dependent throughout Minnesota.

PROSPECTS:

The current priorities for transit operating and capital financial assistance are:

1. Existing Systems - Operating Assistance
2. Existing Systems - Capital Assistance
3. Establishing New Systems - Operating and Capital funding

TRENDS & DEMOGRAPHICS

A recent Wilder study report found the smaller the community the larger the percentage of the elderly. For instance, in low density rural areas, 34 percent of the population is elderly and in areas of less than 2,500 people, 25 percent are elderly. In ridership statistics compiled by Mn/DOT, it was found that 60 percent of rural riders are elderly and that over 65 percent of public transportation usage is for medical, nutrition, shopping, and social purposes. The percentage of elderly needing transportation will increase steadily as the baby boom generation begins turning 60 in 2006 and

begins to retire around 2010.

In December, 1990 the Transportation Study Board issued its findings and recommendations for transit needs in Greater Minnesota. The Board honed in on the need for transit services in rural and small urban areas in the future. It was emphasized that currently 24 counties in Greater Minnesota have no public transportation system, and additional counties have public transit service in only a few urban areas. The Board also reviewed other areas that dealt with coordination, funding, and performance measures.

A disparity exists between metropolitan and rural Minnesota. This disparity is characterized for Greater Minnesota as follows:

- a greater share of people who are very young and very old;
- a population with incomes that are about 1/5 less per person and per household;
- faster growth in the number of general assistance recipients; and
- four regions (out of six) in which the rate of growth in age group of people over 75 years exceeds the Twin Cities area rate.

Further, 14 of the 24 counties lost population between the years 1980-1990. In 1980, slightly over 20% of the households earned less than \$10,000. In 1980, slightly over 20% of the population rented rather than owning their own home. In 1980, slightly over 21% of the population of all 24 counties were over the age of 60, with Grant and Traverse Counties the highest at 26%. In 1980, an average of 13% of the senior population lived below the poverty level, with Todd County the highest at 21%, and Wadena with over 18%.

The report pointed out that traditionally Greater Minnesota transit ridership is elderly and citizens of lower income. These 24 counties average a very low tax base, have many citizens with low incomes, and have a significantly large senior population.

Program Management Issues

In 1988, the Office of Transit administered 43 contracts in Greater Minnesota. Since then, 17 new transit systems were established for an increase of 40%, with no increase in staff. Administration of the state LRT financial assistance program was also absorbed in 1988 with no staff increase.

New system starts require a high level of involvement of Office of Transit professionals who provide technical and management assistance. Staff work closely with local transit assistance recipients and potential recipients to assess local transportation needs, design appropriate systems, and implement services that meet the requirements of the community.

Examples of Mn/DOT assistance activities include: survey design and development of needs assessment tools; service design including dial-a-ride, regular route, and variations specific to the community; budget development and financial management; marketing training and materials; development of vehicle and service specifications; education and training for system personnel; collection and analysis of system-related data; and service evaluation. The department also plays a key role in coordination of federal, state, and local program funding, policies, and goals.

In March 1991, the office manual records keeping system will be automated. This conversion will insure greater efficiency and productivity in program administration, especially in the areas of financial management and system planning. For example, the computer network database will be used to develop and implement transit system management plans and provide a more sophisticated tool for service needs assessment.

The technical assistance program for Greater Minnesota includes on-site program reviews, database management, performance analysis, research, and planning. It also is designed to assist systems in

The type of adjustments necessary would range from carefully targeted service reductions to general across-the-board dollar reductions. Any adjustment would reduce the services to the general public.

meeting new federal regulations including:

- Urban Mass Transportation Administration (UMTA) is requesting that Mn/DOT administer the federal Section 9 Capital and Operating Assistance Program to urbanized areas between 50,000 and 200,000 population. To administer this program, Mn/DOT would have to develop programs for five metro areas, assure compliance with all federal regulations, review and approve all funding requests, and submit quarterly financial, Disadvantaged Business Enterprise (DBE), and drug compliance reports.

During 1991 the federally mandated anti-drug testing and education program will have to be implemented. These regulations require pre-employment, random, probable cause, post accident, and return to duty drug testing as well as employee drug training be conducted by each transit system. Since no additional federal funds have been allocated to cover the costs of this program, Mn/DOT and the transit systems will have to cover the additional costs of this program.

- The Americans with Disabilities Act requires that all federally funded transit systems provide the same level of service to the disabled as to the general public. This Act has the potential to significantly raise operating costs in the larger urbanized areas such as Duluth and St. Cloud.
- The Clean Air Act Amendments set new emissions standards by model year for urban buses and heavy-duty trucks (including intercity coaches).

PROGRAM OPERATIONS CHANGE FACTORS

- Applications for financial assistance in C.Y. 1991 exceed our budget by \$500,000. Since these were submitted (deadline was July 15, 1990), the Midwest situation has resulted in fuel price increases. To offset this unexpected increase in operating costs and to absorb normal inflation increases for all operating costs, existing transit service may have to be scaled back.
- Several communities have expressed interest in starting new transit systems.

SERVICES COORDINATION WITH OTHER AGENCIES

Coordination of transit service delivery is a key element in providing effective transportation in the most cost effective manner. Coordination can take many forms, as simple as two providers sharing or centralizing vehicle maintenance to the total integration of transportation systems.

The opportunity for coordination is particularly evident between public transportation providers and human services programs that fund transportation as a support service. Limited experience at the state level has demonstrated that human services transportation funding for specific clientele in combination with state transit assistance can provide effective transportation to meet the needs of the general community.

The anticipated benefits of coordination include higher quality service, increased availability of transportation options, and reduced duplication of services.

PLAN:

To accommodate base level transit funding impacts, each of the transit operations in Greater Minnesota would face a limited number of choices in accommodating their proportionate funding loss. Some local governments may be able to fill in the shortfall from local budgets. Most, if not all systems, however, will be forced to cut costs, which will impact transit users directly in the loss of essential trips.

PRIORITY AREA ALLOCATION (as above)

1. Existing Systems - Operating Assistance
2. Existing Systems - Capital Assistance
3. Establishing New Systems - Operating & Capital Funding

TRANSIT PLAN

A regional transit concept that groups counties or otherwise defines geographic service areas is a promising approach that encourages the coordination of services using multiple modes of transportation. Over the coming years, such a plan could be employed to provide public transportation where none currently exists and to make existing services more effective. The development of a plan would include the following:

- Identification of regional medical centers and other service centers.
- Review of currently defined regional boundaries including those of Regional Development Commissions (RDC) and Community Action Programs (CAP) agencies.
- Use of demographics for determining service types appropriate to area transportation needs.
- Development of criteria for establishing service area priorities.
- Identification of community and regional interest in providing transit services.
- Identification of candidates for municipal systems to act as transit hubs.
- Demonstration of inter-regional transportation service (private and/or public) to establish a link between systems.
- Encouragement of volunteer driver programs through implementation of recommendations in Mn/DOT's recent study entitled, "Liability Insurance and the Volunteer Driver..."

The base adjustment/reallocation totals are broken down as follows:

	<u>F.Y. 1992</u>	<u>F.Y. 1993</u>
Base Adjustments	\$ (2,075.9)	\$ (2,067.0)
Reallocation Decisions	13.0	23.0
TOTALS	\$ <u>2,062.0</u>	\$ <u>2,044.0</u>

Base Adjustments

The Transit Program base adjustments are primarily for increases in estimated federal receipts. Also, some adjustments have been made to remove F.Y. 1990 appropriations carried forward into the F.Y. 1991 base.

Budget Reallocation Decisions (Dollars in Thousands)

The department proposes to allocate from the available balance of the Trunk Highway Fund the following:

Economic Adjustment

PROGRAM: Public Transit Assistance
(Continuation)
Agency: Transportation, Department of

1992-93 Biennial Budget

Salary Supplement F.Y. 1992 \$13.0 F.Y. 1993 \$23.0

The requested funds will provide for an estimated 4.5% contract settlement per year in the biennium.

GOVERNOR'S RECOMMENDATION:

The Governor recommends that the Transit Assistance Fund be eliminated, that the BASE level of expenditures for the Transit Assistance Fund be funded out of the General Fund at \$7,127,000 each year, that LRT grants be eliminated at \$2,758,000 each year and that the Greater Minnesota Public Transit Assistance program be reduced by \$1,000,000 each year. No Trunk Highway Fund salary supplement is provided.

1992-1993 BIENNIAL BUDGET
(DOLLARS IN THOUSANDS)

AGENCY: TRANSPORTATION,DPT OF
PROGRAM: TRANSIT

ACTIVITY RESOURCE ALLOCATION:	FY 1989	FY 1990	Est. FY 1991	FY 1992			FY 1993		
				Adjusted Base	Agency Plan	Governor Recomm.	Adjusted Base	Agency Plan	Governor Recomm.
=====	=====	=====	=====	=====	=====	=====	=====	=====	=====
LIGHT RAIL TRANSIT	4,170	3,408	2,758	2,758	2,758		2,758	2,758	
GREATER MINNESOTA TRANSIT ASSIST	12,175	10,775	11,469	10,118	10,118	9,118	10,118	10,118	9,118
TRANSIT ADMINISTRATION	1,161	1,221	1,655	931	944	931	939	962	939
=====	=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL EXPENDITURES BY ACTIVITY	17,506	15,404	15,882	13,807	13,820	10,049	13,815	13,838	10,057
DETAIL BY CATEGORY:									
=====									
STATE OPERATIONS	768	878	1,117	881	894	881	864	887	864
LOCAL ASSISTANCE	16,738	14,511	14,765	12,926	12,926	9,168	12,951	12,951	9,193
AID TO INDIVIDUALS		15							
=====	=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL EXPENDITURES BY CATEGORY	17,506	15,404	15,882	13,807	13,820	10,049	13,815	13,838	10,057
SOURCES OF FINANCING:									
=====									
DIRECT APPROPRIATIONS:									
GENERAL	4,494	3,606	4,105	3,884	3,884	7,253	3,883	3,883	7,252
TRUNK HIGHWAY	211	227	243	246	259	246	245	268	245
TRANSIT ASSISTANCE	9,537	7,630	7,614	7,127	7,127		7,127	7,127	
STATUTORY APPROPRIATIONS:									
FEDERAL	3,116	3,778	3,770	2,400	2,400	2,400	2,410	2,410	2,410
AGENCY	148	163	150	150	150	150	150	150	150
=====	=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL FINANCING	17,506	15,404	15,882	13,807	13,820	10,049	13,815	13,838	10,057

PROGRAM: Railroads and Waterways
Agency: Transportation, Department of

1992-93 Biennial Budget

PROGRAM PURPOSE:

The Railroads and Waterways Program deals with railroads, shipper associations, regional rail authorities, road authorities, industry associations, other State agencies, other State DOT's, State and National associations, and local units of government in developing a comprehensive rail and water transportation system which will effectively deliver goods to market and assure the safe interaction of the public with rail movements.

The purpose of these activities is to provide the expertise within the Minnesota Department of Transportation to enhance safe, effective, and economical interaction between the public and the rail and water transportation systems.

The Program accomplishes its purpose by:

- promoting the efficient movement of goods via water and rail transport through a comprehensive rail and water transportation planning process which identifies the major needs and issues, provides a sound basis for prioritizing the needs of shippers and receivers, and allows for improvements in interstate rail service through the study of new rail technologies such as high speed passenger rail service;
- promoting the safe interaction of rail transportation with highway and pedestrian movements through:
 - administration of the federal railroad grade crossing safety improvement program
 - enforcement of track safety standards
 - enforcement of safety and service standards for clearance variances
 - crossing safety
 - construction
 - encouraging the closure of crossings
- providing input into the development of national and state legislation and policies to assure Minnesota's interests are represented by reviewing and conducting impact analysis of those policies and legislation, and recommending appropriate action;
- establishing procedures for administration and management of railroad related programs and activities which are accomplished through:
 - Rail service improvement program which provides for the acquisition of rail lines, improvements (rail rehab) of these lines, preservation of rail rights of way, and capital improvement to other rail facilities.
 - "New" Minnesota railroad-highway grade crossing safety program which will improve signing and pavement markings at all public grade crossings within the state as well as to combine and improve grade crossings on secondary roads, and establish a system to enable the public to immediately report their concerns about the operation of railroad crossing signals.
 - Interface with road authorities on rail related construction activities.
 - Railroad abandonment
 - Rail banking
- providing industry clients with the reports, studies, and data necessary to make appropriate decisions on issues affecting their mode; and

- encouraging economic development by providing opportunity for federal, state, local, and private investment in rail and water facilities (e.g., regional and shortline railroads, shipping terminals, and grain elevators).

PERFORMANCE:

Overall the performance of these Railroad and Waterway program activities has been extremely successful. Railroad and Waterway efforts have positively impacted the rail and waterway transportation system through the planning and management efforts of Mn/DOT staff.

The State's investment in the Minnesota Rail Service Improvement program has resulted in the rehabilitation of 693 miles of rail line, the retention of 180 miles of rail line through purchase assistance agreements with regional railroad authorities. One hundred twelve communities and 250 shippers have received direct benefit from these rail investments. An estimated 4.3 million tons of freight were shipped over these lines each year (the equivalent of 172,800 five axle truck loads per year).

In addition, during the F.Y. 1990-91 biennium a new grade crossing safety initiative was implemented which will result in more visible signing and new pavement markings at all public grade crossings in the State. It is hoped that this effort will eliminate crossing accidents and the resultant fatalities.

Equally important efforts initiated within the F.Y. 1990-91 biennium include the following:

- Development of a Twin Cities rail study which provides a comprehensive picture of the current railroad network within the Twin Cities metropolitan area. The report will aid future rail planning efforts and will permit an analysis of future rail line consolidation options;
- In cooperation with Illinois and Wisconsin, the Office of Railroads and Waterways is studying the potential for developing high speed ground transportation between Chicago and the Twin Cities via Milwaukee. This tri-state study is focusing on ridership and revenue forecasting and private sector investment opportunities within 2 potential corridors;
- Directing a study of potential high speed rail service connecting the Twin Cities with Duluth, St. Cloud, Mankato, Rochester, and Winona. This study will build on the results of the Tri-state study, identifying how an in-state network could be a feeder system to interstate high speed rail service;
- Obligation of \$6.9 million to improve grade crossing surfaces and install active warning devices. These improvements will enhance safety at 97 railroad-highway at grade crossings within Minnesota;
- Spending of \$5.8 million to perform adjustments to railroad facilities to accommodate construction on the state highway system;
- Inspection of approximately 2,500 miles of rail line during the past year to ensure safe operating conditions;
- Completion of a major study of river efficiencies. The study developed methods of cost control in river vessel, channel, terminal, and infrastructure operations and maintenance which will significantly reduce shipping costs for grain, petroleum products, and fertilizers;
- Completion of an analysis of liquid cargo carried on the river. The study showed that river transportation is second only to pipelines as the safest way to carry petroleum products, crude oil, and other hazardous and non-hazardous liquid cargoes;
- Completion of the design, environmental, and cost analysis for the extension of the seaway depth channel in the Duluth Superior harbor. This 3.1 mile extension will allow full access to 4

PROGRAM: Railroads and Waterways
(Continuation)
Agency: Transportation, Department of

1992-93 Biennial Budget

terminals which are currently under-used or unused because of lack of full channel depth. The extended channel will also provide seaway depth access to a new city-owned terminal which will be active in two years;

- Composition of 4 water transportation policies which were accepted as components of the American Association of State Highway and Transportation Officials' (AASHTO) national water policy;
- Participation in the development of the Governor's Spill Response Team Program;
- Participation as a member of the Corps of Engineers Channel Maintenance Forum. The Forum prioritizes construction and maintenance of waterways projects, both navigational and environmental;
- Completion of a revised "River Terminal Directory" and a revised "River Transportation Plan" for Minnesota;
- Conducted a survey of 13 industries which have had capital improvement projects of their facilities. Nine respondents indicated an increase in shipping of 5,260 cars per year, an increase of 5 cents per bushel paid to local farmers, and that the loan program was in some measure responsible for their company being competitive and for increases in local employment;

PROSPECTS:

Many functions of the Office of Railroads and Waterways are ongoing activities necessary to ensure that the railroad and waterway modes continue to provide a high level of safe, reliable, and efficient transportation service so necessary to the economy of the State. Some of these ongoing activities include:

- Coordination of rail related highway construction projects;
- Review and analyze national and state legislation and policies and recommend positions/actions that ensure the State's rail and waterway interests are served;
- Track safety inspections;
- Monitor and comment on pending rail abandonment filings including notifying affected communities and shippers and coordinating responses where appropriate;
- Identifying rail corridors that may have potential for future transportation uses such as highway projects, utility corridors, high speed rail corridors, and recreational trails;
- Administration of the Federal Grade Crossing Safety Improvement Program;
- Completion of the Duluth-Superior harbor land use plan;
- Completion of the siting, design, and funding plan for a replacement confined disposal site in Duluth-Superior.
- Completion of the plan design and beginning of the implementation phase of the Mississippi River Coordination Commissions program.
- Completion of a study to determine fleeting needs on the river.

As the State looks for long-term solutions to improve on Minnesota's infrastructure it becomes clear that the railroad and waterway modes offer great potential for relieving some of the stresses on the existing system. As an example, the State's rail system is recognized to have a tremendous under-utilized capacity. To maximize the benefits these modes can provide, several new activities must be considered:

- The State should develop a system of priority rail corridors and upgrade them for higher speed trains to include grade separations, track improvements, etc;
- The State needs to consider the development of intermodal transfer facilities as a part of the State's infrastructure system;
- The State role in rail banking of abandoned rail corridors needs to be strengthened. These linear corridors may well be irreplaceable and stronger efforts are needed to preserve them for future public use. The State should be given authority equal to that of Regional Railroad Authorities for the purpose of acquiring these properties.
- The State needs to expand its efforts relating to grade crossing safety. This would include a thorough inventory of all crossings, who should pay for necessary crossing improvements, evaluation of the need for each crossing, etc.
- The State needs to examine the feasibility of high speed passenger rail service and the benefits it may offer in terms of relieving airport and highway congestion, energy conservation, and environmental impacts.
- The State needs to have a program to aid in the funding of harbor improvement projects. Both the river and lake transportation systems are facing ever-increasing costs for development and maintenance of facilities. Without assistance, there is a very real threat to the continued effectiveness of this economical transportation system.
- The State should make a determination of the costs and benefits and the design of a program to alleviate traffic conflicts on T.H. 61 (North Shore) by transferring some freight from trucks to vessels.

PLAN:

The base adjustment/reallocation totals are broken down as follows (dollars in thousands):

	<u>F.Y. 1992</u>	<u>F.Y. 1993</u>
Base Adjustments	\$(7,937.0)	\$(7,945.0)
Reallocation Decisions	85.0	135.0
TOTALS	<u>\$(7,852.0)</u>	<u>\$(7,810.0)</u>

Base Adjustments

The greatest category of Railroads and Waterways Program base adjustments are to remove F.Y. 1990 appropriations carried forward into the F.Y. 1991 base, with minor adjustments for changes anticipated in Federal receipts.

Budget Reallocation Decisions
(Dollars in Thousands)

The department proposes an allocation of available resources to the Railroads and Waterways program for:

<u>Safety</u>	<u>F.Y. 1992</u>	<u>\$76.0</u>	<u>F.Y. 1993</u>	<u>\$76.0</u>
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PROGRAM: Railroads and Waterways
(Continuation)
Agency: Transportation, Department of

1992-93 Biennial Budget

As response to issues raised at transportation safety forums, the department proposes to initiate a road grade crossing safety program. This allocation will provide for 2 part-time positions and associated expenses to improve visibility, promote safety, and enhance awareness of railroad grade crossings, thus reducing accidents, injuries, and fatalities.

<u>Economic Adjustment</u>	<u>F.Y. 1992</u>	\$9.0	<u>F.Y. 1993</u>	\$59.0
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Salary Supplement

To provide for an estimated 4.5% contract settlement per year over the biennium.

GOVERNOR'S RECOMMENDATION:

The Governor recommends the funding as requested except for a biennial reduction of \$68,000 for salary increases.

1992-1993 BIENNIAL BUDGET
(DOLLARS IN THOUSANDS)

AGENCY: TRANSPORTATION,DPT OF
PROGRAM: RAILROADS & WATERWAYS

ACTIVITY RESOURCE ALLOCATION:	FY 1989	FY 1990	Est. FY 1991	FY 1992			FY 1993		
				Adjusted Base	Agency Plan	Governor Recomm.	Adjusted Base	Agency Plan	Governor Recomm.
RAIL SERVICE IMPROVEMENTS	4,874	2,896	7,852	50	50	50	50	50	50
RAILROADS & WATERWAYS ADMIN	995	1,065	1,313	1,178	1,263	1,254	1,170	1,305	1,246
TOTAL EXPENDITURES BY ACTIVITY	5,869	3,961	9,165	1,228	1,313	1,304	1,220	1,355	1,296
DETAIL BY CATEGORY:									
STATE OPERATIONS	5,774	2,427	9,165	1,228	1,313	1,304	1,220	1,355	1,296
LOCAL ASSISTANCE	95	1,534							
TOTAL EXPENDITURES BY CATEGORY	5,869	3,961	9,165	1,228	1,313	1,304	1,220	1,355	1,296
SOURCES OF FINANCING:									
DIRECT APPROPRIATIONS:									
GENERAL	217	239	259	263	263	263	262	262	262
TRUNK HIGHWAY	689	772	838	850	935	926	848	983	924
STATUTORY APPROPRIATIONS:									
SPECIAL REVENUE	4,779	2,896	7,852	50	50	50	50	50	50
FEDERAL	184	54	216	65	65	65	60	60	60
TOTAL FINANCING	5,869	3,961	9,165	1,228	1,313	1,304	1,220	1,355	1,296

PROGRAM: Motor Carrier Regulation
Agency: Transportation, Department of

1992-93 Biennial Budget

PROGRAM PURPOSE:

The Department of Transportation, Office of Motor Carrier Safety and Compliance, is the principle motor carrier regulatory agency of the State of Minnesota. The mission of the Department of Transportation is to manage, maintain, and operate a transportation system to serve the people of Minnesota, and to increase coordination and use of all modes of transportation. The Office of Motor Carrier Safety and Compliance participates in this mission by administering and enforcing the operating authority licensing and safety regulations governing the for-hire and private motor carrier industry in Minnesota.

The purpose of the Motor Carrier Regulation Program is to:

- ensure a viable motor transportation industry through equitable competition and fair charges for services to the public by reviewing applications for trucking authority, and reviewing and filing truckers' rates and annual reports and issuing vehicle identification cards;
- assure the safety of the motoring public and the trucking industry by promoting compliance with driver and vehicle safety regulations and the filing of insurance certificates;
- protect the environment and the motoring public by promoting and enforcing compliance with regulations governing safe transportation of hazardous materials and hazardous waste on the highways;
- assure that elderly and handicapped persons are provided with safe and reliable transportation that meets their needs by enforcing standards for driver qualifications and vehicles;
- assure that buildings moved on highways are moved safely by licensing and regulating building movers;
- assure safe transportation of hazardous waste by licensing and regulating shippers of hazardous waste and their vehicles; and
- educate shippers and transporters by providing seminars, driver training, carrier safety reviews, audits, and information and assistance about how to comply with the licensing and safety regulations.

Government regulation of these activities is necessary to assure compliance with minimum uniform safety standards in cooperation with the federal government and other states, in order to assure the safety of shippers of goods and users of passenger transportation services and of other persons who use the highways.

The Office has a statutory obligation to provide administrative services and to enforce the orders, rules, and directives of the Transportation Regulation Board (TRB) with respect to the requirements that all persons providing for-hire transportation in Minnesota receive a permit or certificate from the TRB, and the truck and bus safety and hazardous materials regulations adopted by the Minnesota Commissioner of Transportation and the U.S. Department of Transportation.

The goals of the Office are to promote compliance with safety regulations through training provided to motor carriers and shippers, inspections of carrier vehicles on the road, audits of motor carrier records and assistance in compliance, and monitoring of insurance maintained by motor carriers operating in Minnesota. The Office goal of reducing highway spills or accidents involving hazardous materials and waste addresses Mn/DOT's goal of reducing the impacts of transportation on the environment. The goal of inspecting all special transportation service vehicles to make sure that the elderly and handicapped are provided safe transportation addresses Mn/DOT's goal of providing

service that improves the quality of life and serves the needs of Mn/DOT's clients. The goal of reducing accidents and property damage caused by unsafe motor carrier vehicles or building movers addresses the department's goal to lower the state accident rate and to safely operate the Minnesota transportation system.

PERFORMANCE:

- In 1982 there were 10,946 commercial vehicle accidents. That number fell to 6,668 in 1987, but has risen the last 2 years, approaching 8,000 in 1989. The need to reduce the accident rate and reduce injury and property damage has prompted the Office to increase its inspection of motor carrier vehicles to approximately 6,000 vehicles in 1990. Of these, between 15 to 20% are found to have mechanical defects or loading problems that are likely to cause an accident or break down, and these vehicles are immediately removed from the road. To reduce the risk of commercial vehicle accidents, the Office adopts and enforces federal motor carrier safety regulations, building movers regulations and licensing, and licenses and inspects special transportation service vehicles for the elderly and handicapped.
- According to United States Department of Transportation (USDOT) records, 129 hazardous materials incidents on Minnesota highways were reported to USDOT in 1988. Many more incidents were not reported to the federal government. The Office addresses the need to reduce hazardous material incidents and hazardous waste dumping by managing a hazardous material transportation enforcement and assistance program to assist shippers and carriers in learning to comply with the regulations and to enforce those regulations. The Office has licensed over 160 transporters of hazardous waste and issued decals for over 3,100 vehicles in fiscal year 1990. The Office has begun a program of contacting other states where hazardous waste transporters are based when those transporters indicate that they will be transporting hazardous waste in Minnesota in order to determine their safety record. The Office will be seeking legislation to allow it to refuse to license hazardous waste transporters with a history of serious repeated safety violations.
- There are roughly 450,000 vehicles used by interstate motor carriers in Minnesota. In order to protect the public and make sure that insurance will be available should there be an accident, the Office requires each for-hire interstate carrier to register with the Office and have the carrier's insurance company file a binding certificate of insurance with the motor carrier office.
- As a result of increasing interest and emphasis on highway safety and the Congressional goal of reducing truck accidents, federal transportation regulations governing safety and hazardous materials are constantly changing. The Office addresses the needs of shippers and carriers to stay abreast of changing regulations by conducting over 100 training sessions and seminars each year for trucking companies, drivers, unions, trade associations, and shippers of hazardous material; by conducting 400 safety reviews in the offices of motor carriers, and by maintaining a public information phone number in order to provide information to the public and to motor carriers about Minnesota Transportation Regulations. The Office will be seeking legislation to require new intrastate motor carriers to attend a short training session to learn how to comply with Minnesota operating authority and safety regulations.
- To meet the need of the Transportation Regulation Board for administrative assistance and enforcement of the state laws governing the licensing of for-hire motor carriers in Minnesota, the Office processes approximately 600 applications for intrastate for-hire authority and issues approximately 25,000 cabcards each year. The department receives thousands of tariffs of motor carrier rates for filing and review for appropriateness and reasonableness of rates, and, in 1990, investigated over 400 complaints relating to the economic activities of for-hire motor carriers and the safety of their operation.
- The department also renewed the certificates of 185 special transportation services in order to make sure they were safe for the elderly and handicapped passengers who use them. This included certifying driver training courses for these programs.

PROGRAM: Motor Carrier Regulation
(Continuation)
Agency: Transportation, Department of

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- In order to assist with meeting the need of the regulated community for uniform regulations across state borders, the Office belongs to national and international organizations whose goals are to promote uniform national regulation of the motor carrier industry in order to reduce the burdens on interstate commerce.

PROSPECTS:

- Congress is becoming increasingly concerned about safe truck transportation and hazardous material incidents on highways. Two new laws signed by the President in November will substantially increase the responsibility of the states for the regulation of hazardous materials transporters. Another bill which is likely to pass will authorize the states to enforce hazardous materials transportation regulations against railroads. The federal government is increasingly passing on the responsibility for enforcement to the states. The state will soon begin to do federal compliance reviews by which the state audits and enforces federal regulations against interstate carriers and hazardous material shippers based in Minnesota. We estimate there are about 2,000 to 2,500 shippers of hazardous materials in Minnesota. We wish to develop a strong program to help shippers learn to comply with those regulations and to enforce the hazardous material regulations.
- The federal government has adopted new regulations governing the construction, maintenance and inspection of cargo tanks used to transport gasoline and other hazardous materials. These regulations have been adopted in Minnesota. The Office is beginning a new program to work with manufacturers and users of cargo tanks to assure their compliance with the regulations. It is anticipated that this program will grow in scope as shippers solicit assistance in complying with new complex federal regulations. We estimate that there may be about 6,000 cargo tanks in use in Minnesota to transport hazardous materials on the highways.
- As a result of legislation passed 2 years ago, the rules that govern special transportation services for the elderly and handicapped are being amended to provide more detailed regulation of those services. They will require annual inspections of all vehicles used in special transportation service and an annual evaluation of each provider of the service. This is expected to amount to 1,000 to 1,500 vehicles each year. About 185 transportation providers will need to be evaluated and certified each year. The Regional Transit Board has requested that the Office certify drivers as well. This would require background checks and qualification of over 3,000 drivers each year. The Office lacks staff to certify drivers and would need 2 additional positions for that activity.
- The Office is in the process of contracting with a consultant to do a study and analysis of motor carrier rates to determine if the rates are based on the actual operating cost of the motor carrier, if they provide sufficient revenues to enable the carrier to operate safely and maintain equipment and services, and if they are fair charges for the public. It is expected that enforcement of filed carrier rates will increase when this study is completed and the data is available to the Office within the next year.
- The department licenses 116 building movers each year. Although this is a small program, it generates many consumer and citizen complaints. Some building movers abandon buildings on private property or highway right of way, or damage people's houses as they move them. Occasionally, they obstruct traffic and damage utilities and signs in violation of their permits, and we receive complaints from local governments. The Office is seeking legislation for stricter regulation of building movers.
- As a result of increased emphasis on truck safety, the Office will be making a concerted effort to monitor carrier records showing the number of hours that truck drivers drive. Federal studies have shown a significant relationship between driver fatigue and motor carrier accidents. The

Office will seek legislation to require exempt and private carriers to comply with driver qualification and hours of service regulations.

- The Office will seek authority to assess civil penalties against motor carriers for violation of operating authority laws and hazardous material transportation regulations and for very serious safety violations. This would remove these violations from the misdemeanor count procedure that has been unsatisfactory because judges and prosecutors do not understand these regulations, court calendars are crowded with more "typical" criminal violations, and these violations get little attention.
- It is important that there be no reduction in funding that would lead to reduction in the federal funding for the motor carrier safety assistance program. The Office must maintain a certain level of effort to be eligible for federal funding.

PLAN:

The base adjustment/reallocation totals are broken down as follows (dollars in thousands):

	<u>F.Y. 1992</u>	<u>F.Y. 1993</u>
Base Adjustments	\$ 21.0	\$ 15.0
Reallocation Decisions	259.0	268.0
TOTALS	\$ 280.0	\$ 283.0

Base Adjustments

All Motor Carrier base adjustments are to annualize F.Y. 1991 salaries per the Department of Finance.

Budget Reallocation Decisions
(Dollars in Thousands)

The department proposes the following allocations from the available Trunk Highway Fund balance to the Motor Carrier Regulation Program:

<u>Regulation</u>	<u>F.Y. 1992</u>	\$229.0	<u>F.Y. 1993</u>	\$174.0
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1. Staff Increase

The continued growth over the recent year in motor carrier regulation in the amount of staff and workload in the rates and tariffs areas has prompted the department to request \$160,000 for an assistant motor carrier director and an additional rate and tariff analyst.

2. Truck Safety Program

The agency requests \$243,000 to provide for 6 truck safety positions authorized by the legislature for F.Y. 1991. The support funds will also provide for the reprinting of "Minnesota Truck Regulations" in F.Y. 1992 and assist in defraying premium on-call obligations for hazardous materials inspectors and overtime for truck safety inspectors.

3. Support Staff Conversions

To promote staff stability, the department is proposing to convert 2 current part-time positions to full-time positions.

<u>Economic Adjustments</u>	<u>F.Y. 1992</u>	\$30.0	<u>F.Y. 1993</u>	\$94.0
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Salary Supplement

To provide for an estimated contract settlement of 4.5% per year.

PROGRAM: Motor Carrier Regulation
(Continuation)
Agency: Transportation, Department of

1992-93 Biennial Budget

GOVERNOR'S RECOMMENDATION:

The Governor recommends the funding as requested except for the following: a biennial reduction of \$160,000 and 2.0 positions in the rates and tariffs area and \$124,000 for salary supplement.

This recommendation includes the conversion of 2.0 part-time positions to full time complement.

1992-1993 B I E N N I A L B U D G E T
(DOLLARS IN THOUSANDS)

AGENCY: TRANSPORTATION,DPT OF
PROGRAM: MOTOR CARRIER REGULATION

				FY 1992			FY 1993		
ACTIVITY RESOURCE ALLOCATION:	FY 1989	FY 1990	Est. FY 1991	Adjusted Base	Agency Plan	Governor Recomm.	Adjusted Base	Agency Plan	Governor Recomm.
MOTOR CARRIER ADMINISTRATION	1,396	1,519	2,037	2,058	2,317	2,207	2,052	2,320	2,146
TOTAL EXPENDITURES BY ACTIVITY	1,396	1,519	2,037	2,058	2,317	2,207	2,052	2,320	2,146
DETAIL BY CATEGORY:									
STATE OPERATIONS	1,396	1,519	2,037	2,058	2,317	2,207	2,052	2,320	2,146
TOTAL EXPENDITURES BY CATEGORY	1,396	1,519	2,037	2,058	2,317	2,207	2,052	2,320	2,146
SOURCES OF FINANCING:									
DIRECT APPROPRIATIONS:									
TRUNK HIGHWAY	1,065	1,158	1,510	1,531	1,790	1,680	1,525	1,793	1,619
STATUTORY APPROPRIATIONS:									
FEDERAL	331	361	527	527	527	527	527	527	527
TOTAL FINANCING	1,396	1,519	2,037	2,058	2,317	2,207	2,052	2,320	2,146

ACTIVITY: Program Wide Decision
PROGRAM: Motor Carrier Regulation
AGENCY: Transportation, Department of

1992-93 Biennial Budget

DECISION ITEM: Regulation

	Dollars in Thousands			
AGENCY PLAN:	<u>F.Y. 1992</u>	<u>F.Y. 1993</u>	<u>F.Y. 1994</u>	<u>F.Y. 1995</u>
Expenditures				
Trunk Highway Fund				
Regulation	\$ 229	\$ 174	\$ 174	\$ 174

GOVERNOR'S RECOMMENDATION:

Expenditures				
Trunk Highway Fund	\$ 149	\$ 94	\$ 94	\$ 94

Requires statutory change: _____ Yes X No
Statutes Affected:

ITEM SUMMARY:

The Department has made a request for \$403,000 and 2 new positions over the biennium to respond to an increasing workload and to fund support dollars for the truck safety program, which promotes and assures compliance with the pertinent driver and vehicle safety regulations.

RATIONALE:

Compliance with safety regulations through training, inspection and audits of motor carriers is an increasing area of concern both in Minnesota and nationwide. New federal laws and regulations have recently been enacted which substantially increase the inspection responsibilities of states. The goal is to reduce accidents and property damage caused by unsafe motor carrier vehicles thus lowering the state accident rate and safely operate the Minnesota transportation system.

This department has seen a need for additional staff to respond to an increasing workload in the Motor Carrier Program. During the 1990-91 biennium the legislature approved 6 new positions but no appropriation was received for the necessary support dollars to achieve the program's goals. These needed funds are included in this request.

GOVERNOR'S RECOMMENDATION:

The Governor recommends reductions of \$80,000 and 2.0 positions each year.

This recommendation includes the conversion of 2.0 part-time positions to full time complement.

PROGRAM PURPOSE:

The purpose of the Local Roads Program is to provide technical assistance and leadership in the development and maintenance of the County State Aid Highway system and the Municipal State Aid Street system to provide an integrated and coordinated network of roads for the movement of people and goods.

The Office of State Aid works with the local agencies in providing this network by:

- Administering the allocation and distribution of funds from the Highway Users Tax Distribution Fund to the 113 municipalities (whose population is 5,000 or more), the 87 counties, and the townships of Minnesota as required by M.S. 161 and 162.
- Allocating federal funds to local road authorities and acting as agent for the local road authority in the administration of federal construction contracts.
- Managing and granting funds to local road authorities from the State Transportation Fund for replacement of deficient bridges.
- Providing technical assistance to local road authorities that utilize state or federal monies to ensure compliance with state and federal requirements.

PERFORMANCE:

Mn/DOT annually allocates or grants funds to cities and counties. The 1990 allocations were \$316,000,000 from the Highway Users Tax Distribution Fund, \$7,000,000 from the State Transportation Fund, \$26,000,000 in federal road funds, and \$10,000,000 in federal bridge funds.

The Office of State Aid reviews and approves for construction approximately 1,400 plans annually. The review process ensures that the proposed projects meet state and federal standards and that a uniform system will be constructed statewide.

The Office reviews and processes documentation for federal construction projects and approves all construction projects authorized to use federal and/or state monies.

The Office of State Aid provides a single source of information for local road authorities requesting technical assistance from Mn/DOT. In our liaison role, local road authorities are able to contact us first to get direction on where to go and who to talk to within the department to get the help they need in a specific problem area.

During 1990, 160 deficient bridges were replaced using the funds this office granted. During 1990, 56 federal aid construction contracts were awarded providing for reconstruction or resurfacing of 113 miles of roadway, traffic signals and lighting, retaining walls, and a bike trail. During 1990, there were 739 state aid construction projects providing for the reconstruction or resurfacing of 1,590 miles of roadway.

PROSPECTS:

The Office of State Aid is continually assisting counties and municipalities in their utilization of state and federal monies for the construction of local roads and bridges. New municipalities that qualify for participation in the distribution of the Highway Users Tax Distribution Fund will need guidance in the establishment of a Municipal State Aid Street system

and in becoming familiar in the processes of utilizing state and federal monies. The Office of State Aid will provide that guidance.

The computerization of the Office of State Aid activities and the computer network that ties the State Aid Office to counties, cities, and various offices in the Department of Transportation will continue to be of high priority. Computer programs are being developed and implemented to give direct access to current fund balances (daily if desired) by each county or city. Data will be available to provide more timely reports. Computer programs to track projects and payments will reduce the time it takes to get payments to contractors.

The possibility of new federally funded programs and the interpretation and implementation of those programs will continue to be of high priority to the Office of State Aid.

PLAN:

The base adjustment/reallocation totals are broken down as follows (dollars in thousands):

	<u>F.Y. 1992</u>	<u>F.Y. 1993</u>
Base Adjustments	\$(106,641.0)	\$(103,644.0)
Reallocation Decisions	0.0	36.0
TOTALS	<u>\$(106,641.0)</u>	<u>\$(103,608.0)</u>

Base Adjustments

\$180 million in biennial base adjustments in Local Roads Program are for reductions in Federal-County Road and Bridge receipts. Another \$28 million in reductions are for County-Municipal State Aid Distribution. The balance of the adjustments are to remove F.Y. 1990 appropriations carried forward into the F.Y. 1991 base.

Biennial base level funding of \$829,215,000 for the Local Roads Program divided among the following activities:

1. County State Aids F.Y. 1992 \$240,000.0 F.Y. 1993 \$242,000.0
This represents the 29% of the Highway Users Tax Distribution Fund allocated to the counties.
2. Municipal State Aids F.Y. 1992 \$66,000.0 F.Y. 1993 \$67,000.0
This represents the 9% of the Highway Users Tax Distribution Fund allocated to the cities over 5,000 population.
3. Federal-County Road and Bridge F.Y. 1992 \$106,000.0 F.Y. 1993 \$106,000.0
This represents the portion of the federal funds allocated to Minnesota that are to be distributed to the counties and cities.
4. State Aid Technical Assistance F.Y. 1992 \$1,109.0 F.Y. 1993 \$1,106.0
This represents the operating expenditures for the Office of State Aid appropriated from the Trunk Highway Fund.

Budget Reallocation Decisions
(Dollars in Thousands)

The department is proposing the allocation of available resources from the balance of the Trunk Highway Fund to the Local Roads Program for the following purpose:

<u>Economic Adjustment</u>	<u>F.Y. 1992</u>	\$0.0	<u>F.Y. 1993</u>	\$36.0
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PROGRAM: Local Roads

1992-93 Biennial Budget

(Continuation)

Agency: Transportation, Department of

Salary Supplement

The allocation requested will fulfill the salary requirements of the present complement for anticipated 4.5% contract settlements from the Trunk Highway Fund.

GOVERNORS RECOMMENDATION:

The Governor recommends the adjusted BASE level of funding.

1992-1993 BIENNIAL BUDGET
(DOLLARS IN THOUSANDS)

AGENCY: TRANSPORTATION,DPT OF
PROGRAM: LOCAL ROADS

ACTIVITY RESOURCE ALLOCATION:	FY 1989	FY 1990	Est. FY 1991	FY 1992			FY 1993		
				Adjusted Base	Agency Plan	Governor Recomm.	Adjusted Base	Agency Plan	Governor Recomm.
COUNTY STATE AIDS	186,998	224,254	258,079	240,000	240,000	240,000	242,000	242,000	242,000
MUNICIPAL STATE AIDS	50,815	59,974	65,453	66,000	66,000	66,000	67,000	67,000	67,000
FEDERAL-COUNTY ROAD & BRIDGE	61,494	68,070	195,163	106,000	106,000	106,000	106,000	106,000	106,000
STATE AID TECHNICAL ASSISTANCE	899	956	1,055	1,109	1,109	1,109	1,106	1,142	1,106
TOTAL EXPENDITURES BY ACTIVITY	300,206	353,254	519,750	413,109	413,109	413,109	416,106	416,142	416,106
DETAIL BY CATEGORY:									
STATE OPERATIONS	62,208	61,846	186,238	97,109	97,109	97,109	97,106	97,142	97,106
LOCAL ASSISTANCE	237,998	291,408	333,512	316,000	316,000	316,000	319,000	319,000	319,000
TOTAL EXPENDITURES BY CATEGORY	300,206	353,254	519,750	413,109	413,109	413,109	416,106	416,142	416,106
SOURCES OF FINANCING:									
DIRECT APPROPRIATIONS:									
GENERAL	250								
MUNICPL/ST AID-HGHWY	48,791	59,972	65,453	66,000	66,000	66,000	67,000	67,000	67,000
CNTY/STATE AID-HGHWY	186,383	224,245	258,020	240,000	240,000	240,000	242,000	242,000	242,000
TRUNK HIGHWAY	899	956	1,055	1,109	1,109	1,109	1,106	1,142	1,106
FEDERAL	500								
STATUTORY APPROPRIATIONS:									
MUNICPL/ST AID-HGHWY	2,024	2							
CNTY/STATE AID-HGHWY	280	6							
TRANSPORTATION	85	3	59						
FEDERAL	60,994	68,070	195,163	106,000	106,000	106,000	106,000	106,000	106,000
TOTAL FINANCING	300,206	353,254	519,750	413,109	413,109	413,109	416,106	416,142	416,106

PROGRAM: State Road Construction
Agency: Transportation, Department of

1992-93 Biennial Budget

Performance Data
(Dollars in Thousands)

PROGRAM PURPOSE:

The State Road Construction Program mission is to manage investments that preserve and improve the 12,100 mile state trunk highway system through:

State Road Construction

1. Road and Bridge Construction: Contract expenditures to preserve and improve state highways.
2. Right of Way Acquisition: Payments for property necessary for state highway construction.
3. Safety Improvements: Contract expenditures for roadway safety and signal improvements.
4. Construction Related Expense: Payments for the relocation of public utilities and cooperative work with local governments and railroad companies.
5. Rail Crossing Safety: Payments for rail crossing improvements and signals on any public highway
6. Bicycle Lanes: In prior years grants were made to local governments to assist in the financing of bike lanes and bikeways. (The last appropriation was made in 1979 for F.Y. 1980-1981.)

Highway Debt Service

Repayment of trunk highway debt, which includes principal and interest on state bonds, principal on loans and advances from other government entities, and service fees.

Highway Program Administration

Payment of salaries and associated expenses for highway and regional planning, program development, and bicycle planning and coordination. This includes grants to Regional Development Commissions (RDC) and Metropolitan Planning Organizations (MPO) for transportation planning.

Transportation Data Analysis

Payment of salaries and associated expenses for transportation data collection and analysis for Mn/DOT use in making informed decisions.

PERFORMANCE:

The condition of Minnesota's state trunk highway system in 1990 is:

	<u>Poor</u>	<u>Fair</u>	<u>Good</u>	<u>Excellent</u>
Pavement conditions (miles)	2,030	3,000	3,590	3,430
Road Sufficiency (miles)	1,400	1,960	3,250	5,440

Roadways less than 24 feet wide: 1,160 miles

Deficient bridges: 490

Regular investments are needed to preserve the state road system, which is 9% of all public road mileage yet accommodates 58% of all highway travel. Additional investments are needed to serve increasing traffic.

F.Y. 1990 F.Y. 1991 F.Y. 1992 F.Y. 1993

Road and Bridge Statistics (\$ in Thousands)

\$ Millions Expended \$337.2 \$379.2 \$356.4 \$393.1

Right of Way Acquisition Statistics

\$ Millions Expended \$22.7 \$19.8 \$18.0 \$18.0

Safety Improvement Statistics

\$ Millions Expended \$15.9 \$25.4 \$24.2 \$18.5
T.H. Fatality Rate 1.61 1.53 1.45 1.38
(per 100 million vehicle miles)

Construction Related Expense Statistics

\$ Millions Expended \$14.7 \$16.0 \$16.0 \$16.0

Rail Crossing Safety Statistics

\$ Millions Expended \$0.3 \$0.6 \$0.6 \$0.6
Accidents 126 114 103 93

Highway Debt Service Statistics

\$ Millions Expended \$23.286 \$27.405 \$14.864 \$16.094

Future debt commitments against the trunk highway fund are limited to less than 25% of estimated available capital funds by Mn/DOT's debt management policy.

Administrative Statistics

Highway Program

Funds Programmed (\$ Million) \$390.3 \$441.0 \$415.0 \$446.0

Planning Grants (\$ Million) \$0.9 \$0.9 \$1.1 \$1.1

Highway plans and investment decisions are regularly updated.

Transportation Data Analysis

A large data system is maintained, including:

- 130,000 miles of public roads
- 19,000 bridges
- 6,800 railroad crossings
- 6,000 miles of railroads

PROGR. State Road Construction
(Continuation)
Agency: Transportation, Department of

1992-93 Biennial Budget

- 5 years of traffic and accident data

This inventory requires accurate, representative, and timely data to have the best information for designs and informed decisions.

PROSPECTS:

Federal Aid for Highways and Bridges: The Federal Surface Transportation Act will expire on September 30, 1991, ending 35 years of a federal emphasis on completion of the National Interstate System. It is likely that a new federal act will change the amount of federal aid Minnesota receives and how it can be used.

Planning: Local involvement in transportation planning is essential. Timely and accurate information is also required.

PLAN:

State road construction program funding is divided among budget activities as follows:

	Biennial Funding (Dollars in Thousands) (Includes Federal Funds)			
	<u>F.Y. 1990</u>	<u>F.Y. 1991</u>	<u>F.Y. 1992</u>	<u>F.Y. 1993</u>
<u>State Road Construction</u>	\$391,671.0	\$442,213.0	\$415,200.0	\$446,200.0
<u>Highway Debt Service</u>	\$23,286.0	\$27,405.0	\$14,864.0	\$16,094.0
<u>Highway Program Administration</u>	\$2,600.0	\$2,744.0	\$3,194.0	\$3,259.0
<u>Transportation Data Analysis</u>	\$3,895.0	\$3,560.0	\$3,901.0	\$3,974.0

Federal revenues will likely be increased due to an expanded federal program. The federal surface transportation program is scheduled for revision in F.Y. 1992. The Transportation Study Board will complete a report with legislative recommendations for financing Minnesota's highway systems. The junkyard program is being phased out, but funds are appropriated for the biennium to complete projects in process.

Debt service is reduced after payments of federal aid to Minneapolis for parking garages. The first payments to Bloomington for advancing highway construction begin in F.Y. 1992 in addition to scheduled bond payments.

Metropolitan Planning Organizations in Greater Minnesota will share state grants (up to \$180,000 per year) to stabilize their budget for transportation planning and coordination. Nine Regional Development Commissions will be eligible for additional transportation planning grants of \$18,000 annually.

Two additional staff and equipment are planned for the research, development and management of an improved statewide (120-150 sites) traffic counting and classifying data system for improved traffic forecasting. Also, additional planning is required to improve the efficiency and accuracy for the collection of local road data.

The base adjustment/reallocation totals are broken down as follows (Dollars in Thousands):

	<u>F.Y. 1992</u>	<u>F.Y. 1993</u>
Base Adjustments	\$(2,065.0)	\$ (854.0)
Reallocation Decisions	(26,176.0)	\$ 4,981.0
TOTALS	\$(28,241.0)	\$ 4,127.0

Base Adjustments

Two categories of adjustments make up the majority of State Road Construction Program adjustments. Approximately \$34 million in reductions are used to remove F.Y. 1990 appropriations carried forward into the F.Y. 1991 base. A positive \$31 million adjustment is then made to account for debt service payments due in the next biennium.

Budget Reallocation Decisions
(Dollars in Thousands)

The department is proposing a reduced allocation of \$(19,986,000) from the Trunk Highway Fund for the following functions:

<u>Road Construction</u>	<u>F.Y. 1992</u>	<u>F.Y. 1993</u>
A reduction in state funds available for construction (about \$18 million) together with changing estimates of federal (and local) funds available for construction result in annual program fluctuations.	\$(26,047.0)	\$4,953.0

<u>Program Delivery</u>	<u>F.Y. 1992</u>	<u>F.Y. 1993</u>
	\$372.0	\$326.0

1. Traffic Systems Support

Improved data management to reduce manual collection, improve equipment, change to a statistical method and improve accuracy and timeliness of transportation data will require 2 positions and \$302,000 over the biennium.

2. Planning Support

Nine Regional Development Commissions will each receive a \$29,000 planning grant annually; an increase of \$2,000 per year. Metropolitan Planning Organizations in Greater Minnesota will share federal funds and an increase in state grants (up to \$180,000 per year) to stabilize their budget for transportation planning and coordination.

<u>Economic Adjustment</u>	<u>F.Y. 1992</u>	<u>F.Y. 1993</u>
	\$168.0	\$371.0

Salary Supplement

This salary supplement provides for an estimated wage increase of 4.5% each year.

The department is proposing a reduced allocation of \$(1,338,000) from the Environmental Fund for the following purpose:

<u>Environmental</u>	<u>F.Y. 1992</u>	<u>F.Y. 1993</u>
The junkyard regulation activity, financed by allocations from the Environmental Fund (motor vehicle title transfer fee), will approach completion over the biennium. \$200,000 each year will be required for work in progress and miscellaneous expenses.	\$(669.0)	\$(669.0)

GOVERNOR'S RECOMMENDATION:

The Governor makes the following recommendation for the above requests:

PROGRAM: State Road Construction
(Continuation)
Agency: Transportation, Department of

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	<u>F.Y. 1992</u>	<u>F.Y. 1993</u>
Road Construction	\$(51,047.0)	\$(20,047.0)
Program Delivery	-0-	-0-
Economic Adjustment	-0-	-0-
Environmental	(669.0)	(669.0)

Included in the Road Construction reduction is \$25,000.0 each year resulting from the lack of Motor Vehicle Excise Tax revenues.

1992-1993 BIENNIAL BUDGET
(DOLLARS IN THOUSANDS)

AGENCY: TRANSPORTATION,DPT OF
PROGRAM: STATE ROAD CONSTRUCTION

ACTIVITY RESOURCE ALLOCATION:	FY 1989	FY 1990	Est. FY 1991	FY 1992			FY 1993		
				Adjusted Base	Agency Plan	Governor Recomm.	Adjusted Base	Agency Plan	Governor Recomm.
STATE ROAD CONSTRUCTION	438,269	405,622	459,096	441,916	415,200	390,200	441,916	446,200	421,200
HIGHWAY DEBT SERVICE				14,864	14,864	14,864	16,094	16,094	16,094
HIGHWAY PROGRAM ADMINISTRATION	2,480	2,600	2,744	2,949	3,194	2,949	2,942	3,259	2,942
TRANSPORTATION DATA ANALYSIS	3,088	3,895	3,560	3,606	3,901	3,606	3,594	3,974	3,594
TOTAL EXPENDITURES BY ACTIVITY	443,837	412,117	465,400	463,335	437,159	411,619	464,546	469,527	443,830
DETAIL BY CATEGORY:									
STATE OPERATIONS	442,818	408,956	464,105	462,110	435,736	410,394	463,321	468,104	442,605
LOCAL ASSISTANCE	1,019	3,161	1,295	1,225	1,423	1,225	1,225	1,423	1,225
TOTAL EXPENDITURES BY CATEGORY	443,837	412,117	465,400	463,335	437,159	411,619	464,546	469,527	443,830
SOURCES OF FINANCING:									
DIRECT APPROPRIATIONS:									
GENERAL	69	579	329	80	80	80	80	80	80
TRUNK HIGHWAY	441,960	409,801	463,204	461,206	435,699	410,159	462,418	468,068	442,371
ENVIRONMENTAL		866	869	869	200	200	869	200	200
MOTOR VEHICLE TRANS	868								
STATUTORY APPROPRIATIONS:									
TRUNK HIGHWAY	189	163	198	200	200	200	199	199	199
FEDERAL	751	708	800	980	980	980	980	980	980
TOTAL FINANCING	443,837	412,117	465,400	463,335	437,159	411,619	464,546	469,527	443,830

PROGRAM: Design Engineering
Agency: Transportation, Department of

1992-93 Biennial Budget

PROGRAM PURPOSE:

The purpose of this program is to provide support services of a highly technical nature to the operating divisions of Mn/DOT and to counties and municipalities. This program consists of the following functions:

- Road and Bridge Design
- Environmental Engineering
- Engineering Standards and Specifications
- Traffic Engineering
- Right of Way Engineering, Surveying and Mapping
- Materials and Research
- Consultant Administration

The work consists of the centralized technical efforts that directly support the management and construction of our transportation facilities including:

- Developing plans, estimates and specifications for construction contracts.
- Developing and deploying new automation technology.
- Supplying technical assistance to other state agencies.
- Design of all bridge construction plans.
- Providing environmental expertise to project managers.
- Developing and issuing specifications, manuals, and standards used by the department and other levels of government.
- Monitoring and supervising projects to assure quality criteria and contracted obligations are in compliance with contract requirements.
- Implementation of a major statewide highway safety program.
- Acquiring land.
- Developing high resolution base maps, specialty maps, and high order geodetic control.
- Conducting and implementing research results in all areas of transportation to stay on the leading edge.
- Administering consultant selection and evaluation based on departmental needs.

PERFORMANCE:

Overall, the performance of the Design Engineering Program has been very successful. The following results have been achieved:

- Within the past biennium, the number of engineering workstations in the department has increased by 65%. High speed plotters that require little operator assistance have been added in each district to facilitate output from the Computer Aided Drafting (CADD) system. Color plotting and laser plotting have been added in the Transportation Building. These are the tools for CADD that allow us to design and draw roads and bridges in an automated, more efficient manner. In-house CADD training has been developed and expanded. Two non-complement trainers have been added, and a training facility has been completed in the Transportation Building. Approximately 300 training enrollments per year are accomplished through this in-house training program. This gives CADD users training specific to their work instead of the generic training provided by the vendors.
- Over \$98 million of trunk highway bridge construction plans, specifications, and estimates were prepared for 119 bridges. Over the past 4 years bridge projects costing an average of \$111 million were let compared to \$56 million for years 1983-1986.
- Of the 2,627 critically deficient bridges statewide, 212 were replaced in 1990 compared to an

average of 245 per year during years 1987-1989 and 353 per year for years 1980-1986. The decrease has been caused by a shortage of state funds to replace bridges.

- During the last two years 500 environmental documents and special studies, 50 environmental assessments, and 16 environmental impact statements required to prepare projects for the billion dollar construction program were developed.
- Construction field reviews were conducted on a representative sample of construction projects to monitor compliance with established technical and project management requirements.
- Minnesota Roadway Safety Initiatives for 1990 & Beyond were identified and documented in a report dated December 1989.
- The Gopher State One Call system was implemented in December 1989. Nine thousand four hundred calls per month are being reviewed for possible utility locations at proposed construction sites.
- Twenty accident investigation sites on I-94 and I-35W were researched, developed, and implemented.
- In the past year, the right-of-way engineering function has increased the number of parcels acquired by 40 percent, without an increase in staff.
- Over 500 geodetic control monuments were established, client information was provided on over 35,000 control monuments, and the geodetic data base is 50% operational.
- Digitizing of the county map series is progressing well, the metro area map is automated completely, and a new state work map is completely digitized.
- The Materials Office certified that all state, county, and city state-aid concrete and bituminous pavement materials met specifications.
- A pavement research facility (Mn/Road) was developed and construction has started.
- A comprehensive transportation research program has been developed and managed with more than 85 active projects.
- Soils, rock, drainage, and vegetation design recommendations and construction services have been provided for all roadways, bridges, retaining walls projects, etc.
- Thirty-four million dollars in consultant design expenditures have resulted in 231 million of construction contracts.

PROSPECTS:

Safety: Fiscal Year 1991 office initiatives were developed to address the needs of the Bridge Office and its clients. As FHWA underwater and fracture critical inspection requirements change and the size and complexity of Mn/DOT's deficient bridges increase, so will the cost and difficulty of providing inspection and funding for replacing those bridges. The Bridge Office has identified new initiatives in bridge safety, quality management, and bridge design to improve service quality.

The department's traffic safety goal is to reduce fatality rates by 50% by the year 2000. To achieve this goal, major efforts will be required to modify driver behavior, increase seat belt usage, lower blood alcohol content for DWI offenses, increase truck inspections, and challenge local units of government to emphasize the safety needs at the 341 State Highway locations identified by the public as requiring improvement. Accident investigation sites and other safety initiatives will be evaluated to determine effectiveness in improving traffic safety.

Environmental: Recent and projected requests for service, combined with state and federal legislation and the new FHWA Environmental Policy Statement, point to the 1990's as the "decade of the environment". These developments will require innovative highway planning, construction, and management to mitigate adverse environmental impacts while enhancing the environment. Requirements to meet these needs are improved environmental expertise, training, coordination, communication, research, innovation, and technology transfer.

Automation: Workstation access needs continue to exist. More functional uses of the workstations increases the demand. We anticipate that 50 to 60 more workstations will be required in the next 2 years, a 30% to 40% increase. Furthermore, additional support staff will be needed to serve the 4 users associated with each workstation.

In addition, there is a need to expand use of electronic media for transmittal of technical information and instruction to district design and construction units.

Program Delivery:

1. Technical Training

Statewide technical training and instruction are needed to ensure employees can continue to deliver quality products and services. Formal training is needed. Two temporary employees currently supply about 70% of this training. However, full-time permanent training staff is needed to deliver 50-70 classes during the next 2 years (500-700 enrollments).

2. Bottleneck Reduction

Geographic Information System (GIS) technology is a system that enables transportation data to be associated with plans and maps. GIS could improve Mn/DOT's processes and decision making. Resources will be needed to implement it.

There is a continued need to improve timeliness of mapping delivery through updated software, equipment enhancement, continued use of contractors, and exploration of new and emerging technology.

District survey personnel will be trained in the use of Global Positioning System (GPS), sophisticated satellite surveying equipment and techniques and the geodetic data base will be completed and maintained.

In the next biennium, the number of parcels of land to be acquired will increase, although the complexity and unit valuation will decrease somewhat. At the same time, a higher percentage of parcels will be obtained by means of direct negotiation. Local governmental taxing jurisdictions are expected to increase control, and lending institutions are assessing transactions with greater detail. These factors will ultimately impact the parcel acquisition process, making it more difficult to meet contract lettings resulting in more costly eminent domain actions. Furthermore, the lead times for acquiring new right of way are expected to continue in a "compressive" mode, thereby acknowledging the desires of local units of government.

Consultant future needs are dependent on Mn/DOT's total construction program and complement available to deliver such a program. There will always be need for consultant services to provide a work overload capability, provide special expertise and/or equipment, and provide objectivity of an outside authority.

Research - Transportation System Management:

1. Intelligent Vehicle Highway System (IVHS)

Minnesota has rapidly attained national IVHS leadership through cooperative efforts with the University of Minnesota Center for Transportation Studies. Numerous programs are emerging to compete for an increasing financial commitment from federal and private sources. The strategic planning effort identified IVHS as the future of freeway and traffic operations. IVHS is the next generation highway system of no less significance than the Interstate Program. It is critical to rapidly escalate the efforts so as to bring about this 1995 system to fruition.

2. Minnesota Physical Research Project

Additional staff and funding are needed to adequately address and manage increasingly complex and broad-ranging problems facing the transportation industry in Minnesota.

Additional staff are needed to:

- coordinate preparation and distribution of research results;
- prepare, process, and monitor contract services; and
- identify and prioritize research needs for state, county, and city transportation officials.

Additional funding is also needed to develop and produce video tape and other forms of research publications and also to acquire expertise and manpower beyond the resources of permanent complement positions.

PLAN:

The base adjustment/reallocation totals are broken down as follows (dollars in thousands):

	<u>F.Y. 1992</u>	<u>F.Y. 1993</u>
Base Adjustments	\$ 587.0	\$ 470.0
Reallocation Decisions	5,976.0	6,861.0
TOTALS	<u>\$6,563.0</u>	<u>\$7,331.0</u>

Base Adjustments

This program has very minor base adjustments to annualize F.Y. 1991 salaries per the Department of Finance and added a small amount for new programs initiated in F.Y. 1991 but not originally included in the F.Y. 1992 base.

Budget Reallocation Decisions
(Dollars in Thousands)

The department is requesting the following allocations from the balance of the Trunk Highway Fund:

<u>Safety</u>	<u>F.Y. 1992</u>	<u>F.Y. 1993</u>
	\$1,312.0	\$947.0

1. Bridge Safety

A request is made for an allocation of 10 positions and \$1,423,000 over the biennium for a bridge safety program. This comprehensive program will deal with 4 areas of concern: fracture critical inspection program, underwater inspection program, hydraulic scour analysis program, and a federally mandated program of studying the cost effectiveness of bridge replacement and rehabilitation. This program is essential with the increasing number of bridges that are identified as deficient and the limited resources available to mitigate the problem.

PROGRAM: Design Engineering
(Continuation)
Agency: Transportation, Department of

1992-93 Biennial Budget

2. Traffic Safety

A request is made for 3 positions and \$836,000 over the biennium for traffic safety. This activity includes a statewide signal optimization program, training and direction to local units of government, and the analysis of accident data on all systems and roadways. This effort will support the drive to reduce highway fatality rates by 50% by the year 2000.

<u>Environmental</u>	<u>F.Y. 1992</u>	\$2,121.0	<u>F.Y. 1993</u>	\$2,121.0
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Three positions and associated costs are requested to deal with the increased workload regarding hazardous waste and ground water contamination. In addition, \$4,000,000 is requested over the biennium to deal with sites owned by Mn/DOT, or involving Mn/DOT as a third party, in the cleanup of hazardous materials or waste. Failure to meet this request could impact other programs since resolving the hazardous waste issue is a department priority item.

<u>Automation</u>	<u>F.Y. 1992</u>	\$419.0	<u>F.Y. 1993</u>	\$419.0
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An allocation of \$838,000, over the biennium, is requested for increases in maintenance contracts, licensing fees, production costs, and related supplies for in-house computer-aided road design and other systems.

<u>Program Delivery</u>	<u>F.Y. 1992</u>	\$596.0	<u>F.Y. 1993</u>	\$596.0
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1. Technical Training

A request is made for \$564,000 over the biennium for training for the Offices of Traffic Engineering and Technical Support to keep abreast of rapidly developing technology. This effort will allow for the review, investigation, and implementation of new technology concerning electrical devices and provide direction for Mn/DOT.

2. Bottleneck Reduction

A request is made for \$628,000 and 3 positions over the biennium for the Office of Surveying and Mapping as well as other offices. The positions and associated expenses will be used in support of the geodetic database and use of the Global Positioning System. Included in the request is the \$400,000 over the biennium for consultant mapping agreements. This request will assist in alleviating the work stoppage that occurs at the beginning of the program delivery process. In addition, several offices will employ consultants to meet program delivery schedules. Furthermore, implementation of Geographic Information System technology will speed up delivery of plans and maps, which is essential to the construction planning process.

<u>Research--Transportation System Management</u>	<u>F.Y. 1992</u>	\$772.0	<u>F.Y. 1993</u>	\$655.0
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1. Intelligent Vehicle Highway System

A request is made for \$1,107,000 and 3 positions, over the biennium, for IVHS (Intelligent Vehicle Highway System). This request will establish IVHS expertise in the department and allow for a maintained, operable, and expanded system. This request should not be minimized, since it involves the next generation highway system, which will lead to reduced accidents and improved traffic control.

2. Minnesota Physical Research Projects

The installation of a complex instrumentation network will require the utilization of consulting and technical assistance to conduct Minnesota Road Research activities.

3. Position Conversion

To maintain a stable work force, the department is requesting the conversion of 20 part-time positions to full-time. The positions are in the following areas: Technical Support-7, Materials-

13. Request includes a decrease in non-complement funds equal to the dollars needed for conversion to full-time positions.

<u>Economic Adjustment</u>	<u>F.Y. 1992</u>	\$756.0	<u>F.Y. 1993</u>	\$2,123.0
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1. Part-Time/Overtime

A request is made for \$200,000 adjustment over the biennium to cover increased needs for part-time and overtime expenses.

2. Salary Supplement

A request is made for \$2,679,000 over the biennium to cover anticipated contract settlements of 4.5% per year.

GOVERNOR'S RECOMMENDATION:

The Governor makes the following recommendations on the above request:

	<u>F.Y. 1992</u>	<u>F.Y. 1993</u>
Safety	\$ 809	\$ 444
\$502 in F.Y. 1992 and \$137 in F.Y. 1993 is for the bridge safety activity. \$307 each year is for traffic safety.		
Environmental	1,819	1,819
Automation	419	419
Program Delivery	-0-	-0-
Research	772	655
Economic Adjustment	-0-	-0-

This recommendation includes 3.0 positions for the IVHS activity and the conversion of 20.0 part-time to full-time complement.

1992-1993 B I E N N I A L B U D G E T
(DOLLARS IN THOUSANDS)

AGENCY: TRANSPORTATION,DPT OF
PROGRAM: DESIGN ENGINEERING

				FY 1992			FY 1993		
ACTIVITY RESOURCE ALLOCATION:	FY 1989	FY 1990	Est. FY 1991	Adjusted Base	Agency Plan	Governor Recomm.	Adjusted Base	Agency Plan	Governor Recomm.
=====	=====	=====	=====	=====	=====	=====	=====	=====	=====
DESIGN ENGINEERING	45,989	51,214	54,204	54,791	60,767	58,610	54,674	61,535	58,011
=====	=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL EXPENDITURES BY ACTIVITY	45,989	51,214	54,204	54,791	60,767	58,610	54,674	61,535	58,011
=====	=====	=====	=====	=====	=====	=====	=====	=====	=====
DETAIL BY CATEGORY:									
=====									
STATE OPERATIONS	45,989	51,214	54,204	54,791	60,767	58,610	54,674	61,535	58,011
=====	=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL EXPENDITURES BY CATEGORY	45,989	51,214	54,204	54,791	60,767	58,610	54,674	61,535	58,011
=====	=====	=====	=====	=====	=====	=====	=====	=====	=====
SOURCES OF FINANCING:									
=====									
DIRECT APPROPRIATIONS:									
TRUNK HIGHWAY	45,962	51,184	54,204	54,791	60,767	58,610	54,674	61,535	58,011
STATUTORY APPROPRIATIONS:									
FEDERAL	27	30							
=====	=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL FINANCING	45,989	51,214	54,204	54,791	60,767	58,610	54,674	61,535	58,011

PROGRAM: Construction Engineering
Agency: Transportation, Department of

1992-93 Biennial Budget

PROGRAM PURPOSE:

The Construction Engineering program exists within the Department of Transportation's Operations Division to provide effective administration of all transportation construction contracts administered by Mn/DOT.

The primary objectives of program activities are to ensure:

- quality;
- timely and cost-effective delivery of department programs and services; and
- effective and customer-driven transportation-related constituent services to local units of government and the public.

The objectives of the Construction Engineering Program are accomplished through 5 primary focus areas:

1. Participating in department planning efforts to ensure that local constituent concerns are represented and that the resources necessary to deliver project improvements are planned for and available.
2. Preparing all the pre-construction plans and documents necessary to process a project from conception to contract bid-letting. Pre-letting activity includes the following functions:
 - administration and management of consultant contracts
 - location surveys
 - soils investigations
 - layout development
 - environmental impact document preparation
 - public meetings and hearings
 - right-of-way/land acquisition
 - design and preliminary design
 - construction plan preparation
3. Providing construction management through the coordination of district engineering and technical staff. Construction management activity includes the following functions:
 - construction surveys and staking
 - grading, base, bituminous, concrete, and culvert inspection
 - plant (bituminous/concrete) inspection
 - bridge inspection and documentation
 - measurement/certification of quantities
 - determination of partial payments to contractors
 - preparation of final plans (as-built)
 - contract closeout documentation and payments
 - general contract administration
 - administration of consultant contracts
 - administration of the bituminous quality management program (which includes the design and monitoring of bituminous mixtures)
4. Coordinating and providing overall central management of the above activities and the contract bid-letting process. Constituents being served include Mn/DOT districts and divisions as well as 87 counties, cities throughout the state, consultant engineers, contractors, materials suppliers, and

the Federal Highway Administration.
Activities of this function include:

- administering all phases of construction contracts
- clarifying specifications requirements
- recommending contract awards
- authorizing subcontracting
- reviewing and approving supplemental agreements
- serving as departmental liaison with contractors
- recommending approval of partial and final payment vouchers

5. Providing constituent services in 3 major focus areas in order to maximize Mn/DOT's contribution to the State of Minnesota as both a major landowner and a partner with local units of government. As transportation experts in both engineering and technical areas, the services provided by Mn/DOT include:

■ **Local Coordination**

- construction staging of other governmental units' projects
- traffic control
- cooperative agreements for funding
- review of other agencies' environmental documents
- joint plan development with regional development commissions

■ **Land Management**

- reconveyance of land
- turnbacks of land and roads
- plat reviews
- entrance permitting
- monumenting right-of-way
- utility permitting
- ditch/stream (hydraulic) management

■ **Traffic Management**

- speed zoning on trunk highways, and for cities and counties
- plat reviews
- entrance permit reviews
- signal system management
- technical assistance to cities and counties
- freeway operation strategies in the Twin Cities metropolitan area, including: ramp meters, high vehicle occupancy lanes, surveillance systems, incident management, driver information, demand management.

PERFORMANCE:

Construction Engineering Program objectives are accomplished by Mn/DOT's 8 district offices and the central offices of Pre-Construction and Construction.

Although it is difficult to supply specific effectiveness measurements and outputs, following are a number of indicators that may be used to gauge the success of this program's efforts:

- projects and programs that consistently meet or exceed federal, state, and local specifications;
- prompt closing and payment of contracts;

PROGR Construction Engineering
(Continuation)
Agency: Transportation, Department of

1992-93 Biennial Budg

- increased efforts and automated systems installed in order to maintain the integrity of the contract administration process;
- project designs amended to reflect environmental issues, engineering requirements and specifications, innovative developments, and constituent concerns; and
- increased constituent services to counties and cities.

The results can also be recognized in increased quality of projects and products, reduced time delays in completion and closing of projects, minimized environmental impacts, decreased lawsuits and claims against the State of Minnesota, and increased communication between construction engineering personnel and their constituents.

In order to deliver quality projects that meet design standards and specifications with minimal delays, Mn/DOT has employed many different strategies, including:

- actively seeking input from constituent groups so that concerns can be addressed;
- using seasonal labor when appropriate;
- building incentives into construction contracts;
- developing workload leveling processes;
- developing automation applications for integration into all steps of the process;
- developing innovative delivery methods for individual projects as necessary;
- decentralizing internal decision-making authority to appropriate levels whenever possible; and
- applying the quality improvement process methods of participative management and implementation of solutions in order to determine where efficiencies can be gained.

These and other strategies have resulted in continual improvement of both delivery methods and the quality of contracted projects.

Specific examples of strategies employed include:

- the design and implementation of a certification program to ensure the technical integrity of the construction project delivery process. This effort included training for employees of Mn/DOT, counties, cities, and contractors.
- the establishment of the Office of Freeway Operations within the Metropolitan District to address the congestion concerns in the Twin Cities metropolitan area. Some initiatives of this office include:
 - installation of freeway entrance ramp meters,
 - aerial traffic surveillance cameras,
 - incident response call system,
 - off-roadway traffic and accident investigation sites, and
 - demand management activities to encourage reduced rush hour travel.

PROSPECTS:

Mn/DOT's efforts to promote efficient and cost-effective construction engineering activities will be

influenced by several factors in the years ahead, including:

- The department must continue to promote and encourage quality and continuous improvement among Mn/DOT employees and the private contractors with whom the department does business.
- Ongoing concerns for environmental preservation will require continuing analysis and assessment during pre-construction activities to identify impacts and effects. Innovative practices will be implemented during construction engineering phases to minimize potential impacts.
- Increases in the costs of gasoline and diesel fuel have the potential to significantly impact construction activities and the cost of materials required to do highway project improvements.
- Continuing emphasis on customer service, including department efforts to support state economic development objectives by listening to business, will continue to influence the costs of constituent services.
- Ongoing communication and cooperation with counties and cities can also be expected to increase as Mn/DOT works to promote coordination of the scheduling of construction activities among all units of government.
- Effective strategies will continue to be explored for reducing the costs and completion time in the delivery of projects.

A major trend influencing the Construction Engineering Program is the increasing congestion occurring in urban areas of Minnesota. Traffic volumes on many Twin Cities freeways and major expressways are increasing by as much as 10 percent per year since 1970.

Accommodating this growth in travel demand will require the implementation of a variety of traffic management solutions. These solutions will focus on technological and practical means for improving the information available to drivers on conditions and routing alternatives and for traffic flow enhancement, such as ramp meters and high occupancy vehicle lanes.

Growing traffic congestion levels have also resulted in increased work-zone safety-related issues. To improve and promote the safety of both employees of Mn/DOT and the contractors, the department will continue to work on:

- methods for scheduling work activities during non-peak hour traffic periods;
- driver education programs; and
- additional traffic management techniques.

Mn/DOT is currently reducing construction engineering time and personnel requirements through the use of computer-aided design and automated management information systems. These systems are promoting efficiencies in a variety of different projects, monitoring pre-construction, traffic management, surveying, and contract management activities.

New technological advances and ongoing technical training for employees will be necessary to ensure that automation and efficiency strides continue.

Mn/DOT is also working with private contractors to reduce construction engineering delays and improve project management practices. For example, contractor incentive clauses are being included in highway construction contracts to promote efficiencies.

PLAN:

The base/adjustment reallocation totals are broken down as follows (dollars in thousands):

PROGRAM: Construction Engineering
(Continuation)
Agency: Transportation, Department of

1992-93 Biennial Budget

GOVERNOR'S RECOMMENDATION:

The Governor makes the following recommendations on the above requests.

	<u>F.Y. 1992</u>	<u>F.Y. 1993</u>
Base Adjustments	\$ 1,012.0	\$ 786.0
Reallocation Decisions	<u>3,553.0</u>	<u>6,356.0</u>
TOTALS	<u>\$ 4,565.0</u>	<u>\$ 7,142.0</u>
<u>Base Adjustments</u>		

The Construction Engineering program has some base adjustments for annualizing F.Y. 1991 salaries per the Department of Finance and a minor amount for new programs initiated in F.Y. 1991 but not originally included in the F.Y. 1992 base, and for rent increases.

Budget Reallocation Decisions
(Dollars in Thousands)

The department proposes an allocation to the Construction Engineering Program totaling \$9,909,000 for the biennium F.Y. 1992-93. This allocation is to provide for the following program activities:

<u>Motor Services</u>	<u>F.Y. 1992</u>	\$2,115.0	<u>F.Y. 1993</u>	\$2,115.0
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1. Freeway Operations Base Funding

The department requests \$3,040,000 to maintain a newly established Metro District Traffic Management function within the Construction Engineering Program.

2. Freeway Operations -
Traffic Congestion

This \$1,190,000 allocation to the Construction Engineering appropriation is to escalate the attack on metro traffic congestion, in order to reduce motorist delay and reduce accidents. This will be accomplished by broadly expanding proven techniques and testing new techniques for freeway management, as well as by establishing accurate and effective traffic information programs for motorists. Congestion reduction is one of the department's top 3 priorities, and this request will allow 2 technicians and 1 programmer to work on programmed ramp meter expansion. We will also have funding for 4 engineers and their expenses involved in highway advisory radio, surveillance, and monitoring projects. Several planning groups and task forces have developed plans and programs to deal with this critical issue, and these funding adjustments are necessary to fully manage the planned systems.

<u>Program Delivery</u>	<u>F.Y. 1992</u>	\$130.0	<u>F.Y. 1993</u>	\$130.0
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Technical Training

This request for technical training for the program personnel involved in road design and construction. This will enable our construction staff to maintain current practices in program delivery from Computer Aided Design through final delivery of the construction program.

<u>Economic Adjustment</u>	<u>F.Y. 1992</u>	\$1,308.0	<u>F.Y. 1993</u>	\$4,111.0
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Salary Supplement

This allocation is requested to provide for estimated contract settlement of 4.5% per year.

	<u>F.Y. 1992</u>	<u>F.Y. 1993</u>
Motor Services	\$ 1,739	\$ 1,739
This includes funds to maintain the new Metro District Traffic Management function and expansion of efforts to alleviate congestion problems.		
Economic Adjustment	-0-	-0-
Program Delivery	-0-	-0-

1992-1993 B I E N N I A L B U D G E T
(DOLLARS IN THOUSANDS)

AGENCY: TRANSPORTATION,DPT OF
PROGRAM: CONSTRUCTION ENGINEERING

				FY 1992			FY 1993		
			Est.	Adjusted	Agency	Governor	Adjusted	Agency	Governor
ACTIVITY RESOURCE ALLOCATION:	FY 1989	FY 1990	FY 1991	Base	Plan	Recomm.	Base	Plan	Recomm.
=====	=====	=====	=====	=====	=====	=====	=====	=====	=====
CONSTRUCTION ENGINEERING	54,840	63,269	64,481	65,493	69,046	67,232	65,267	71,623	67,006
=====	=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL EXPENDITURES BY ACTIVITY	54,840	63,269	64,481	65,493	69,046	67,232	65,267	71,623	67,006
=====	=====	=====	=====	=====	=====	=====	=====	=====	=====
DETAIL BY CATEGORY:									
=====									
STATE OPERATIONS	54,840	63,269	64,481	65,493	69,046	67,232	65,267	71,623	67,006
=====	=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL EXPENDITURES BY CATEGORY	54,840	63,269	64,481	65,493	69,046	67,232	65,267	71,623	67,006
=====	=====	=====	=====	=====	=====	=====	=====	=====	=====
SOURCES OF FINANCING:									
=====									
DIRECT APPROPRIATIONS:									
TRUNK HIGHWAY	54,840	63,269	64,481	65,493	69,046	67,232	65,267	71,623	67,006
=====	=====	=====	=====	=====	=====	=====	=====	=====	=====
STATUTORY APPROPRIATIONS:									
=====	=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL FINANCING	54,840	63,269	64,481	65,493	69,046	67,232	65,267	71,623	67,006
=====	=====	=====	=====	=====	=====	=====	=====	=====	=====

PROGRAM PURPOSE:

The State Road Operations Program exists within the Department of Transportation, Operations Division in order to provide maintenance of the trunk highway system, ensuring the system's safety and efficiency. The trunk highway system is essential to provide for the mobility of the public and the movement of people and goods to support our agricultural, industrial, commercial, and tourism economic base. The state trunk highway system is presently estimated to have a current replacement value of over \$20,000,000,000.

PERFORMANCE:

The objectives of the State Road Operations Program are to provide for the safe travel of the public on the existing trunk highway system through:

- prompt and effective response to constituent concerns;
- maintaining and repairing the road surfaces, shoulders, and approaches of the 28,836 lane miles of trunk and interstate highways;
- providing snow and ice removal services during the winter season;
- repairing, inspecting, paving, and resurfacing trunk highway bridges;
- managing over 225,000 acres of highway rights of way;
- providing over-dimension and over-weight transportation permits and route determination;
- providing traffic control services, speed zoning, lighting and informational signing of the system, pavement marking, traffic signals, guard rails, concrete barriers, and detour maintenance;
- cooperating with county and local governments to ensure continuous service on all state roads and highways;
- managing and operating Mn/DOT buildings, equipment, and safety rest areas (excluding the Mn/DOT Central Office Building in St. Paul);
- cooperating with neighboring states in managing interstate highway segments and bridges;
- providing for continuous improvement in the quality of maintenance operations; and
- providing support services to ensure fiscal and financial accountability, including human resource services, training, accounting, labor relations, materials management, safety programs, procurement, and information systems.

The objectives of this program are provided through the 8 districts (14 maintenance areas) located throughout the state, the central maintenance office in St. Paul, and the Truck Services Center in So. St. Paul. The level of service provided in the delivery of the above activities is determined through periodic internal review as well as administering public surveys and conducting safety forums throughout the state, which are attended by constituents of these services. Input is also received through the safety rest areas, where comments from the traveling public are collected for review and monitoring. Expected results of this program include the safe and uninterrupted travel of constituents, and the provision of a consistent level of service statewide that is responsive to clients' expressed needs.

Alternative strategies have been explored on a limited basis to provide maintenance services through

private contractors. Results of these structured endeavors have been documented and reported within the parameters recommended by the Program Evaluation Division of the Office of the Legislative Auditor (January 1985).

PROSPECTS:

Several factors have influenced both the need for this program and the cost of providing program services. As increased emphasis is placed on improving the economic growth of Minnesota's industry and tourism, increased attention is placed on not only the adequacy of the existing highway system, but the growth and the safety of the system as well. Population growth, the aging and diversity of the population, and the increase in mobility of the population have all resulted in the need to address increasing and changing constituent needs.

The cost of resources necessary to maintain the existing system at the same level of service has increased. Examples of items with increased costs include: negotiated employee salary and benefits, bituminous, fuels, traffic marking paint, utilities for highway and facilities lighting, contractual services at Mn/DOT facilities, salt and sand for winter operations, insurance for vehicles, and removal and disposal of waste.

The growth of the highway system, existing infrastructure deterioration, increased focus on environmental and safety concerns, and the need to address system congestion and the aging motorist have resulted in:

- a request for additional maintenance workers to maintain the additional lane miles;
- a request for funding to incrementally purchase and install crash attenuators on vehicles that have the greatest potential for work-zone accidents;
- continuation of research and testing of salt substitutes and/or rust inhibitors;
- an increased level of effort in bridge safety inspections;
- purchase of environmentally safe paint for traffic markings and the equipment required to place the paint;
- rapid expansion of the mileage and hours for operating traffic management systems;
- expansion of the Highway Helper efforts in order to provide longer periods of coverage at increasingly congested segments;
- continuing efforts to determine needs of the aging motorist in terms of highway signing visibility;
- continuation of the incremental inspection and replacement of underground fuel tanks when determined unsafe;
- continuing efforts to solicit constituent input and to improve the ability to respond to their concerns; and
- continuing efforts to explore improved work methods designed to increase the quality of service provided and minimize the impact of increased materials purchase and disposal costs.

PLAN:

The base adjustment/reallocation totals are broken down as follows (dollars in thousands):

PROGRAM: State Road Operations
(Continuation)
Agency: Transportation, Department of

1992-93 Biennial Budget

	<u>F.Y. 1992</u>	<u>F.Y. 1993</u>
Base Adjustments	\$ 1,426.0	\$ 1,073.0
Reallocation Decisions	<u>9,347.0</u>	<u>14,495.0</u>
TOTALS	<u>\$10,773.0</u>	<u>\$15,568.0</u>

Base Adjustments

The State Road Operations Program base adjustment is primarily for annualizing F.Y. 1991 salaries per the Department of Finance.

Budget Reallocation Decisions
(Dollars in Thousands)

The department proposes an allocation to the State Road Operations Program totaling \$23,842,000 in the F.Y. 1992-93 biennium. This allocation is to provide for the following program activities:

<u>Safety</u>	<u>F.Y. 1992</u>	<u>F.Y. 1993</u>
	\$500.0	\$500.0

Attenuators

This request would provide funds to install crash attenuators on our road equipment to prevent and/or limit damage from collisions in work zones. Attenuators are specially designed trailers that will help absorb the impact of a rear-end collision on some of our essential but often bulky and slow-moving road equipment.

<u>Motor Services</u>	<u>F.Y. 1992</u>	<u>F.Y. 1993</u>
	\$1,700.0	\$1,700.0

1. Highway Helper

(8 highway maintenance worker positions)

The positions and \$800,000 would allow expansion of this customer-conscious/service-oriented program.

2. New Lane Miles and Utilities

(20 highway maintenance worker positions)

This request of \$2,600,000 includes funding for positions (per snow and ice formula) due to lane miles added to the system. This request also includes provision for the cost of utilities (lighting) associated with the added lane miles.

<u>Economic Adjustment</u>	<u>F.Y. 1992</u>	<u>F.Y. 1993</u>
	\$6,397.0	\$11,545.0

1. Waste Removal

\$300,000 is necessary to pay for increases in dumping fees and hazardous waste removal.

2. Non-Complement

<u>F.Y. 1992</u>	<u>F.Y. 1993</u>
\$900.0	\$900.0

Funding of \$1,800,000 represents 11% of the division's non-complement position funding. Recent bargaining agreement language extends benefits (vacation, sick leave, insurance, and severance) to qualified non-complement employees.

3. Fleet Insurance

The agency requests \$660,000 to pay the risk insurance premium for Mn/DOT's road equipment, as determined by the Department of Administration.

4. Fuel Costs

The department will need \$2,000,000 to fund the conversion in several district locations from bulk tank purchase to purchasing from local vendors. The funding change also addresses recent increases in the cost of fuel.

5. Greenview

Funding of \$340,000 is necessary to accommodate the additional rest areas within the Greenview contract as follows: Hayward, St. Cloud, Le Seuer and Pine City.

6. Salary Supplement

This request for \$4,597,000 is to provide for the estimated contract settlement of 4.5% per year.

Environmental

<u>F.Y. 1992</u>	<u>F.Y. 1993</u>
\$750.0	\$750.0

Tank Replacement

This request for \$1,500,000 is necessary to continue the underground tank replacement program at district facilities. Completion of the program is necessary to be in compliance with federal, state, and local environmental protection regulations.

GOVERNOR'S RECOMMENDATION:

The Governor recommends the agency's request in the areas of safety, motor services and environmental. The economic adjustment request is reduced by \$5,397 in F.Y. 1992 and \$10,545 in F.Y. 1993 which leaves \$1,000,000 each year for increased fuel costs.

This recommendation includes 8.0 positions for the Highway Helper activity and 20.0 maintenance positions resulting from added lane miles.

1992-1993 B I E N N I A L B U D G E T
(DOLLARS IN THOUSANDS)

AGENCY: TRANSPORTATION,DPT OF
PROGRAM: STATE ROAD OPERATIONS

				FY 1992			FY 1993		
			Est.	Adjusted	Agency	Governor	Adjusted	Agency	Governor
ACTIVITY RESOURCE ALLOCATION:	FY 1989	FY 1990	FY 1991	Base	Plan	Recomm.	Base	Plan	Recomm.
=====	=====	=====	=====	=====	=====	=====	=====	=====	=====
STATE ROAD OPERATIONS	122,888	130,554	139,289	140,715	150,062	144,665	140,362	154,857	144,312
=====	=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL EXPENDITURES BY ACTIVITY	122,888	130,554	139,289	140,715	150,062	144,665	140,362	154,857	144,312
=====	=====	=====	=====	=====	=====	=====	=====	=====	=====
DETAIL BY CATEGORY:									
=====									
STATE OPERATIONS	122,887	130,553	139,289	140,715	150,062	144,665	140,362	154,857	144,312
AID TO INDIVIDUALS	1	1							
=====	=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL EXPENDITURES BY CATEGORY	122,888	130,554	139,289	140,715	150,062	144,665	140,362	154,857	144,312
=====	=====	=====	=====	=====	=====	=====	=====	=====	=====
SOURCES OF FINANCING:									
=====									
DIRECT APPROPRIATIONS:									
TRUNK HIGHWAY	122,732	130,554	139,289	140,715	150,062	144,665	140,362	154,857	144,312
STATUTORY APPROPRIATIONS:									
TRUNK HIGHWAY	156								
=====	=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL FINANCING	122,888	130,554	139,289	140,715	150,062	144,665	140,362	154,857	144,312
=====	=====	=====	=====	=====	=====	=====	=====	=====	=====

PROGRAM PURPOSE:

Mn/DOT is responsible for the construction, improvement, and maintenance of state trunk highways. The equipment support services program provides the tools, equipment, supplies, and work environment needed to accomplish these activities through careful selection and distribution of the most appropriate and cost effective equipment. The work activities accomplished are designed to provide timely, efficient, and effective transportation services for the public. More specifically, program objectives include:

1. Purchase new or used road equipment that will satisfy one or more of the following criteria:
 - Increase efficiency and productivity.
 - Provide more economical operations.
 - Compensate for changes in workloads.
 - Standardize the fleet, thereby simplifying parts inventory, repair procedures, and interchangeability.
2. Insure provision of scientific equipment to continue various specialized programs in testing, research, surveying, and mapping.
3. Upgrade existing communications equipment and place equipment to satisfy immediate communications needs, enhance employee safety, and more effectively deploy personnel.
4. Insure availability of power tools to perform required maintenance on the department's equipment, buildings, bridges, and rights of way.
5. Provide office furniture, machines, and drafting and mobile graphic/audio visual equipment.

PERFORMANCE:

Mn/DOT's Equipment Program has provided equipment that is both efficient and highly technical in order to deliver effective services to the public. The delivery of construction programs on a timely basis, for example, is dependent on the ability to use computers in the planning and design of the construction plans. Likewise, sophisticated testing equipment and readily available transportation are necessary to properly monitor that specifications are being met during the construction process. This is particularly true when the construction program is increasing or there is pressure to expedite delivery of a construction program or completion of a project.

Mn/DOT's Equipment Program provides highway maintenance personnel with highly productive, highly mobile, and versatile equipment in order not only to operate efficiently but to produce work with minimum disruption to traffic. Labor intensive activities are being mechanized wherever possible to maximize the safety of the motorist, to increase long-term cost efficiency, and to enhance the safety for employees working in highway maintenance work zones.

If this program is not adequately funded and administered, the effective use of personnel resources cannot be maximized for economical service to the public. Maximizing efficient use of personnel requires that employees be equipped with up-to-date equipment in one or more of the following 6 categories.

1. Road Equipment consisting of motorized propelled and non-propelled units, non-motorized equipment, and miscellaneous equipment used by field operations in both contract administration

and maintenance.

2. Scientific Equipment consisting of laboratory, safety, and surveying equipment used for testing, research, and project monitoring conducted by the department.
3. Electronic Communications Equipment consisting of mobile radios, portable radios, base/repeater stations, and remote consoles used in support of the electronic communications activity.
4. Shop Equipment consisting of the tools necessary for servicing and maintaining the department's mobile fleet, buildings, and bridges.
5. Office Equipment including office machines, engineering and drafting equipment, photographic and audio visual equipment, and office furniture.
6. Data Processing Equipment including mini and micro computers, desktop work stations, automated road design work stations, and data entry machines.

PROSPECTS:

Purchases of equipment have been, and will continue to be, accomplished when it has been determined that it is more cost-effective to purchase equipment in lieu of maintaining existing equipment, when increase in complement demands increase in equipment, or when it is necessary to introduce new, more productive types of equipment to offset increases in workloads or meet required standards. In addition, the growing demand for transportation service by the public commands higher technology to keep up with advancements and to maintain the present levels of safety. The result of urban congestion and lane usage demands more equipment in order to monitor, maintain, and manage the system.

Lease/purchase analysis is made prior to purchase to determine the most cost effective method of equipment acquisition. Achieving the best return with the resources expended, in terms of both the individual pieces and overall classes of equipment, will continue to be a goal of the Equipment Support Services Program.

It is essential that Mn/DOT receive the requested funds for the Equipment Program. All equipment must be kept within the established economic life cycle in order to efficiently provide highway maintenance and construction services to the people of Minnesota. Without these funds Mn/DOT will have to extend the life of its equipment, which will ultimately demand more repairs and expenditure of operating funds to repair obsolete equipment, resulting in downtime. Overall impact will be decreased employee productivity and greater overall cost to the taxpayer with reduced service to the public.

PLAN:

The department proposes an additional allocation to the Equipment Program totaling \$2,522,800 for the F.Y. 1992-93 biennium.

The following criteria shall be used to evaluate potential equipment purchases:

- Age of existing equipment:
Is it at a point in its economic life when replacement is required?
- Usage:
For a given age, does equipment warrant replacement on the basis of utilization?
- Condition:
What is the physical and mechanical condition of the equipment scheduled for replacement?

PROGRAM: Equipment
(Continuation)
Agency: Transportation, Department of

1992-93 Biennial Budget

GOVERNOR'S RECOMMENDATION:

The Governor concurs with the agency's plan.

- **Economics:**
What is the replacement cost vs. cost of continued ownership for another 12 months?
- **Obsolescence:**
Is there a need to upgrade to match the current technology in order to increase productivity or reduce downtime due to unavailability of repair parts?

Mn/DOT is requesting additional funding in 4 of the 6 equipment categories.

The base adjustment/reallocation totals are broken down as follows (dollars in thousands):

	<u>F.Y. 1992</u>	<u>F.Y. 1993</u>
Base Adjustments	\$5,057.0	\$5,061.0
Reallocation Decisions	<u>\$1,032.0</u>	<u>\$1,491.0</u>
TOTALS	<u>\$6,089.0</u>	<u>\$6,552.0</u>

Base Adjustments

The Equipment Program base adjustments are made up of approximately \$15 million in biennial appropriation adjustments less about \$5 million to remove F.Y. 1990 appropriations carried forward into the F.Y. 1991 base.

Budget Reallocation Decisions
(Dollars in Thousands)

<u>Equipment</u>	<u>F.Y. 1992</u>		<u>F.Y. 1993</u>	
		\$1,032.0		\$1,491.0

1. **Road Equipment**
The agency is requesting \$1,499,000 to sustain existing fleet replacement cycles with expected 4.5% inflation rate each year of the biennium.
2. **Scientific Equipment**
An additional \$699,000 is needed to accelerate replacement of aging materials testing equipment that is becoming increasingly difficult and expensive to maintain. Purchases of new technology equipment for our survey activities, including global positioning system receivers and total stations are necessary for efficient use of personnel. These funds are also needed to purchase additional and replacement field test equipment to meet demands for our expanded construction program, and are also needed to purchase additional safety and environmental monitoring equipment.
3. **Electronic Equipment**
Additional funds of \$211,000 are needed to supply a growing fleet with necessary communications equipment, required for the fleet to perform its duties adequately, timely, and safely both in daily responsibilities and during emergencies and special events. These funds are also needed to purchase additional portable and mobile radio equipment to connect maintenance and construction personnel and to accommodate vast roadway construction scheduled for the future.
4. **Office Equipment**
Funding of \$114,000 is needed to replace obsolete equipment with up-to-date equipment, to purchase drafting tables and equipment for new work stations, and to acquire modular equipment to allow more efficient use of space and reduce overcrowding.

1992-1993 BIENNIAL BUDGET
(DOLLARS IN THOUSANDS)

AGENCY: TRANSPORTATION,DPT OF
PROGRAM: EQUIPMENT

ACTIVITY RESOURCE ALLOCATION:	FY 1989	FY 1990	Est. FY 1991	FY 1992			FY 1993		
				Adjusted Base	Agency Plan	Governor Recomm.	Adjusted Base	Agency Plan	Governor Recomm.
EQUIPMENT	11,120	24,524	11,177	16,234	17,266	17,266	16,238	17,729	17,729
TOTAL EXPENDITURES BY ACTIVITY	11,120	24,524	11,177	16,234	17,266	17,266	16,238	17,729	17,729
DETAIL BY CATEGORY:									
STATE OPERATIONS	11,089	24,524	11,177	16,234	17,266	17,266	16,238	17,729	17,729
LOCAL ASSISTANCE	31								
TOTAL EXPENDITURES BY CATEGORY	11,120	24,524	11,177	16,234	17,266	17,266	16,238	17,729	17,729
SOURCES OF FINANCING:									
DIRECT APPROPRIATIONS:									
GENERAL	6	4	6	5	5	5	5	5	5
STATE AIRPORTS	36	82	35	58	58	58	59	59	59
TRUNK HIGHWAY	10,182	24,189	10,836	15,871	16,903	16,903	15,874	17,365	17,365
STATUTORY APPROPRIATIONS:									
TRUNK HIGHWAY	896	249	300	300	300	300	300	300	300
TOTAL FINANCING	11,120	24,524	11,177	16,234	17,266	17,266	16,238	17,729	17,729

PROGRAM: General Administration
Agency: Transportation, Department of

1992-93 Biennial Budget

PROGRAM PURPOSE:

General Administration provides service, support, and structure to the Department of Transportation and selected clients in order to accomplish the general mission of the department and other program entities in a timely, efficient manner. This program has five major components: General Management, General Services, Legal Services, Electronic Communications, and Air Transportation.

General Management, including the Division of Finance and Administration, and the Commissioner's Office, exists to provide traditional administrative support and structure to Mn/DOT.

General Services is composed solely of appropriations used to pay for services or activities of a general benefit to the entire department. These include the funds for buildings and leases, statewide indirect costs, and data processing development.

Legal Services consists of the appropriation used to pay the Attorney General for legal services provided to Mn/DOT and legal expenses related to those services.

Electronic Communications provides, maintains, and repairs communications systems for Mn/DOT, the State Patrol, the Department of Natural Resources, and most other state agencies. Services include designing communication systems to meet the needs of each agency, installing the systems in a timely manner, repairing malfunctioning equipment, and engineering evaluations of new state-of-the-art equipment.

Air Transportation exists to provide needed air transportation for state employees when this transportation contributes to their optimum performance.

PERFORMANCE:

The prime measure of the effectiveness of General Administration is the efficient operation of all the other programs in a manner that conforms to all statutes and specific program requirements.

General Management performance indicators:

	<u>1988</u>	<u>1989</u>	<u>1990</u>	<u>1991</u>	<u>1992</u>	<u>1993</u>
Percentage of Invoices Paid Within 30 Days	99	99	99	99	99	99
Number of Photo Lab Orders	3,508	3,550	3,600	3,750	3,900	4,050
Number of Personnel Requisitions Processed	935	956	1,012	982	972	962

General Services has very little latitude in determining its performance. The workload and financial requirements of this activity are determined by external demands.

Legal Services has the following performance indicators:

	<u>1988</u>	<u>1989</u>	<u>1990</u>	<u>1991</u>	<u>1992</u>	<u>1993</u>
Parcels in Condemnation	257	300	300	300	150	150
Appeals to District Court	45	45	50	50	35	35
Settlements	18	45	45	45	35	35

Electronic Communications performance indicators are as follows:

	<u>1988</u>	<u>1989</u>	<u>1990</u>	<u>1991</u>	<u>1992</u>	<u>1993</u>
Repair Service Requests	16,000	16,500	17,000	18,000	19,000	20,000
Engineering Tasks Completed for Mn/DOT	54	54	54	54	54	54
Engineering Tasks Completed for Other State Agencies	54	23	23	23	23	23
Mobile Radio Installations	1,850	1,900	1,950	2,000	1,850	1,700
Microwave Systems Maintained	20	21	21	21	45	60
CCTV Systems Maintained	6	6	6	6	6	6
Local Area Networks	--	--	10	16	24	27
Wide Area Networks	--	--	1	1	2	4
Motorist Call Boxes	--	--	35	35	98	98
Cellular Telephones	--	--	--	--	104	300
NWS Stations Maintained	8	8	8	8	9	10
Radar Speed Timing Devices Maintained	663	663	663	663	700	700
Electronic Scales Maintained	8	8	8	8	10	12

PROGRAM: General Administration
(Continuation)
Age Transportation, Department of

1992-93 Biennial Budget

Weigh-in-Motion Scales Maintained	6	6	6	6	8	8
Personal Computers Maintained	450	450	750	950	1,050	1,300

The activity of Air Transportation has several performance indicators, including:

	<u>1988</u>	<u>1989</u>	<u>1990</u>	<u>1991</u>	<u>1992</u>	<u>1993</u>
Trips Flown	593	421	450	464	483	507
Passengers Flown	2,243	2,291	2,343	2,390	2,462	2,560
Commercial Flights Arranged	423	480	446	469	497	532

PROSPECTS:

The prospects for this program are to continue to support the delivery of services to the department with very little increase in real dollars or resources. This program will manage the new demands by continually reviewing the use of existing resources to meet these demands.

PLAN:

General Administration is affected by 5 of the Department's Budget Reallocation Decisions (BRDs): Automation, Environmental, Economic Adjustment, Program Delivery, and Aeronautics. General Administration is in need of \$9,971,000 and 21 positions for the biennium.

The General Management activity is addressed in 4 of the BRDs. Automation requests 2 positions and \$745,000 for the biennium. Environmental requests 1 position and \$177,000 for the biennium. The largest impact involving new dollars is seen in Economic Adjustment. General Management requests 6 position conversions and \$2,086,000 from this BRD. The second largest impact in new dollars comes from Program Delivery where General Management requests 5 new positions, 2 position conversions, and \$1,146,000 for the biennium.

The General Services activity is addressed in the Automation and Aeronautics BRDs. Automation requests \$4,027,000 for the biennium, Aeronautics \$6,000.

Electronic Communications is mentioned in 2 of the department-wide BRDs, Research and Transportation System Management, and Environmental. Research and Transportation System Management requests 2 positions, 2 position conversions, and \$261,000 for Electronic Communications for the biennium, while Environmental requests 1 position and \$204,000 for the biennium.

Scheduling activities to support the Air Transportation Service program have increased substantially in recent years. This support is currently provided with 1 full-time and 1 part-time employee. The work load has increased to the point that the part-time employee is used the maximum time allowable. To provide the level of support needed for this program, the part-time position needs to be converted to a full-time position.

The Legal Services activity is covered in the Program Delivery BRD, and requests \$920,000 for the biennium.

The base adjustment/reallocation totals are broken down as follows (dollars in thousands):

	<u>F.Y. 1992</u>	<u>F.Y. 1993</u>
Base Adjustments	\$ (512.0)	\$ (467.0)
Reallocation Decisions	<u>4,651.0</u>	<u>5,320.0</u>
TOTALS	<u>\$4,139.0</u>	<u>\$4,853.0</u>

Base Adjustments

The primary General Administration Program base adjustment is to remove F.Y. 1990 appropriations carried forward into the F.Y. 1991 base. A small offsetting adjustment is included to annualize F.Y. 1991 salaries per the Department of Finance.

Budget Reallocation Decisions
(Dollars in Thousands)

<u>Program Delivery</u>	<u>F.Y. 1992</u>	<u>F.Y. 1993</u>
	\$1,048.0	\$1,018.0

1. Affirmative Action

A request is made for \$260,000 and 2 positions, over the biennium, for Mn/DOT's Affirmative Action program, pursuant to a 1989 FHWA audit finding that Mn/DOT was not in compliance with FHWA affirmative action requirements. This request will bolster current efforts and help bring Mn/DOT into compliance with FHWA requirements.

2. Training

The department is proposing an allocation of \$886,000 and 3 additional positions over the biennium for technical and other training purposes. These funds will implement a Technical Certification program, conduct a department-wide quality improvement program, and develop a comprehensive training program for pre-construction project managers.

3. Position Conversion

A request is made to convert 2 current part-time employees in the Communication and Media Services Section to full-time. These employees, an office manager and a radio and television programming specialist, are valuable to the department for their skills, and their expertise should be kept on a permanent basis.

4. Legal Services

A request is made for an allocation of \$920,000 over the biennium to cover the charges, for Mn/DOT, from the Office of the Attorney General.

<u>Environmental</u>	<u>F.Y. 1992</u>	<u>F.Y. 1993</u>
	\$198.0	\$183.0

1. Employee Health and Wellness

The department requests the allocation of 1 additional position and \$177,000 over the biennium for employee health, safety, and wellness. These funds will be utilized to obtain an employee to fulfill the needs of departmental coordination of underground storage tanks and hazardous waste handling. Funding would also be provided for such endeavors as the update and issuance of a Safety Handbook, and to coordinate and support various initiatives in the employee well-being area.

2. Electronic Communication

The department requests the allocation of \$204,000 over the biennium and 1 Radio Technician position with associated funding for training and electronic parts to service the Minnesota Road Research Project near Monticello. This position will service, maintain, and upgrade the pinstalled

PROGRAM: General Administration
(Continuation)
Agency: Transportation, Department of

1992-93 Biennial Budget

electronic sensors and ancillary equipment. This equipment is experimental and unique and requires highly specialized maintenance and service.

<u>Automation</u>	<u>F.Y. 1992</u>	\$2,365.0	<u>F.Y. 1993</u>	\$2,407.0
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1. Systems Office

A request is made for an allocation of \$714,000 and 2 positions (\$164,000) over the biennium. The positions will be involved in managing local area networking and to increase expertise in the field of database management. A \$550,000 increase (of the \$714,000) over the biennium is sought to pay for local area network costs. During the current biennium, high speed digital communicative service lines (T-1) will be installed in all Mn/DOT locations. This will allow and provide for improved voice, data services, and video conferencing between locations.

2. Highway Program Implementation

A request is made for \$31,000 over the biennium to provide for the operation and documentation of the ARTEMIS System. ARTEMIS is a data base management system that has been specifically designed for Mn/DOT project management. It is used to schedule, track and manage all highway preconstruction activities on over 1,000 projects and to keep track of the funding of Mn/DOT's \$1.6 billion construction program.

3. Data Processing Development

An allocation of \$4,027,000 (\$3,927,000 - Trunk Highway Fund, \$100,000 - State Airports Fund) is requested to provide for the department's program of data processing development.

<u>Research and Transportation System Management</u>	<u>F.Y. 1992</u>	\$128.0	<u>F.Y. 1993</u>	\$133.0
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The Office of Electronic Communications requests an \$261,000 and 4 positions over the biennium to provide support for and evaluate collaborative research in Intelligent Vehicle Highway Systems (I.V.H.S.). Two of the positions will concentrate on I.V.H.S., while the 2 conversions (from part-time to full-time) will concentrate on the expanding metro area business, mobile radio installation, and assist with the ever-growing electronic parts stockroom. Funds will also be used for electronic parts for metro area "call boxes," Highway Advisory Radio (HAR) freeway signs, and parts, units, and electronic modules for newly installed mobile data terminals in State Patrol units.

<u>Economic Adjustment</u>	<u>F.Y. 1992</u>	\$909.0	<u>F.Y. 1993</u>	\$1,576.0
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1. Salary Supplement

An allocation is requested of \$1,935,000 over the biennium for anticipated 4.5% contract settlements.

2. Supplies and Expenses

An allocation is requested of \$550,000 over the biennium. \$50,000 per year to provide for increased telecommunications expenses, and \$225,000 each year for blueprinting supplies, paper, engineering supplies, building supplies, copier supplies, etc.

3. Position Conversions

The department requests 6 additional positions for the purpose of converting present part-time positions to full-time. The department recognizes the employees' expertise and desires to retain them on a permanent basis.

Aeronautics

<u>F.Y. 1992</u>	\$3.0	<u>F.Y. 1993</u>	\$3.0
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An allocation is requested for an increase in telecommunications expenses. This request for 1 full-time complement position is for an aircraft and airline scheduler. The funding was approved in the 1990-91 biennial budget as a non-complement position, but the position has been fully staffed since it was acquired and has justified its need as a permanent position. Request includes a decrease in non-complement funds equal to the dollars needed to acquire this full-time position.

GOVERNOR'S RECOMMENDATION:

The Governor makes the following recommendation on the above requests.

	<u>F.Y. 1992</u>	<u>F.Y. 1993</u>
Program Delivery	\$ -0-	\$ -0-
Environmental	137.0	122.0
This includes funding for the employee health, safety and wellness function and electronic communications support for the Minnesota Road Research project.		
Automation		
Trunk Highway Fund	581.0	581.0
State Airports Fund	50.0	50.0
Research and System Management	128.0	133.0
Economic Adjustment	-0-	-0-

This recommendation includes the conversion of 8.0 part-time positions to full-time complement.

The Governor also recommends that \$955,000 be appropriated for completion of the Duluth headquarters building.

1992-1993 BIENNIAL BUDGET
(DOLLARS IN THOUSANDS)

AGENCY: TRANSPORTATION,DPT OF
PROGRAM: GENERAL ADMINISTRATION

ACTIVITY RESOURCE ALLOCATION:	FY 1989	FY 1990	Est. FY 1991	FY 1992			FY 1993		
				Adjusted Base	Agency Plan	Governor Recomm.	Adjusted Base	Agency Plan	Governor Recomm.
GENERAL MANAGEMENT	14,737	14,542	14,133	14,014	17,294	14,350	13,968	17,719	14,330
GENERAL SERVICES	8,673	10,152	9,564	9,371	9,924	10,690	9,422	10,025	9,745
LEGAL SERVICES	1,183	1,494	1,116	1,116	1,576	1,116	1,116	1,576	1,116
ELECTRONIC COMMUNICATIONS	2,708	3,006	3,081	3,122	3,453	3,321	3,112	3,576	3,316
AIR TRANSPORTATION	595	689	1,198	957	984	957	1,007	1,049	1,007
TOTAL EXPENDITURES BY ACTIVITY	27,896	29,883	29,092	28,580	33,231	30,434	28,625	33,945	29,514
DETAIL BY CATEGORY:									
STATE OPERATIONS	27,896	29,867	29,092	28,580	33,231	30,434	28,625	33,945	29,514
AID TO INDIVIDUALS		16							
TOTAL EXPENDITURES BY CATEGORY	27,896	29,883	29,092	28,580	33,231	30,434	28,625	33,945	29,514
SOURCES OF FINANCING:									
DIRECT APPROPRIATIONS:									
GENERAL	42	42	42	43	43	43	44	44	44
STATE AIRPORTS	147	177	178	144	224	197	144	239	197
TRUNK HIGHWAY	24,087	25,315	24,043	23,805	28,376	25,606	23,799	29,024	24,635
HGHMY USER TAX DISTR	65								
STATUTORY APPROPRIATIONS:									
GENERAL		8							
STATE AIRPORTS	598	691	1,189	948	948	948	998	998	998
TRUNK HIGHWAY	2,485	3,113	3,103	3,103	3,103	3,103	3,103	3,103	3,103
HGHMY USER TAX DISTR	472	537	537	537	537	537	537	537	537
TOTAL FINANCING	27,896	29,883	29,092	28,580	33,231	30,434	28,625	33,945	29,514

1992-93 BIENNIAL BUDGET

PROGRAM STRUCTURE

AGENCY: SECRETARY OF STATE

PROGRAM

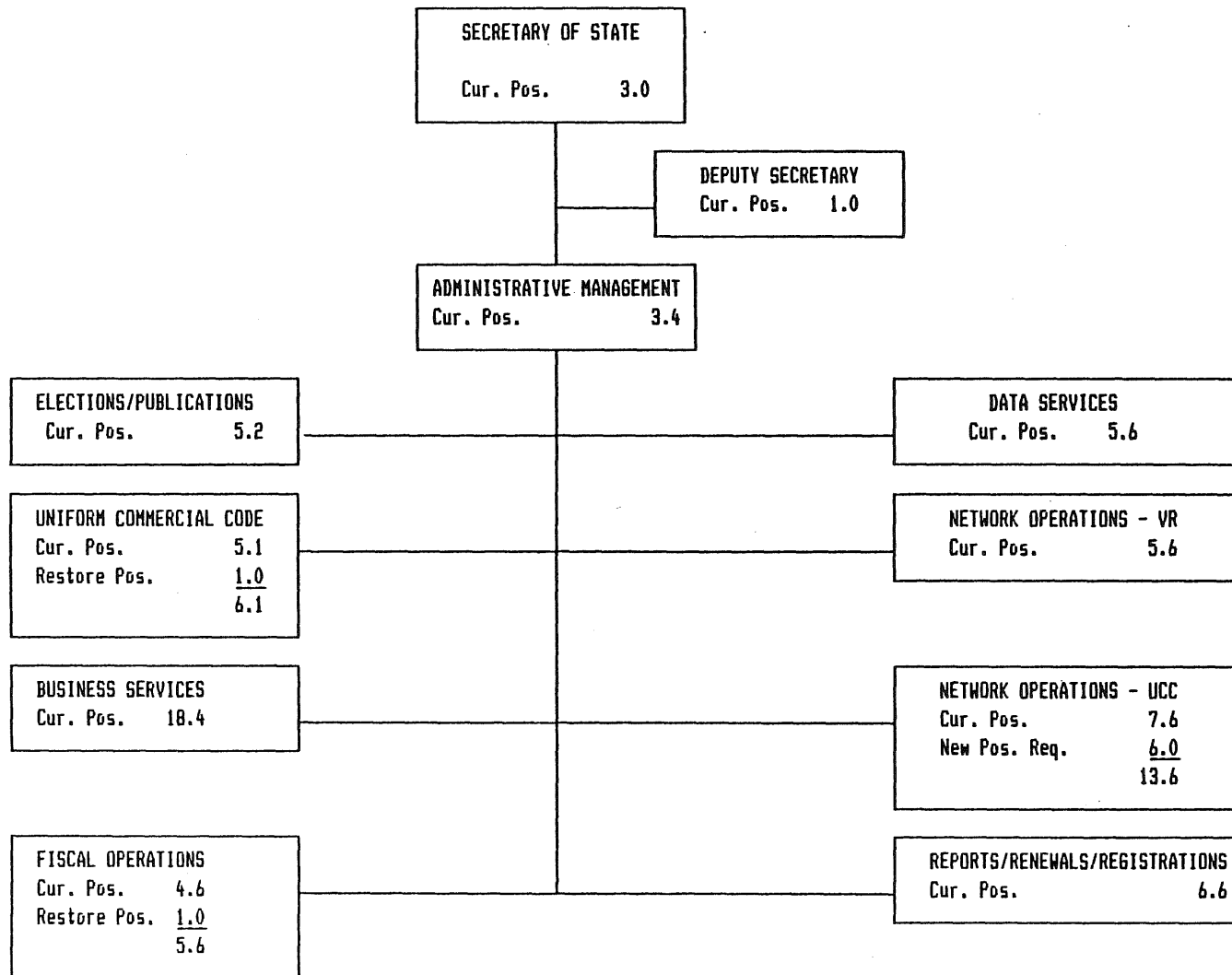
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SECRETARY OF STATE, OFFICE OF

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Elections/Publications
Uniform Commercial Code
Business Services
Administration
Fiscal Operations
Data Services
Network Operations - Voter Registration (VR)
Network Operations - Uniform Commercial Code (UCC)
Reports/Renewals/Registrations

SECRETARY OF STATE ORGANIZATION CHART 12/1/90



PROGRAM: Secretary of State
Agency: Secretary of State

1992-93 Biennial Budget

PROGRAM PURPOSE:

The department is one of the oldest in state government and as such has been assigned functions which are among those minimally necessary for a state government to operate.

The purpose of the department is to administer laws related to the following:

- Elections
- Legislative Manual
- Open Appointments
- Domestic Corporations
- Foreign Corporations
- Non-profit Corporations
- Business Trusts
- Limited Partnerships
- Trademarks/Service marks
- Assumed Business Names
- Tax Liens
- Uniform Commercial Code
- Statutory Liens
- Official Documents
- Service of Process
- Legal Newspapers
- Statewide Computer Network/UCC/Voter Registration
- Direct Public Access to Computerized Information

The common thread that runs through these diverse activities is that they are very basic government functions: the conduct of elections and the gathering, maintenance, and distribution of public information. The information maintained for public access is basic to the operation of a democratic free enterprise system.

PERFORMANCE:

The department's success can be measured to the extent that it is viewed in its actions as a disinterested third party in the conduct of elections so that all citizens are treated on an equal basis; providing equal access to information; and in the conduct of business/financial transactions so that there exists the ability for commerce to be conducted using information which cannot be changed or manipulated.

If the public has confidence elections and commerce are conducted fairly; if elections and business/financial transactions are administered and processed quickly and efficiently; and if all citizens have equal access to information - then performance standards are met.

PROSPECTS:

If funding is not sufficient to maintain a high quality service in the areas of elections and business/financial transactions the basic ability of our democratic free enterprise institutions are damaged. Funding must be sufficient to provide accurate, efficient and timely services. Increases in funding for the training of election officials are recommended to ensure that election administration is accurate and elections are conducted efficiently. Increased funding to cover the costs of the salary supplement and basic cost of living as well as the restoration of complement and funding of staff cut in the current biennium are recommended to ensure that timely service is provided.

PLAN:

The department intends to allocate resources under base level funding in exactly the same manner they have been allocated during the current biennium. With the exceptions of the corporate information phones and the public counter operations which will be discussed later, all of the functions of the department are statutorily mandated. Because all are judged to be required activities, the allocation of resources will be maintained along the current relative relationship between activities at a reduced level. While the corporate information phones and the public counter operation are not statutorily required, they both provide services which, if eliminated, would cause a tremendous burden on the public. Consequently, both functions would also be maintained at a reduced level commensurate with the overall reduction in speed and convenience that would be experienced in all functions.

Since the volume of transactions processed by the department is projected to increase during the biennium, the reductions caused by base level funding would further exacerbate the adverse impacts associated with processing the increased filings.

Finally, to address the increase in services planned for the direct computer access project, a complement increase of six is requested. Legislative funding of the increased complement is not required since fees charged for the service will cover the staffing costs.

GOVERNOR'S RECOMMENDATION:

Recognizing the distinction between separate branches of government, the Governor respectfully acknowledges the right of the Secretary of State to present her budgetary needs directly to the Legislature for consideration.

1992-1993 BIENNIAL BUDGET
(DOLLARS IN THOUSANDS)

AGENCY: SECRETARY OF STATE
PROGRAM: SECRETARY OF STATE

ACTIVITY RESOURCE ALLOCATION:	FY 1989	FY 1990	Est. FY 1991	FY 1992			FY 1993		
				Adjusted Base	Agency Plan	Governor Recomm.	Adjusted Base	Agency Plan	Governor Recomm.
ELECTIONS-PUBLICATIONS	557	289	588	381	400	381	558	582	558
UNIFORM COMMERCIAL CODE	189	153	198	195	205	195	195	205	195
BUSINESS SERVICES	640	632	838	726	763	726	724	761	724
ADMINISTRATION	396	441	466	456	473	456	459	476	459
FISCAL OPERATIONS	159	149	186	186	194	186	186	194	186
DATA SERVICES	210	208	226	227	236	227	229	238	229
NETWORK OPERATIONS (VR)	1,682	5,489	721	727	750	727	817	841	817
NETWORK OPERATIONS (UCC)	927	799	1,154	1,609	1,642	1,609	1,674	1,711	1,674
REPORTS/RENEWALS REG	244	294	560	507	533	507	478	504	478
INDIRECT COSTS	72								
TOTAL EXPENDITURES BY ACTIVITY	5,076	8,454	4,937	5,014	5,196	5,014	5,320	5,512	5,320
DETAIL BY CATEGORY:									
STATE OPERATIONS	4,964	8,439	4,860	4,970	5,152	4,970	5,228	5,420	5,228
LOCAL ASSISTANCE	112	15	77	44	44	44	92	92	92
TOTAL EXPENDITURES BY CATEGORY	5,076	8,454	4,937	5,014	5,196	5,014	5,320	5,512	5,320
SOURCES OF FINANCING:									
DIRECT APPROPRIATIONS:									
GENERAL		2,795	3,758	4,444	4,617	4,444	4,722	4,901	4,722
SP REV DIRECT APPROP	2,980								
AGENCY		1	2	2	2	2	2	2	2
STATUTORY APPROPRIATIONS:									
SP REV DIRECT APPROP	72								
SPECIAL REVENUE	929	805	1,177	568	577	568	596	609	596
AGENCY	1,095	4,853							
TOTAL FINANCING	5,076	8,454	4,937	5,014	5,196	5,014	5,320	5,512	5,320

BASE RECONCILIATION REPORT
for 1992-1993 Biennium

AGENCY: SECRETARY OF STATE

	ALL FUNDS		GENERAL FUND		OTHER STATE FUNDS		FEDERAL FUNDS	
	F.Y. 92	F.Y. 93	F.Y. 92	F.Y. 93	F.Y. 92	F.Y. 93	F.Y. 92	F.Y. 93
F.Y. 91 FUNDING LEVEL	4,937	4,937	3,758	3,758	1,179	1,179		
ONE-TIME APPROPRIATIONS	<97>	<97>	<97>	<97>				
BIENNIAL APPROPRIATIONS	<164>	17	<164>	17				
APPROPRIATIONS CARRIED FWD	<121>	<118>	<121>	<118>				
NON RECURRING EXPENDITURES	<31>	<62>	<31>	<62>				
BASE TRANSFER (BTWN FUNDS)			1,049	1,049	<1,049>	<1,049>		
LEG-DIRECTED ADJUSTMENTS	3	3	3	3				
SALARY ANNUALIZATION	30	23	30	23				
DOCUMENTED RENT/LEASE INCR.	4	10	2	8	2	2		
DEDICATED RECEIPTS AND FUNDS	453	607	15	141	438	466		
TOTAL	5,014	5,320	4,444	4,722	570	598		
BIENNIAL TOTAL		10,334		9,166		1,168		

ACTIVITY: Secretary of State
PROGRAM: Secretary of State
AGENCY: Secretary of State

1992-93 Biennial Budget

DECISION ITEM: Financing Inflationary Costs - Informational

Dollars in Thousands			
F.Y. 1992	F.Y. 1993	F.Y. 1994	F.Y. 1995

AGENCY PLAN:

Expenditures

General Fund	\$ 173	\$ 179	\$ 179	\$ 179
Special Revenue Fund	9	13	13	13

Agency Totals	\$ 182	\$ 192	\$ 192	\$ 192
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Revenues

General Fund	\$ 173	\$ 179	\$ 179	\$ 179
Special Revenue Fund	9	13	13	13

Agency Totals	\$ 182	\$ 192	\$ 192	\$ 192
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Requires statutory change: _____ Yes X No

Statutes Affected:

ITEM SUMMARY:

The following percentages were used in calculating the inflationary figures listed above. Salaries - 4.5%; Maintenance - 4%; Printing - 4.5%; Postage - 20%; Communications - 4%; General Supplies - 4.5%.

Following is a summary of inflationary costs by Budget Activity:

Budget Activity	F.Y. 1992	F.Y. 1993
GENERAL FUND:		
Elections-Publications	\$ 19	\$ 24
Uniform Commercial Code	10	10
Business Services	37	37
Administration	17	17
Fiscal Operations	8	8
Data Services	9	9
Network Operations (VR)	23	24
Network Operations (UCC)	24	24
Reports/Renewals/Registrations	26	26
General Fund Total	\$ 173	\$ 179

Budget Activity

F.Y. 1992

F.Y. 1993

SPECIAL REVENUE FUND:

Network Operations (UCC)

Direct Access	9	13
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Special Revenue Fund Total	\$ 9	\$ 13
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Total All Funds	\$ 182	\$ 192
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RATIONALE:

The Agency is submitting a Positive base reallocation decision (BRD) for inflationary costs on goods, services and salaries. The figures are based on our best estimates of current trends and in consultation with vendors in the areas concerned. Given the very basic and critical nature of the services performed by this agency, it is our belief that funding of these costs is vital to the functions performed by this department. If they are not appropriated we will in fact experience a 3.6% budget reduction of our base level funding. This positive BRD will be covered by increased revenue on the filing activities of the department.

GOVERNOR'S RECOMMENDATION:

Recognizing the distinction between separate branches of government, the Governor respectfully acknowledges the right of the Secretary of State to present its budgetary needs directly to the Legislature for consideration.

AGENCY: Debt Service

1992-93 Biennial Budget

MISSION:

To pay the principal and interest on General Obligation long-term debt.

MAJOR POLICY DRIVERS:

On November 1 (December 1 for bonds issued after 1-1-85) of each year the Commissioner of Finance must transfer an amount sufficient with the balance then on hand in the fund, and all income from the investment of such money, to pay all principal and interest on bonds due and to become due within the ensuing year and to include July 1 in the 2nd ensuing year (20 months).

The Minnesota Constitution requires the state auditor to levy a statewide property tax annually in an amount sufficient with the balance then on hand in the fund to pay all debt service through this 20-month period. The legislature may make appropriations from any source to the debt service fund to reduce the amount of the statewide property tax levy. The debt service appropriation is made for the purpose of reducing the eliminating the need for a statewide property tax. On November 1 (December 1) of each year, the Commissioner of Finance shall transfer to the debt service fund from appropriations made for such purposes the amounts to reduce the statewide property tax.

PROGRAM STATISTICS:

(Dollars in Thousands)

	Actual F.Y. 1989	Actual F.Y. 1990	Act/Est F.Y. 1991	Estimate F.Y. 1992	Estimate F.Y. 1993
Total Bonds Outstanding	\$1,415,890	\$1,516,360	\$1,578,055	\$1,639,330	\$1,679,890
\$ Principal	87,800	124,530	138,305	138,725	141,440
\$ Interest	75,100	97,016	104,315	107,386	111,458

EXPLANATION OF BUDGET REQUEST:

Debt service is broken down into 2 categories: existing debt and new issues. Existing debt service is used for payment of principal and interest of previously issued bonds. Debt service for new issues is to cover bonds that are authorized and anticipated to be authorized but have not yet been issued.

Existing Debt: The amount required in the debt service account is calculated by the total amount of principal and interest payments due November 1 (December 1) through the 2nd and ensuing July 1 (20 months) for all outstanding bonds. The appropriation requirements are calculated by adjusting the total transfer requirements for investment income and transfers from dedicated funds.

New Issues: It is assumed that \$265 million in General Fund debt will be sold during the 1992-93 biennium. The transfer requirement is determined by the payments of principal and interest that will come due within the 20-month period.

GOVERNOR'S RECOMMENDATION:

Expenditures	F.Y. 1992	F.Y. 1993	F.Y. 1994	F.Y. 1995
General Fund/Tsfr Out	\$ 204,542	\$ 238,086	\$ 221,857	\$ 210,471
General Fund/Direct	15,000	0	0	0
Revenues				
General Fund/Tsfr In	\$ 25,980	\$ 23,680	\$ 23,680	\$ 23,680

ITEM SUMMARY:

These recommendations involve the following items:

	F.Y. 1992	F.Y. 1993
Authorized Projects	\$ 195,242	\$ 226,290
IDF Debt Service	18,300	21,600
Reduced Bond Sales	9,000	9,804
Total Debt Service	\$ 204,542	\$ 238,086
Reserved for Cap Bud	\$ 15,000	0
Undedicate IDF	\$ 23,680	\$ 23,680
RFA Loan Repayment	2,300	0
Total GF Revenues	\$ 25,980	\$ 23,680

Authorized Projects. It is estimated that \$195,242 and \$226,290 will be required in F.Y. 1992 and F.Y. 1993 for payment of principal and interest on bonds that have been sold already and anticipated bond sales during the biennium for projects that already have been authorized by the legislature.

IDF Debt Service. The Governor recommends the elimination of the Infrastructure Development Fund. The debt service payments for all authorized IDF projects will become a financial responsibility of the General Fund.

Reduced Bond Sales. The Governor has directed the Departments of Administration and Finance to put a hold on undertaking legal obligations and the sale of bonds for capital projects that have been authorized but which have not yet progressed to the stage where a legal commitment exists to finance them. This directive will result in a reduced cash flow compared to the one assumed in the November forecast and, therefore, a reduced amount of bond sales and attendant debt service payments needed in the 1992-93 biennium.

1992-93 Capital Budget. The Department of Finance projects a need for a General Fund appropriation of \$15 million to finance capital budget funding the Governor will recommend for adoption by the 1991 Legislature.

Undedicate IDF. This recommendation undedicates the 35% of the net lottery proceeds dedicated to the Infrastructure Development Fund under current law.

RFA Loan Repayment. This proposal involves the issuance of new RFA refunding bonds to reimburse the General Fund for the transfer of \$2.3 million to the Debt Service Fund on 12-1-90 to pay the principal due on maturing RFA bonds.

RATIONALE:

The Governor will submit a capital budget message to Legislature in mid March. It will include a detailed explanation of his rationale for the above recommendations.