

1998-99
Minnesota Biennial Budget

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State Government

Presented by Governor Arne H. Carlson to the 80th Legislature

1998-99 BIENNIAL BUDGET

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AGENCY: Legislature

MISSION:

The legislature is 1 of 3 branches (the others are the executive and judicial branches), created by the Constitution of the state of Minnesota. The legislature consists of the HOUSE OF THE REPRESENTATIVES and the SENATE. In addition, the House and Senate have jointly created various commissions and joint agencies that serve specific purposes described more fully below:

LEGISLATIVE COORDINATING COMMISSION (LCC)-GENERAL SUPPORT

The commission, established in 1973, coordinates certain activities of the Senate and House of Representatives and serves as an umbrella organization over joint agencies and legislative commissions. It determines the benefits for all employees and health and hospital benefits for legislators. The commission reviews budget requests and establishes the complement for all commissions and joint agencies under its jurisdiction. The LCC also sets the compensation for all employees under its jurisdiction. The president of the Senate and the speaker of the House alternate annually as chairperson. The commission provides staff support for the Compensation Council, the Regent Candidate Advisory Council and the Higher Education Board Candidate Advisory Council. The LCC's Geographic Information Systems office (formerly Redistricting) provides computer mapping and geographic analysis for the legislature.

Complement: 7 full-time, 2 part-time

LCC JOINT SUBCOMMITTEE ON EMPLOYEE RELATIONS

The commission was originally established in 1979 and assists the legislature by monitoring the collective bargaining process between the state and its employees, and ratifying negotiated agreements and arbitrated awards pursuant to statute. The commission also reviews and approves the Commissioner's and Managers Pay Plans for unrepresented employees of the state who are not covered by collective bargaining units. In addition, the Governor's salary proposal for agency heads is reviewed for ratification. Other duties include the monitoring of the State Civil Service System; conduct research and prepare studies as directed, and performing other functions as delegated by the legislature.

Complement: 1.5

LEGISLATIVE COMMISSION ON THE ECONOMIC STATUS OF WOMEN (LCESW)

Established in 1976, the purpose of the LCESW is the study of all matters relating to the economic status of women in Minnesota including the economic security of homemakers and women in the labor force, opportunities for educational and vocational training, employment opportunities, the access of women to the benefits and services provided to the citizens of the state, the laws and business practices constituting barriers to full participation of women in the economy, and the adequacy of programs and services for families, including single parent families.

Complement: 3

LEGISLATIVE COMMISSION ON PLANNING AND FISCAL POLICY

The commission was established in 1987 and is to study and evaluate the actual and projected expenditures by state government, the actual and projected sources of revenue that support these expenditures, and the various options available to meet the state's future fiscal needs. In 1988, the duties were expanded requiring study and review of particular items and requiring recommendations to the legislature. In addition to projected state revenue, expenditures and tax expenditures, other subjects include economic and fiscal policy, mix of revenue sources for programs, investigation of state building needs and other related matters.

Complement: 1

LEGISLATIVE COMMISSION ON PENSIONS AND RETIREMENT

The commission was established in 1955 to study and investigate on an ongoing basis, the various public retirement systems applicable to nonfederal government employees in the state and to make recommendations to establish and maintain sound public employee pension legislation.

Complement: 3.5

GREAT LAKES COMMISSION

The commission promotes the orderly, integrated and comprehensive development, use and conservation of the water resources of the Great Lakes Basin, which consists of the 8 Great Lakes states, Canada, and all water interconnections between them.

Complement: 0

LEGISLATIVE REFERENCE LIBRARY (LRL)

The Legislative Reference Library (established in 1969) collects, indexes and makes available public policy information to members and staff of the legislature. The library's main clientele are legislators and legislative staff; LRL also serves executive agencies and the public. State law requires 6 copies of all publications of state agencies, boards, commissions, etc. and 1 copy of all state funded consultants' reports be deposited with LRL. Rules of the House and Senate assign the director a custodial role with respect to the floor and committee tape recordings and accompanying minutes and logs. Public access to these materials is also required by rule.

Complement: 17 full-time equivalents

REVISOR OF STATUTES

A nonpartisan professional joint legislative agency providing drafting, publication, and miscellaneous other services to the legislature, executive departments, and to the Governor. Drafting services consist primarily of bills and administrative rules. Publications consist of Laws of Minnesota, Minnesota Statutes, Minnesota Rules, and miscellaneous minor publications. Other services include computer and administrative support for the legislature. The Office of the Revisor of Statutes was established in 1939 under the jurisdiction of the Supreme Court (although the function of revising statutes had been in existence since 1851). The Revisor's Office was moved to the legislature under the jurisdiction of the LCC in 1973.

Complement: 48.5 Full-time, 12 seasonal

1998-99 Biennial Budget

AGENCY: Legislature
(Continuation)

OFFICE OF THE LEGISLATIVE AUDITOR AND LEGISLATIVE AUDIT COMMISSION

The mission of the Office of the Legislative Auditor is to strengthen accountability in state government. The office completes 50 to 60 financial audit reports and 6 to 8 program evaluation reports each year with a staff of approximately 75. The office is nonpartisan, and its chief goal is to produce audit and evaluation reports that are accurate and objective. The office is directed by the Legislative Auditor, appointed for a 6 year term by the Legislative Audit Commission. The commission consists of 16 legislators, 8 from the House and 8 from the Senate.

MISSISSIPPI RIVER PARKWAY COMMISSION

The commission, established in 1963, exists to maintain and improve a parkway system known as the Great River Road. The Parkway follows the path of the Mississippi River from Lake Itasca to the Gulf of Mexico. The commission is also charged to promote tourism and economic development opportunities in the River corridor. The commission coordinates highway and amenity improvements in communities along the Mississippi River. The commission is also directing state, national, and international marketing efforts with communities, regional organizations and state agencies. This commission's appropriation is from the State Trunk Highway Fund. The commission also coordinates closely with the National Parkway Commission of the 10 River states.

Complement: 0

LEGISLATIVE COMMISSION ON MINNESOTA RESOURCES (LCMR)

The LCMR recommends to the legislature the allocation of 3 dedicated funding sources for 2-year projects that will preserve, protect, develop and maintain the state's natural resources. It also provides oversight of funded projects and other resource management appropriations. The 3 funding sources are: the Minnesota Future Resources Funds, the Minnesota Environment and Natural Resources Trust Fund and Great Lakes Protection Account.

Complement: 5.5

GOVERNOR'S RECOMMENDATION:

Historically, the Courts, Legislature, and other Constitutional Officers have departed from executive branch budget guidelines and have not fully participated in the executive branch budget process. The Governor respects this separation of powers and the desire of other elected state officials to independently present their budget requests directly to the Legislature. However, the Governor is required by law to submit a balanced budget to the Legislature, and therefore it is necessary to identify funding for those offices as part of preparing a total, balanced budget.

The Governor is firmly committed to fiscal stability, meaning that spending can not grow at a greater rate than resources. Therefore, the Governor recommends that the budgets of the Courts, Public Defender, Constitutional Officers and the Legislature grow no more than the rate of growth in General Fund revenues. General Fund revenues for 1998-99 are projected to grow by 7.7% over the current biennium, and the Governor recommends funding increases equal to that growth.

For the Legislature, this amounts to a biennial increase of \$7,740,000 which includes the base adjustment provided for salaries. This increase, less \$1,658,000 for salaries, amounts to \$3,041,000 annually and is shown as a program for illustrative purposes only.

The Governor makes no recommendation regarding the specific initiatives put forward by the Legislature.

1998-1999 B I E N N I A L B U D G E T
(DOLLARS IN THOUSANDS)

AGENCY: LEGISLATURE

PROGRAM RESOURCE ALLOCATION:	FY 1996	Est. FY 1997	FY 1998			FY 1999		
			Base Level	Agency Request	Governor Recomm.	Base Level	Agency Request	Governor Recomm.
HOUSE OF REPRESENTATIVES	20,839	26,440	23,399	23,399	23,399	23,737	23,737	23,737
SENATE	15,160	18,074	16,357	16,357	16,357	16,357	16,357	16,357
LEGISLATIVE COORD CMSN	6,822	8,587	7,189	7,189	7,189	7,306	7,306	7,306
LEGISLATIVE AUDIT COMM	4,413	4,750	4,405	4,405	4,405	4,517	4,517	4,517
SUSTAINABLE GROWTH INITIATIVE					3,041			3,041
TOTAL EXPENDITURES BY PROGRAM	47,234	57,851	51,350	51,350	54,391	51,917	51,917	54,958
EXPENDITURES BY FUND:								
DIRECT APPROPRIATIONS:								
GENERAL	46,761	57,162	50,806	50,806	53,847	51,373	51,373	54,414
HEALTH CARE ACCESS	91	209	125	125	125	125	125	125
STATE AIRPORTS	19	11						
TRUNK HIGHWAY	29	35	32	32	32	32	32	32
STATUTORY APPROPRIATIONS:								
GENERAL	100	90	90	90	90	90	90	90
AGENCY	234	344	297	297	297	297	297	297
TOTAL EXPENDITURES	47,234	57,851	51,350	51,350	54,391	51,917	51,917	54,958
FTE BY EMPLOYMENT TYPE:								
REGULAR	71.1	71.1	71.1	71.1	71.1	71.1	71.1	71.1
TOTAL FTE	71.1	71.1	71.1	71.1	71.1	71.1	71.1	71.1

STATE OF MINNESOTA - DEPARTMENT OF FINANCE
BIENNIAL BUDGET SYSTEM - BASE RECONCILIATION REPORT
BY SEC SEQ

AGENCY: LEGISLATURE

	ALL FUNDS		GENERAL FUND		OTHER STATE FUNDS		FEDERAL FUNDS	
	F.Y.98	F.Y.99	F.Y.98	F.Y.99	F.Y.98	F.Y.99	F.Y.98	F.Y.99
F.Y.97 APPROPRIATIONS	50,808	50,808	50,354	50,354	454	454		
BASE ADJUSTMENTS								
1998-99 COMPENSATION INFLATIO	547	1,111	547	1,111				
DOC SPACE RENT/LEASE INCR/DEC	<5>	<2>	<5>	<2>				
SUBTOTAL BASE ADJ.	542	1,109	542	1,109				
BASE LEVEL	51,350	51,917	50,896	51,463	454	454		

1998-1999 B I E N N I A L B U D G E T
(DOLLARS IN THOUSANDS)

AGENCY: LEGISLATURE
PROGRAM: HOUSE OF REPRESENTATIVES

			FY 1998			FY 1999		
		Est.	Base	Agency	Governor	Base	Agency	Governor
ACTIVITY RESOURCE ALLOCATION:	FY 1996	FY 1997	Level	Request	Recomm.	Level	Request	Recomm.
=====	=====	=====	=====	=====	=====	=====	=====	=====
HOUSE OF REPRESENTATIVES	20,839	26,440	23,399	23,399	23,399	23,737	23,737	23,737
=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL EXPENDITURES BY ACTIVITY	20,839	26,440	23,399	23,399	23,399	23,737	23,737	23,737
=====	=====	=====	=====	=====	=====	=====	=====	=====
EXPENDITURES BY FUND:								

DIRECT APPROPRIATIONS:								
GENERAL	20,760	26,298	23,273	23,273	23,273	23,611	23,611	23,611
STATUTORY APPROPRIATIONS:								
AGENCY	79	142	126	126	126	126	126	126
=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL EXPENDITURES	20,839	26,440	23,399	23,399	23,399	23,737	23,737	23,737
=====	=====	=====	=====	=====	=====	=====	=====	=====
FTE BY EMPLOYMENT TYPE:								

=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL FTE								

1998-1999 B I E N N I A L B U D G E T
(DOLLARS IN THOUSANDS)

AGENCY: LEGISLATURE
PROGRAM: SENATE

			FY 1998			FY 1999		
		Est.	Base	Agency	Governor	Base	Agency	Governor
ACTIVITY RESOURCE ALLOCATION:	FY 1996	FY 1997	Level	Request	Recomm.	Level	Request	Recomm.
=====	=====	=====	=====	=====	=====	=====	=====	=====
SENATE	15,160	18,074	16,357	16,357	16,357	16,357	16,357	16,357
=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL EXPENDITURES BY ACTIVITY	15,160	18,074	16,357	16,357	16,357	16,357	16,357	16,357
=====	=====	=====	=====	=====	=====	=====	=====	=====
EXPENDITURES BY FUND:								

DIRECT APPROPRIATIONS:								
GENERAL	14,970	17,854	16,163	16,163	16,163	16,163	16,163	16,163
STATUTORY APPROPRIATIONS:								
GENERAL	100	90	90	90	90	90	90	90
AGENCY	90	130	104	104	104	104	104	104
=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL EXPENDITURES	15,160	18,074	16,357	16,357	16,357	16,357	16,357	16,357
=====	=====	=====	=====	=====	=====	=====	=====	=====
FTE BY EMPLOYMENT TYPE:								

=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL FTE								

1998-1999 B I E N N I A L B U D G E T
(DOLLARS IN THOUSANDS)

AGENCY: .LEGISLATURE
PROGRAM: LEGISLATIVE COORD CMSN

ACTIVITY RESOURCE ALLOCATION:	FY 1996	Est. FY 1997	FY 1998			FY 1999		
			Base Level	Agency Request	Governor Recomm.	Base Level	Agency Request	Governor Recomm.
=====	=====	=====	=====	=====	=====	=====	=====	=====
LEG REFERENCE LIBRARY	937	1,012	966	966	966	987	987	987
REVISOR OF STATUTES	3,684	4,817	4,539	4,539	4,539	4,612	4,612	4,612
LEG COORD CMSN CONTNGNT		48	48	48	48	48	48	48
CMSN ECONOMIC STATUS WOMEN	179	205	209	209	209	214	214	214
LEG CMSN ON PENSION/RETIRE	452	555	511	511	511	516	516	516
MISS RIVER PARKWAY CMSN	29	35	32	32	32	32	32	32
LEG CMSN REVIEW ADM RULES	144							
CMSN EMPLOYEE RELATION	6	17	17	17	17	17	17	17
GREAT LAKES CMSN	40	40	40	40	40	40	40	40
WASTE MANAGEMENT	105							
LCC GENERAL SUPPORT	648	1,226	290	290	290	303	303	303
LEG CMSN FISCAL POLICY	18	20	20	20	20	20	20	20
LEG CMSN ON WATER	79							
LCC FISCAL AGENTS	391	392	392	392	392	392	392	392
MN CARE	91	209	125	125	125	125	125	125
METRO AIRPORT ADV COUNCIL	19	11						
=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL EXPENDITURES BY ACTIVITY	6,822	8,587	7,189	7,189	7,189	7,306	7,306	7,306
EXPENDITURES BY FUND:								

DIRECT APPROPRIATIONS:								
GENERAL	6,618	8,260	6,965	6,965	6,965	7,082	7,082	7,082
HEALTH CARE ACCESS	91	209	125	125	125	125	125	125
STATE AIRPORTS	19	11						
TRUNK HIGHWAY	29	35	32	32	32	32	32	32
STATUTORY APPROPRIATIONS:								
AGENCY	65	72	67	67	67	67	67	67
=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL EXPENDITURES	6,822	8,587	7,189	7,189	7,189	7,306	7,306	7,306
FTE BY EMPLOYMENT TYPE:								

=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL FTE								

1998-1999 B I E N N I A L B U D G E T
(DOLLARS IN THOUSANDS)

AGENCY: LEGISLATURE
PROGRAM: LEGISLATIVE AUDIT COMM

			FY 1998			FY 1999		
		Est.	Base	Agency	Governor	Base	Agency	Governor
ACTIVITY RESOURCE ALLOCATION:	FY 1996	FY 1997	Level	Request	Recomm.	Level	Request	Recomm.
=====	=====	=====	=====	=====	=====	=====	=====	=====
LEGISLATIVE AUDIT COMM	12	18	15	15	15	15	15	15
LEGISLATIVE AUDITOR	4,401	4,732	4,390	4,390	4,390	4,502	4,502	4,502
=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL EXPENDITURES BY ACTIVITY	4,413	4,750	4,405	4,405	4,405	4,517	4,517	4,517
EXPENDITURES BY FUND:								
=====								
DIRECT APPROPRIATIONS:								
GENERAL	4,413	4,750	4,405	4,405	4,405	4,517	4,517	4,517
=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL EXPENDITURES	4,413	4,750	4,405	4,405	4,405	4,517	4,517	4,517
FTE BY EMPLOYMENT TYPE:								
=====								
REGULAR	71.1	71.1	71.1	71.1	71.1	71.1	71.1	71.1
=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL FTE	71.1	71.1	71.1	71.1	71.1	71.1	71.1	71.1

1998-1999 B I E N N I A L B U D G E T
(DOLLARS IN THOUSANDS)

AGENCY: LEGISLATURE
PROGRAM: SUSTAINABLE GROWTH INITIATIVE

			FY 1998			FY 1999		
		Est.	Base	Agency	Governor	Base	Agency	Governor
ACTIVITY RESOURCE ALLOCATION:	FY 1996	FY 1997	Level	Request	Recomm.	Level	Request	Recomm.
=====	=====	=====	=====	=====	=====	=====	=====	=====
SUSTAINABLE GROWTH INITIATIVE					3,041			3,041
=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL EXPENDITURES BY ACTIVITY					3,041			3,041
=====	=====	=====	=====	=====	=====	=====	=====	=====
GOV'S INITIATIVES:		FUND						
=====	=====	=====						
(B) SUSTAINABLE GROWTH INITIATIVE		GEN			3,041			3,041
=====	=====	=====			=====			=====
TOTAL GOV'S INITIATIVES					3,041			3,041
=====	=====	=====			=====			=====
EXPENDITURES BY FUND:								
=====	=====	=====						
DIRECT APPROPRIATIONS:								
GENERAL					3,041			3,041
=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL EXPENDITURES					3,041			3,041
=====	=====	=====	=====	=====	=====	=====	=====	=====
FTE BY EMPLOYMENT TYPE:								
=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL FTE								
=====	=====	=====	=====	=====	=====	=====	=====	=====

1998-99 Biennial Budget

AGENCY: Legislative Rent

AGENCY DESCRIPTION:

Under M.S.16B.24, the commissioner of Administration is charged with maintaining and operating capitol complex buildings and grounds. The commissioner is required by M.S.16B.48 to charge agencies rent to cover costs. In lieu of rent, the legislature appropriates funds directly to the commissioner to cover the costs of space used by the legislature, space occupied by congressionally chartered veterans organizations (M.S.197.55 to 197.58), ceremonial space such as the capitol mall, and space occupied by Services for the Blind vendors (M.S.248.07, subd.7)

GOVERNOR'S RECOMMENDATION:

The Governor concurs with the base level of spending.

1998-1999 B I E N N I A L B U D G E T
(DOLLARS IN THOUSANDS)

AGENCY: LEGISLATIVE RENT

ACTIVITY SUMMARY	FY 1996	Est. FY 1997	FY 1998			FY 1999		
			Base Level	Agency Request	Governor Recomm.	Base Level	Agency Request	Governor Recomm.
EXPENDITURES:								
DETAIL BY CATEGORY:								
STATE OPERATIONS:								
OPERATING EXPENSES	4,850	4,882	5,187	5,187	5,187	5,249	5,249	5,249
SUBTOTAL STATE OPERATIONS	4,850	4,882	5,187	5,187	5,187	5,249	5,249	5,249
TOTAL EXPENDITURES	4,850	4,882	5,187	5,187	5,187	5,249	5,249	5,249
EXPENDITURES BY FUND:								
DIRECT APPROPRIATIONS:								
GENERAL	4,850	4,882	5,187	5,187	5,187	5,249	5,249	5,249
TOTAL EXPENDITURES	4,850	4,882	5,187	5,187	5,187	5,249	5,249	5,249
FTE BY EMPLOYMENT TYPE:								
TOTAL FTE								

STATE OF MINNESOTA - DEPARTMENT OF FINANCE
BIENNIAL BUDGET SYSTEM - BASE RECONCILIATION REPORT
BY SEC SEQ

AGENCY: LEGISLATIVE RENT

	ALL FUNDS		GENERAL FUND		OTHER STATE FUNDS		FEDERAL FUNDS	
	F.Y.98	F.Y.99	F.Y.98	F.Y.99	F.Y.98	F.Y.99	F.Y.98	F.Y.99
F.Y.97 APPROPRIATIONS	4,882	4,882	4,882	4,882				
BASE ADJUSTMENTS								
DOC SPACE RENT/LEASE INCR/DEC	305	367	305	367				
SUBTOTAL BASE ADJ.	305	367	305	367				
BASE LEVEL	5,187	5,249	5,187	5,249				

1998-99 Biennial Budget Agency Budget Brief (\$ in thousands)

Agency: Governor's Office

Fund: General

Summary of Agency Actions:

	<u>F.Y. 1998</u>	<u>F.Y. 1999</u>	<u>F.Y. 98-99</u>
<u>BASE-YEAR (F.Y. 1997)</u>			
Appropriations (F.Y. 1997)	\$3,504	\$3,504	\$7,008
<u>BASE ADJUSTMENT</u>			
1998-99 Compensation Inflation	62	126	188
Documented Rent/Lease Inc	<u>35</u>	<u>36</u>	<u>71</u>
<u>BASE LEVEL (for 1998 and 1999)</u>	\$3,601	\$3,666	\$7,267
<u>AGENCY DECISION ITEMS</u>			
Cncl of Great Lakes Governors Membership	10	10	20
Governor's Portrait	15	-0-	15
Consolidation of Executive Operations	<u>160</u>	<u>163</u>	<u>323</u>
<u>AGENCY REQUESTS (for 1998 and 1999)</u>	\$3,786	\$3,839	\$7,625
<u>GOVERNOR'S INITIATIVES</u>			
Sustainable Growth Initiative	<u>185</u>	<u>173</u>	<u>358</u>
GOVERNOR'S RECOMMENDATIONS	\$3,786	\$3,839	\$7,625

Brief Explanation of Agency Requests:

The Governor's requests include:

- \$10,000 for an annual membership increase in the Council of Great Lakes Governors.
- \$15,000 in F.Y. 1998 to produce a framed, painted portrait of the Governor to be displayed in the State Capitol building.
- Consolidation of executive operations by funding 2 positions in the Governor's Office which are currently located in Minnesota Planning. This initiative requires \$160,000 in F.Y. 1998 and \$163,000 in F.Y. 1999.

Revenue Summary:

- No dedicated receipts are anticipated.

GOVERNOR'S RECOMMENDATION:

The Governor is firmly committed to fiscal stability, meaning that spending cannot grow at a greater rate than resources. Therefore, the Governor recommends that the budgets of the Courts, Public Defender, Constitutional officers, Legislature and Governor's office grow no more than the rate of growth in General Fund revenues. General Fund revenues for 1998-99 are projected to grow by 7.7% over the current biennium, and the Governor recommends funding increases equal to that growth.

For the Governor's office, this amounts to a biennial increase of \$546,000 which includes the base adjustment provided for salaries.

1998-99 Biennial Budget

AGENCY: Governor's Office

AGENCY DESCRIPTION:

As chief executive, the governor is responsible for the general direction and supervision of the affairs of the state. The governor appoints the majority of state department heads and the members of most boards and commissions. The governor fills vacancies which occur in judgeships, commissions, public notaries, issues extradition papers and restores civil rights to felons, fills the position of commander-in-chief of the military forces of Minnesota, prepares comprehensive long range plans for the orderly coordinated growth of the state, and establishes advisory committees to aid in developing his legislative proposals and plans for executive action. The governor has the responsibility of informing the legislature of the general condition of the state; of reviewing all laws passed by the legislature and calling of special sessions of the legislature when needed. The governor is responsible for the biennial budget and its presentation to the legislature.

Executive Operations - Governor

The executive operations of the Governor's Office encompass various levels of support that allow the governor to fulfill his responsibilities as required under the authority of the constitution and statutory laws of the state.

The Governor's Office is organized to provide the necessary assistance to enable the governor to effectively administer his duties as chief executive. Major duties of the governor are to:

- oversee and provide leadership for the day to day operation of state government, with emphasis on quality service delivery and state agency responsiveness to Minnesota citizens;
- take the lead in shaping public policy;
- develop programs directed toward efficient, effective operation of state government;
- represent the citizens of the state at various official and non-official functions at local, state and national levels;
- promote business development and help create new jobs with assistance and advice from legislators and business leaders;
- utilize the Governor's Residence for visiting guests and dignitaries and to provide a comfortable living quarters for the governor and his family;
- participate with other governors in the National Governor's Association, sharing information and developing new ideas for government reform and implementation of policy initiatives;
- appoint citizens to state boards and commissions and to appoint judges for all court systems when vacancies occur; and
- perform all other duties as specified by the laws of the state.

Executive Operations - Lieutenant Governor

The lieutenant governor's chief duty is to assist the governor in carrying out the functions of the executive branch (and to be prepared to act in the governor's absence when required). This program encompasses all levels of support that make it possible for the lieutenant governor to fulfill these responsibilities. Major duties of the lieutenant governor as authorized by statute or delegated by the governor are to:

- coordinate the state's tourism program;
- initiate and coordinate programs designed to lessen violence and protect the victims of violence;
- develop and promote policies supporting Minnesota's children and families;
- assist the governor in implementing and publicizing policies aimed at enhancing job growth;
- assist in the development of policies and programs relating to the status of women and minorities;

- chair the Capitol Area Architectural Planning Board;
- serve as a member of the Executive Council; and
- carry out all gubernatorial assignments.

AGENCY CHALLENGES:

Factors shaping the development of policies and priorities for the Governor's Office:

- the need to refocus secondary and post-secondary education to develop for Minnesota's young people the technical skills that will ensure employability in the 21st Century;
- the need to develop a state budget that constrains the price of government and contains no general tax increases;
- the need to improve the delivery of services to children by restructuring and reforming current system.
- the need to restructure the current welfare system to encourage individual self-reliance and strengthen programs that support families;
- the need to communicate the governor's initiatives to the general public, to respond to questions and comments from Minnesota citizens, and to work with legislators and state agency heads to achieve the above goals.

AGENCY STRATEGIES:

The Governor's Office budget plan is constructed so that the governor may:

- work with educators, legislators and state agency heads to develop programs that better prepare Minnesota's young people for the technical jobs of the future by establishing apprenticeship programs and improving the state's technical and community college systems;
- assure the careful review of all spending systems, eliminate wasteful, overlapping and duplicate programs, limit the growth of government spending and protect the Minnesota taxpayer from a general rate increase;
- improve delivery of education and other services to children;
- develop plans and programs that will reform the welfare system, decrease individual reliance on government aid, increase marketable skills and target social investment that strengthens the family unit;
- inform citizens of the status of governor's initiatives, other pending legislation, the state's economic health and comment on other matters of interest to the general public through the media, through correspondence and on the telephone.

REVENUE SUMMARY:

No dedicated receipts are anticipated.

SUMMARY OF BUDGET REQUEST:

- The plan provides for a \$10,000 annual membership increase in the Council of Great Lakes Governors.
- \$15,000 is requested in F.Y. 1998 to produce a framed, painted portrait of the Governor to be displayed in the State Capitol building.
- Consolidation of executive operations requires the transfer of 2 positions from Minnesota Planning to the Governor's Office. This initiative requires \$160,000 in F.Y. 1998 and \$163,000 in F.Y. 1999.

GOVERNOR'S RECOMMENDATION:

The Governor recommends General Fund spending of \$7,625,000 for the biennium, which incorporates a sustainable growth initiative of \$358,000. General Fund revenues for F.Y. 1998-99 are projected to grow by 7.7% over the current biennium and the Governor recommends funding increases equal to that growth for the Courts, Public Defender, Constitutional Officers, Legislature, and the Governor's office.

1998-1999 BIENNIAL BUDGET
(DOLLARS IN THOUSANDS)

AGENCY: GOVERNORS OFFICE
PROGRAM: GOVERNOR'S OFFICE
ACTIVITY: GOVERNOR'S OFFICE

ACTIVITY SUMMARY	FY 1996	Est. FY 1997	FY 1998			FY 1999		
			Base Level	Agency Request	Governor Recomm.	Base Level	Agency Request	Governor Recomm.
=====	=====	=====	=====	=====	=====	=====	=====	=====
EXPENDITURES:								

DETAIL BY CATEGORY:								
STATE OPERATIONS:								
PERSONAL SERVICES	2,420	2,599	2,566	2,726	2,726	2,630	2,793	2,793
OPERATING EXPENSES	946	1,061	1,035	1,060	1,060	1,036	1,046	1,046
=====	=====	=====	=====	=====	=====	=====	=====	=====
SUBTOTAL STATE OPERATIONS	3,366	3,660	3,601	3,786	3,786	3,666	3,839	3,839
=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL EXPENDITURES	3,366	3,660	3,601	3,786	3,786	3,666	3,839	3,839
=====	=====	=====	=====	=====	=====	=====	=====	=====
AGENCY REQUEST ITEMS:		FUND						
-----		-----						
CNCL OF GRT LKS GOVERNORS - INCREASE		GEN		10			10	
GOVERNOR'S PORTRAIT		GEN		15				
CONSOLIDATION OF EXECUTIVE OPERATIONS		GEN		160			163	
=====		=====		=====			=====	
TOTAL AGENCY REQUEST ITEMS				185			173	
=====				=====			=====	
GOV'S INITIATIVES:		FUND						
-----		-----						
(B) SUSTAINABLE GROWTH INITIATIVE		GEN			185			173
=====		=====			=====		=====	
TOTAL GOV'S INITIATIVES					185			173
=====					=====			=====
EXPENDITURES BY FUND:								

DIRECT APPROPRIATIONS:								
GENERAL	3,366	3,657	3,601	3,786	3,786	3,666	3,839	3,839
STATUTORY APPROPRIATIONS:								
GIFT		3						
=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL EXPENDITURES	3,366	3,660	3,601	3,786	3,786	3,666	3,839	3,839
=====	=====	=====	=====	=====	=====	=====	=====	=====

1998-1999 B I E N N I A L B U D G E T
(DOLLARS IN THOUSANDS)

AGENCY: GOVERNORS OFFICE
PROGRAM: GOVERNOR'S OFFICE
ACTIVITY: GOVERNOR'S OFFICE

ACTIVITY SUMMARY	FY 1996	Est. FY 1997	FY 1998			FY 1999		
			Base Level	Agency Request	Governor Recomm.	Base Level	Agency Request	Governor Recomm.
REVENUE COLLECTED:								
DEDICATED:								
GIFT		1						
NONDEDICATED:								
GENERAL	4	3	3	3	3	3	3	3
TOTAL REVENUES COLLECTED	5	3	3	3	3	3	3	3
FTE BY EMPLOYMENT TYPE:								
REGULAR	53.3	53.3	53.3	55.3	55.3	53.3	55.3	55.3
TEMP/SEAS/PART_TIME	.1	.1	.1	.1	.1	.1	.1	.1
TOTAL FTE	53.4	53.4	53.4	55.4	55.4	53.4	55.4	55.4

1998-99 BIENNIAL BUDGET

PROGRAM STRUCTURE

AGENCY: State Auditor, Office of

PROGRAM

PAGE

STATE AUDITOR, OFFICE OF

F-20

Audit Practice Division

Special Investigations Division

Government Information Division

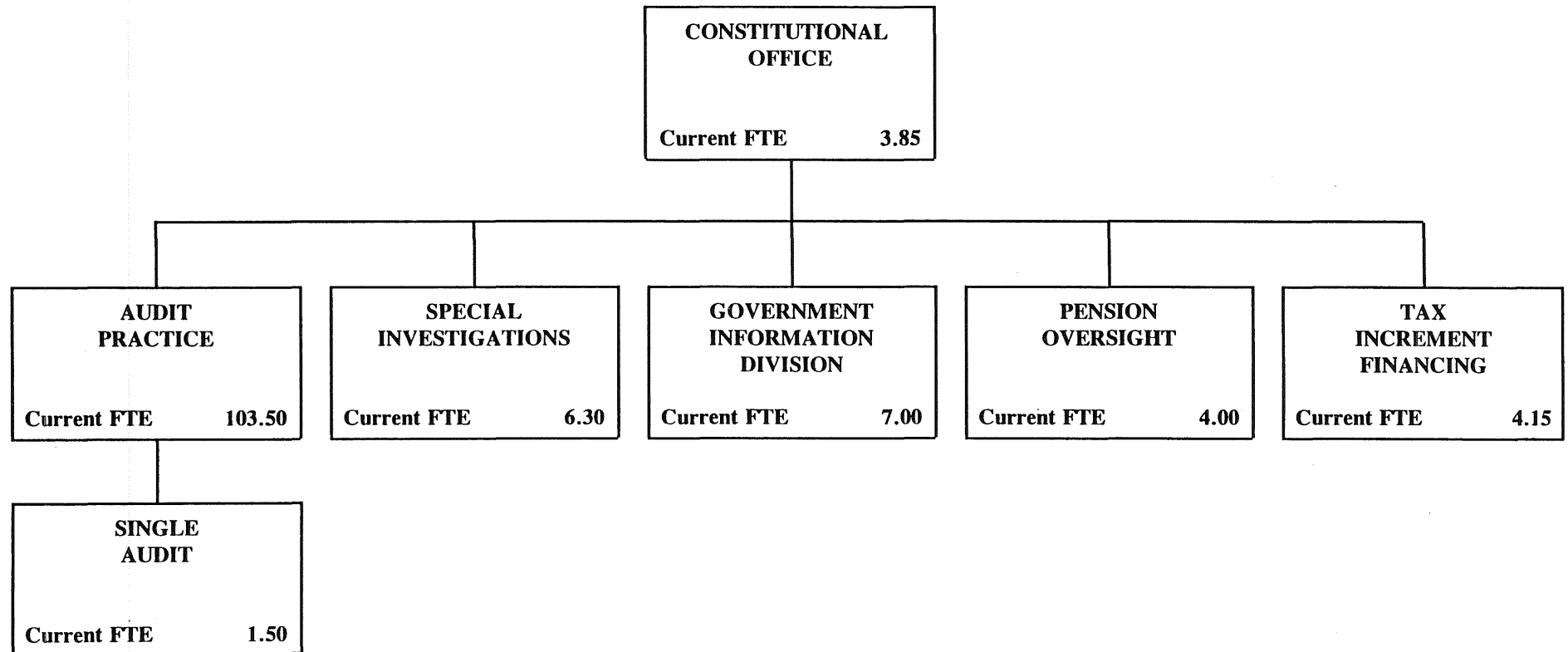
Pension Oversight Division

Single Audit Division

Tax Increment Financing Department

Constitutional Office

**Office of the State Auditor
Organization Chart 7/1/96**



June 30, 1996 FTE Employees: 130.30

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1998-99 Biennial Budget Agency Budget Brief (\$ in thousands)

Agency: State Auditor, Office of (OSA)

Fund: General

Summary of Agency Actions:

	<u>F.Y. 1998</u>	<u>F.Y. 1999</u>	<u>F.Y. 98-99</u>
<u>BASE-YEAR (F.Y. 1997)</u>			
Appropriations (F.Y. 1997)	\$7,144	\$7,144	\$14,288
<u>BASE ADJUSTMENT</u>			
1998-99 Compensation Inflation	150	305	455
Documented Space Rent/Lease Increase	<u>10</u>	<u>22</u>	<u>32</u>
<u>BASE LEVEL (for 1998 and 1999)</u>	\$7,304	\$7,471	\$14,775
<u>AGENCY REQUEST ITEMS</u>			
Government Information Technology	170	172	342
Pension Oversight Additional Reporting	146	189	335
Special Investigations Increase in Cases	110	113	223
Constitutional Office Technology Needs	<u>7</u>	<u>8</u>	<u>15</u>
<u>AGENCY REQUEST</u>	\$7,737	\$7,953	\$15,690
<u>GOVERNOR'S INITIATIVES</u>			
Sustainable Growth Initiative	<u>324</u>	<u>324</u>	<u>648</u>
<u>GOVERNOR'S RECOMMENDATIONS</u>	\$7,628	\$7,795	\$15,423

Brief Explanation of Agency Plan:

The Office of the State Auditor (OSA) is submitting a budget request which reflects agency initiatives in the amount of \$915,000 for the biennium. The OSA reduced its budget by \$674,000 in the 1996 - 1997 biennium through streamlining its management structure, while continuing with quality levels of service to local governments and Minnesota taxpayers. A majority of the requested budget increases relate to requests for technology equipment and supplies to allow the OSA to disseminate information to government and citizens utilizing rapidly growing information sources such as the Internet. As a data gathering entity, it is imperative that the OSA find effective and efficient ways to share information with state and local government officials, as well as with citizens throughout the state. Other requests for funding beyond the baseline budget relate to staffing additional positions to allow the OSA to comply with its statutory duties to audit, investigate, and oversee the over 4,300 units of local government throughout the state.

Revenue Summary:

The Audit Practices Division, which makes up approximately 80% of the budget, recovers all of its costs through audit fees deposited in the Cambridge Deposit Fund. The Pension Oversight Division and Government Information Division are supported in part through reductions of General Fund distributions for: 1) peace officers and fire state aids; and 2) local government aids. Single Audit is supported through reimbursements to the General Fund through the statewide indirect cost process. The Tax Increment Financing Department is funded by tax payments made by local units of government to the state.

Affected Statutes:

None.

GOVERNOR'S RECOMMENDATION:

Historically, the courts, the legislature, and other constitutional officers have departed from executive branch budget guidelines and have not fully participated in the executive branch budget process. The Governor respects this separation of powers and the desire of other elected state officials to independently present their budget requests directly to the legislature. However, the Governor is required by law to submit a balanced budget to the legislature, and therefore it is necessary to identify funding for those offices as part of preparing a total, balanced budget.

The Governor is firmly committed to fiscal stability, meaning that spending cannot grow at a greater rate than resources. Therefore, the Governor recommends that the budgets of the courts, the Public Defender, constitutional officers and the legislature grow no more than the rate of growth in General Fund revenues. General Fund revenues for 1998-99 are projected to grow by 7.7% over the current biennium, and the Governor recommends funding increases equal to that growth.

For the Office of the State Auditor, this amounts to a biennial increase of \$1,103,000, which includes the base adjustment provided for salaries. This increase, less \$455,000 for salaries, amounts to \$324,000 annually and has been placed in the Audit Practice Program for illustrative purposes only.

The Governor makes no recommendation regarding the specific initiatives put forward by the Office of the State Auditor.

1998-99 Biennial Budget

AGENCY: State Auditor, Office of (OSA)

AGENCY DESCRIPTION:

The mission of the Office of the State Auditor (OSA) is to serve as a watchdog for Minnesota taxpayers by helping to ensure integrity, accountability, and cost-effectiveness in over 4,300 governmental entities throughout the state. The following budget activities enable the OSA to carry out its responsibilities:

The Audit Practice Division promotes the accountability and financial viability of local units of government. This is accomplished by performing audits, attesting to the accuracy of financial statements, ensuring compliance with applicable laws and regulations, establishing uniform reporting standards, and providing technical assistance and education to strengthen accounting practices and improve operating efficiency.

The Special Investigations Division promotes integrity and accountability in local government by investigating allegations of malfeasance, misfeasance, or nonfeasance on behalf of local government officials, law enforcement agencies, certified public accountants and citizens of Minnesota.

The Government Information Division promotes financial accountability and cost effective public services in local governments. Local government spending patterns are analyzed, statewide financial data is made available, accounting and financial reporting standards are prescribed, and local governments are helped to automate and improve their accounting functions.

The Pension Oversight Division monitors investment, financial, and actuarial reporting for public pension funds to ensure a financially stable retirement system and compliance with Minnesota statutes governing the activities of the relief association.

The Single Audit Division determines if single audit reports submitted by local units of government have complied with the Single Audit Act of 1984, Single Audit Act Amendments of 1996, and the Office of Management and Budget Circulars A-128 and A-133.

The Tax Increment Financing Department audits and monitors the financial condition and legal compliance of tax increment financing districts throughout the state.

The Constitutional Office manages the operations of the OSA. It oversees the completion of audits, special investigations, research reports, conferences, training programs, and other activities, and coordinates communication of data and information to citizens and government officials. It is responsible for designing and implementing the OSA's strategic plan. The State Auditor serves on the State's Executive Council, State Board of Investment, Land Exchange Board, Housing Finance Agency Board, Rural Finance Administration Board, Public Employees Retirement Association Board, and Board of Government Innovation and Cooperation.

AGENCY ISSUES:

Continuing to function under a streamlined operations base: In the 1996-97 biennium, a significant office restructuring resulted in a savings of approximately \$674,000. In order to expand upon the level of service provided with reduced staff, the OSA created numerous innovative methods to gather data, disseminate data, and educate and communicate with citizens and other entities throughout the state, while continuing to provide necessary training and support to local units of government.

Developing innovative methods to provide quality services: The OSA strives to assist local government in identifying ways to provide improved services with relatively fewer resources. The challenge is to identify and foster innovations in quality, cost-effective services. The OSA is exploring new methods to disseminate the data and information it collects, so it is readily accessible to citizens and local government officials. This can be accomplished through increased technological capabilities to facilitate the distribution of forms, reports, and other information to a wide variety of entities throughout Minnesota. Technological changes will also enable counties to download financial data and will result in a streamlined audit function.

Addressing the demand for special investigations: During the past 2 years, the OSA has had to contend with an increasing number of requests for the services of the Special Investigation Division in addition to handling more complex and time-consuming cases. Staff was required to complete 2 major, department-wide, atypical investigations while continuing to manage their standard, ongoing cases and inquiries.

Responding to changes in federal and state laws: The Single Audit Act Amendments of 1996 changed the filing deadline for recipients of federal financial assistance. This change mandates that the OSA complete the audits of our client's financial statements four months earlier than the current schedule. In addition, changes to the pension reporting laws require increased staff to respond to dramatic increases in oversight responsibilities.

AGENCY STRATEGIES:

The OSA's budget plan is constructed to achieve the following outcomes:

- to ensure that local government entities are held accountable for the size and proper expenditure of tax dollars,
- to work with local units of government to find the most efficient and cost-effective method to spend tax dollars,
- to establish uniform reporting standards and provide technical assistance to strengthen local accounting practices and improve cost-effectiveness and efficiency, and
- to promote compliance with Minnesota law and investigate allegations of improper conduct or expenditures in local units of government.

REVENUE SUMMARY:

The Audit Practices Division, which makes up approximately 80% of the budget, recovers all of its costs through audit fees deposited in the Cambridge Deposit Fund. The Pension Oversight Division and the Government Information Division are supported in part through reductions in distributions for peace officers and fire state aid and local government aids. Single Audit is supported by reimbursements to the General Fund through the statewide indirect cost process. The Tax Increment Financing Department is funded by tax increment payments made by local units of government to the state.

SUMMARY OF BUDGET REQUEST:

The Office of the State Auditor requests a total of \$915,000 this biennium to: 1) develop technological capabilities for the efficient distribution of data and information, 2) increase staff to comply with new pension reporting requirements, and 3) increase staff to address the increase and complexity in special investigations. Although the State Auditor will continue to function under a streamlined management structure which resulted in a \$674,000 savings last biennium, 6.5 non-management positions are needed to meet the OSA's statutory audit and oversight activities.

1998-99 Biennial Budget

AGENCY: State Auditor, Office of (OSA)
(Continuation)

GOVERNOR'S RECOMMENDATION:

Historically, the courts, the legislature, and other constitutional officers have departed from executive branch budget guidelines and have not fully participated in the executive branch budget process. The Governor respects this separation of powers and the desire of other elected state officials to independently present their budget requests directly to the legislature. However, the Governor is required by law to submit a balanced budget to the legislature, and therefore it is necessary to identify funding for those offices as part of preparing a total, balanced budget.

The Governor is firmly committed to fiscal stability, meaning that spending cannot grow at a greater rate than resources. Therefore, the Governor recommends that the budgets of the courts, the Public Defender, constitutional officers and the legislature grow no more than the rate of growth in General Fund revenues. General Fund revenues for 1998-99 are projected to grow by 7.7% over the current biennium, and the Governor recommends funding increases equal to that growth.

For the Office of the State Auditor, this amounts to a biennial increase of \$1,103,000, which includes the base adjustment provided for salaries. This increase, less \$455,000 for salaries, amounts to \$324,000 annually and has been placed in the Audit Practice Program for illustrative purposes only.

The Governor makes no recommendation regarding the specific initiatives put forward by the Office of the State Auditor.

1998-1999 BIENNIAL BUDGET
(DOLLARS IN THOUSANDS)

AGENCY: STATE AUDITOR
PROGRAM: STATE AUDITOR

ACTIVITY RESOURCE ALLOCATION:	FY 1996	Est. FY 1997	FY 1998			FY 1999		
			Base Level	Agency Request	Governor Recomm.	Base Level	Agency Request	Governor Recomm.
AUDIT PRACTICE	4,961	6,704	5,960	5,960	6,284	6,095	6,095	6,419
SPECIAL INVESTIGATIONS	266	360	341	451	341	348	461	348
GOVERNMENT INFORMATION DIV	322	526	434	604	434	445	617	445
PENSION OVERSIGHT	226	239	246	392	246	252	441	252
SINGLE AUDIT	62	94	55	55	55	55	55	55
TAX INCREMENT FINANCING	27	257	265	265	265	265	265	265
CONSTITUTIONAL OFFICE	282	297	302	309	302	310	318	310
TOTAL EXPENDITURES BY ACTIVITY	6,146	8,477	7,603	8,036	7,927	7,770	8,252	8,094
AGENCY REQUEST ITEMS:		FUND						
INCREASE OF COMPLEX SPECIAL CASES		GEN		110			113	
ADDITIONAL REPORTING REQUIREMENTS		GEN		146			189	
TECHNOLOGICAL IMPROVEMENTS		GEN		170			172	
CONSTITUTIONAL OFFICE TECHNOLOGY		GEN		7			8	
TOTAL AGENCY REQUEST ITEMS				433			482	
GOV'S INITIATIVES:		FUND						
(B) SUSTAINABLE GROWTH INITIATIVE		GEN			324			324
TOTAL GOV'S INITIATIVES					324			324
EXPENDITURES BY FUND:								
DIRECT APPROPRIATIONS:								
GENERAL	6,101	8,179	7,304	7,737	7,628	7,471	7,953	7,795
STATUTORY APPROPRIATIONS:								
SPECIAL REVENUE	45	298	299	299	299	299	299	299
TOTAL EXPENDITURES	6,146	8,477	7,603	8,036	7,927	7,770	8,252	8,094
FTE BY EMPLOYMENT TYPE:								
REGULAR	106.9	123.4	121.7	126.7	121.7	121.7	127.7	121.7

1998-1999 B I E N N I A L B U D G E T
(DOLLARS IN THOUSANDS)

AGENCY: STATE AUDITOR
PROGRAM: STATE AUDITOR

ACTIVITY RESOURCE ALLOCATION:	FY 1996	Est. FY 1997	FY 1998			FY 1999		
			Base Level	Agency Request	Governor Recomm.	Base Level	Agency Request	Governor Recomm.
=====	=====	=====	=====	=====	=====	=====	=====	=====
TEMP/SEAS/PART_TIME	1.7	1.7	1.7	2.2	1.7	1.7	2.2	1.7
OVERTIME	.6	.6	.6	.6	.6	.6	.6	.6
=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL FTE	109.2	125.7	124.0	129.5	124.0	124.0	130.5	124.0

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1998-99 Biennial Budget Agency Level Revenue Summary

Agency: State Auditor, Office of (OSA)

REVENUE SOURCES:

The Office of the State Auditor (OSA) generates only one major source of revenue, which is a non-dedicated receipt. The non-dedicated revenue is generated through audit fees charged by the OSA for examinations of local units of government, including counties, cities, towns, and school districts. Funds collected are deposited in the Cambridge Deposit Fund and are estimated to be \$5.6 million for F.Y. 1997. This represents approximately 80% of the OSA's total resources.

Other sources of revenue, which offset the OSA's direct General Fund appropriation, are not classified as "departmental earnings" or direct revenue sources for the Office. These include the following:

- The Pension Oversight Division and the Government Information Division are supported in part through reductions to General Fund distributions for peace officers and fire state aid and for local government aids pursuant to M.S. 69.021, Subd. 5 and M.S. 477A.014, Subd. 4, respectively.
- The Single Audit Division is supported through reimbursements to the General Fund through the statewide indirect cost process.

The Tax Increment Financing Department is funded by tax increment payments made by local units of government to the state. These payments are transferred to OSA from the State Treasurer.

In addition, the OSA generates a minimal amount of dedicated revenue from an interagency agreement with the Minnesota Department of Transportation, the sale of documents and accounting software, and by conducting training workshops, seminars, and conferences.

FEE STRUCTURE:

The Office of the State Auditor is required by M.S. 6.58 to recover the costs of conducting audits. Fees are developed to recover the cost of conducting the audits of local government, i.e., counties, cities, school districts, nursing homes, and other local entities. Local units of government are charged an hourly per diem rate, plus related travel expenses. The hourly rate charged will depend upon the auditor's level of experience.

The Audit Practice Division carries out the mission of the Office of the State Auditor by promoting accountability and financial viability of local units of government. This is accomplished by performing audits, attesting to the accuracy of financial statements, ensuring compliance with applicable laws and regulations, establishing uniform reporting standards, and providing technical assistance and education to strengthen accounting practices and improve operating efficiency. The fee structure recovers costs for the time of OSA staff, including auditors, audit managers, attorneys, and office support that provide these services.

RECENT CHANGES:

In the 1996-97 biennium, audit client fees were increased in January of 1996 and January of 1997. In both cases, the Office of the State Auditor was able to hold the change in per diem to two percent. These adjustments were required to keep the cost recovery formula in balance, as required by statute.

FORECAST BASIS:

Revenue and offsetting expenditures are based upon the estimated time required to complete the Office of the State Auditor's annual audits. The anticipated fees are expected to be sufficient to meet the Office's audit requirements during 1997. The forecast numbers are based upon the anticipated revenue collections and estimated expenditures for the current and coming biennia.

DECISION ITEMS:

The Office anticipates that during 1997 - 1998 that fees charged to clients may have to change to meet our statutory requirement to recover our costs. However, the Audit Practice Division is not requesting any staffing or operational increases in this budget and will strive to hold the current per diem rates constant.

1998-1999 B I E N N I A L B U D G E T
(DOLLARS IN THOUSANDS)

AGENCY: STATE AUDITOR

			FY 1998			FY 1999		
		Est.		Agency	Governor		Agency	Governor
SUMMARY OF AGENCY REVENUES	FY 1996	FY 1997	Forecast	Request	Recomm.	Forecast	Request	Recomm.
=====	=====	=====	=====	=====	=====	=====	=====	=====
NON-DEDICATED REVENUE:								

DEPARTMENTAL EARNINGS:								
CAMBRIDGE DEPOSIT FUND	5,438	5,600	5,867	5,867	5,867	6,014	6,014	6,014
OTHER REVENUES:								
GENERAL	26	14	14	14	14	14	14	14
=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL NON-DEDICATED RECEIPTS	5,464	5,614	5,881	5,881	5,881	6,028	6,028	6,028
DEDICATED RECEIPTS:								

OTHER REVENUES:								
SPECIAL REVENUE	16	34	34	34	34	34	34	34
=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL DEDICATED RECEIPTS	16	34	34	34	34	34	34	34
=====	=====	=====	=====	=====	=====	=====	=====	=====
AGENCY TOTAL REVENUES	5,480	5,648	5,915	5,915	5,915	6,062	6,062	6,062

1998-99 Biennial Budget

BUDGET ACTIVITY: Audit Practice
PROGRAM: State Auditor, Office of
AGENCY: State Auditor, Office of (OSA)

ACTIVITY DESCRIPTION:

The Audit Practices Division is integrally responsible for the Office of the State Auditor's (OSA) ability to achieve its objectives. The division helps ensure integrity, accountability and cost-effectiveness in government and promotes more accountable and cost-effective local government. This division conducts financial and legal compliance audits for 86 counties (with a limited compliance audit of Hennepin County); the cities of Duluth, Minneapolis and St. Paul; organizations affiliated with counties and cities; and other local governments throughout the state.

In addition to auditing for evidence of misappropriated public dollars, the financial and legal compliance audits provide local governments with an independent analysis of the effectiveness of their organizations. The legal compliance component of the audits ascertains that all local government activities are being administered according to Minnesota law. As part of the Audit Practices Division, staff attorneys are available for local officials seeking clarification of various laws and regulations. The management letter that accompanies each audit provides suggestions for how local governments might improve the effectiveness and/or efficiency of their operations.

The Audit Practices Division has initiated improved customer services for our clients and sponsors training for local government accounting staff. The customer service efforts include concrete suggestions for clients on how they can assist the audit process, with commensurate reductions in the cost of audit services, and the implementation of a State Auditor training program to help client staff meet their training needs. The increased emphasis on training opportunities for client staff will become more critical as local governments begin to implement the significant accounting changes promulgated by the Governmental Accounting Standards Board. These new standards have the potential to fundamentally change the overall accounting practices of local government.

BUDGET ISSUES:

The Audit Practices Division is supported by fees charged for audit examinations on an actual cost recovery basis. The challenge the Audit Practices Division faces is to provide a high level of quality audit services at an affordable and competitive cost consistent with sound oversight of public expenditures. Audit staff actively work with clients to help minimize audit costs by using the audit planning process to identify accounting services that can be performed at the local level and by providing training services on accounting standards and procedures. Over the past two biennia, regional field offices have been established to control travel costs. The development and use of a computerized financial package has also been implemented to improve the efficiency of the financial reporting process. Due to these and other control measures, the Audit Division is not requesting an increase in staffing levels or operating expenses above the base this budget cycle.

PLANNED RESULTS:

The budget plan will facilitate the accomplishment of the following objectives:

- The OSA plans to issue over 200 audit reports of counties, cities, organizations affiliated with counties and cities, and other local governments during each of the 1997, 1998, and 1999 fiscal years ending June 30.

- Joint staff and client training programs will be held semi-annually on local government accounting and audit procedures to help improve the audit efficiency and to improve local government accounting practices.
- In an effort to continue to improve the quality of our audits, the OSA participates in a Peer Review program that is conducted under the auspices of the National State Auditors Association. The purpose of the Peer Review program is to report on the OSA's system of audit quality control and its compliance with established policies and procedures and applicable auditing standards.

REVENUE:

This budget activity generates non-dedicated revenues for audit charges which are deposited in the Cambridge Deposit Fund. By statute, revenues generated must recover the costs of the examinations.

1998-1999 B I E N N I A L B U D G E T
(DOLLARS IN THOUSANDS)

AGENCY: STATE AUDITOR
PROGRAM: STATE AUDITOR
ACTIVITY: AUDIT PRACTICE

ACTIVITY SUMMARY	FY 1996	Est. FY 1997	FY 1998			FY 1999		
			Base Level	Agency Request	Governor Recomm.	Base Level	Agency Request	Governor Recomm.
EXPENDITURES:								
DETAIL BY CATEGORY:								
STATE OPERATIONS:								
PERSONAL SERVICES	4,385	5,060	5,182	5,182	5,182	5,317	5,317	5,317
OPERATING EXPENSES	576	1,644	778	778	1,102	778	778	1,102
SUBTOTAL STATE OPERATIONS	4,961	6,704	5,960	5,960	6,284	6,095	6,095	6,419
TOTAL EXPENDITURES	4,961	6,704	5,960	5,960	6,284	6,095	6,095	6,419
GOV'S INITIATIVES:		FUND						
(B) SUSTAINABLE GROWTH INITIATIVE		GEN			324			324
TOTAL GOV'S INITIATIVES					324			324
EXPENDITURES BY FUND:								
DIRECT APPROPRIATIONS:								
GENERAL	4,944	6,665	5,928	5,928	6,252	6,063	6,063	6,387
STATUTORY APPROPRIATIONS:								
SPECIAL REVENUE	17	39	32	32	32	32	32	32
TOTAL EXPENDITURES	4,961	6,704	5,960	5,960	6,284	6,095	6,095	6,419
REVENUE COLLECTED:								
DEDICATED:								
SPECIAL REVENUE	16	32	32	32	32	32	32	32
NONDEDICATED:								
GENERAL	26	14	14	14	14	14	14	14
CAMBRIDGE DEPOSIT FUND	5,438	5,600	5,867	5,867	5,867	6,014	6,014	6,014
TOTAL REVENUES COLLECTED	5,480	5,646	5,913	5,913	5,913	6,060	6,060	6,060

1998-1999 B I E N N I A L B U D G E T
(DOLLARS IN THOUSANDS)

AGENCY: STATE AUDITOR
PROGRAM: STATE AUDITOR
ACTIVITY: AUDIT PRACTICE

			FY 1998			FY 1999		
ACTIVITY SUMMARY	FY 1996	Est. FY 1997	Base Level	Agency Request	Governor Recomm.	Base Level	Agency Request	Governor Recomm.
=====								
FTE BY EMPLOYMENT TYPE:								
REGULAR	86.1	98.2	97.6	97.6	97.6	97.6	97.6	97.6
TEMP/SEAS/PART_TIME	1.7	1.7	1.7	1.7	1.7	1.7	1.7	1.7
OVERTIME	.6	.6	.6	.6	.6	.6	.6	.6
=====								
TOTAL FTE	88.4	100.5	99.9	99.9	99.9	99.9	99.9	99.9

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1998-99 Biennial Budget

BUDGET ACTIVITY: Special Investigations
PROGRAM: State Auditor, Office of
AGENCY: State Auditor, Office of (OSA)

ACTIVITY DESCRIPTION:

The Special Investigations Division works to ensure integrity and accountability in local government by investigating allegations of malfeasance, misfeasance, or nonfeasance on behalf of, and in service to local government officials, law enforcement agencies, certified public accountants, and citizens of Minnesota. This division also supports OSA's regular audit field staff when wrongdoing is uncovered or suspected during financial and compliance audits of local governments.

The role of Special Investigations is to evaluate allegations brought to its attention and, when appropriate, to provide specialized auditing techniques, initiate an independent investigation, or refer the matter to appropriate oversight authorities. Staff receives specialized training in fraud auditing, investigation, law, criminology, and ethics. In addition to performing independent investigations, the division has assisted local law enforcement agencies, the Bureau of Criminal Apprehension (BCA) of the Department of Public Safety, and the Office of the Attorney General in investigations where suspected fraud involving government funds has required complex financial investigative expertise.

M.S. 609.456 requires public employees and officials to report evidence of theft, embezzlement, or unlawful use of public funds to the State Auditor. In addition, the Special Investigations Division receives information about suspected wrongdoing obtained during routine local government audits and information from concerned citizens that require investigation.

This division is a fact-finding entity. It has no prosecutorial powers. Investigations that disclose evidence of misfeasance, malfeasance, or nonfeasance are referred to the appropriate authorities for corrective action. Evidence of criminal wrongdoing is referred to the appropriate county attorney for potential prosecution. Evidence of other violations of local ordinance or policy are referred to local officials so they may pursue civil litigation to recover losses, initiate disciplinary action, or take other appropriate action. Findings of improper financial management practices are also referred to local officials in order that such practices may be corrected.

Special Investigations promotes integrity in government by not only investigating allegations of wrongdoing by local government officials and employees, but also by informing the public of the results of its investigations. Making the results of an investigation public acts as a deterrent to misappropriation of public funds. Moreover, as a result of its investigative efforts, Special Investigations' staff is increasingly called upon to train and educate local government officials and employees to detect and prevent fraud, waste, and abuse in their programs and operations.

BUDGET ISSUES:

The Special Investigations Division requests an increase of \$223,000 from the current level of spending. This increase is requested in response to a growing number of complex, time consuming cases coming to the Special Investigations Division. For example, a recent Metropolitan Council Transit Operations investigation required 6 months of Special Investigations' staff time. A second investigation into the Carver County Sheriff's Department consumed more than 3 months of Special Investigations' staff time.

While working on time consuming cases, Special Investigations must also review and manage numerous other requests and answer questions from citizens and local government officials regarding potential fraud, waste, and abuse of public funds. Due to the number of cases completed by Special Investigations, it is on pace toward a 28% case increase over last year.

The Special Investigations Division is funded by the General Fund. As with most law enforcement activities, funding through user generated revenue is not feasible. Local governments are not charged for special services relating to the detection and prosecution of suspected fraud for several reasons: 1) government officials would hesitate to utilize the service and would likely discontinue reporting as required by M.S. 609.456; 2) there would be great resistance to conducting the comprehensive and exploratory procedures that are an inherent part of the investigative process; and 3) assessing fees against a governmental entity may not be appropriate in certain cases due to the nature of the case and the target of the investigation.

In order for Special Investigations to be effective, cases must be completed in a timely manner. With the increased complexity of cases and the increased number of cases, Special Investigations is requesting funding to respond in an effective and timely manner to concerns regarding fraud, waste, and abuse of public funds.

PLANNED RESULTS:

The budget plan will facilitate the accomplishment of the following objectives:

- During F.Y. 1998-99, because of experience and employee development, the division will continue to increase its service level. The division expects to resolve approximately 300 complaints which include requests for assistance from local governmental units, requests from other law enforcement agencies, and formal M.S. 609.456 notifications.
- The division will strive to thoroughly and timely investigate allegations of malfeasance, misfeasance, and nonfeasance to ensure taxpayers the proper oversight of the 4,300 local units of government.
- The division will strive to educate and work with local units of government in identifying and preventing fraud. The objective will be to help local government managers evaluate and improve their control systems to prevent fraud, waste, and abuse. Additionally, Special Investigations will continue to train and educate field auditors to enhance the detection of fraud, waste, and abuse.
- The division will continue to address and report on major policy development issues that have statewide impact and relate to assessing the integrity, stewardship, and performance of government activities, such as cemetery oversight and violations of Minnesota law.
- The division will continue to strive to obtain honesty, integrity, and accountability in local governments and to communicate findings of violations to the public.

REVENUE:

None.

1998-1999 B I E N N I A L B U D G E T
(DOLLARS IN THOUSANDS)

AGENCY: STATE AUDITOR
PROGRAM: STATE AUDITOR
ACTIVITY: SPECIAL INVESTIGATIONS

ACTIVITY SUMMARY	FY 1996	Est. FY 1997	FY 1998			FY 1999		
			Base Level	Agency Request	Governor Recomm.	Base Level	Agency Request	Governor Recomm.
EXPENDITURES:								
DETAIL BY CATEGORY:								
STATE OPERATIONS:								
PERSONAL SERVICES	224	303	278	383	278	285	390	285
OPERATING EXPENSES	42	57	63	68	63	63	71	63
SUBTOTAL STATE OPERATIONS	266	360	341	451	341	348	461	348
TOTAL EXPENDITURES	266	360	341	451	341	348	461	348
AGENCY REQUEST ITEMS:		FUND						
INCREASE OF COMPLEX SPECIAL CASES		GEN		110			113	
TOTAL AGENCY REQUEST ITEMS				110			113	
EXPENDITURES BY FUND:								
DIRECT APPROPRIATIONS:								
GENERAL	266	360	341	451	341	348	461	348
TOTAL EXPENDITURES	266	360	341	451	341	348	461	348
FTE BY EMPLOYMENT TYPE:								
REGULAR	4.6	6.1	5.0	7.0	5.0	5.0	7.0	5.0
TEMP/SEAS/PART_TIME				.5			.5	
TOTAL FTE	4.6	6.1	5.0	7.5	5.0	5.0	7.5	5.0

F.Y. 1998-99 BUDGET INITIATIVE

AGENCY: State Auditor, Office of (OSA)
PROGRAM: State Auditor, Office of
ACTIVITY: Special Investigations

ITEM TITLE: Increase of Complex and Time Consuming Cases

	<u>1998-99 Biennium</u>		<u>2000-01 Biennium</u>	
	<u>F.Y. 1998</u>	<u>F.Y. 1999</u>	<u>F.Y. 2000</u>	<u>F.Y. 2001</u>
AGENCY REQUEST*				
Expenditures: (\$000s)				
General Fund				
- State Operations	\$110	\$113	\$113	\$113

Statutory Change? Yes ____ No X

If yes, statutes(s) affected:

* Non-Executive Branches of Government

RATIONALE:

The Special Investigations Division requests an increase of \$223,000 from the current level of spending. This increase is requested in response to a growing number of complex, time consuming cases coming to the Special Investigations Division. For example, a recent Metropolitan Council Transit Operations investigation required 6 months of Special Investigations' staff time. A second investigation into the Carver County Sheriff's Department consumed more than 3 months of Special Investigations' staff time.

While working time consuming cases, Special Investigations must also review and manage numerous other requests and answer questions of citizens and local government officials regarding potential fraud, waste, and abuse of public funds. Due to the number of cases completed by Special Investigations, it is on pace toward a 28% case increase over last year.

In order for Special Investigations to be effective, cases must be completed in a timely manner. With the increased complexity of cases and the increased number of cases, Special Investigations is requesting funding to effectively and timely respond to concerns regarding fraud, waste, and abuse of public funds. This activity is requesting continuation funding for 1.5 existing persons and for 1 FTE non-managerial position not presently on staff.

The Special Investigations Division is funded by the General Fund. As with most law enforcement activities, funding through user generated revenue is not feasible. Local governments are not charged for special services relating to the detection and prosecution of suspected fraud for several reasons: 1) government officials would hesitate to utilize the service and would likely discontinue reporting as required by M.S. 609.456; 2) there would be great resistance to conducting the comprehensive and exploratory procedures that are an inherent part of the investigative process; and 3) assessing fees against a governmental entity may not be appropriate in certain cases due to the nature of the case and the target of the investigation.

PROGRAM OUTCOMES:

- During F.Y. 1998-99, because of experience and employee development, the division will continue to increase its service level. The division expects to resolve approximately 300 complaints which include requests for assistance from local governmental units, requests from other law enforcement agencies, and formal M.S. 609.456 notifications.
- The division will strive to thoroughly and timely investigate allegations of malfeasance, misfeasance, and nonfeasance to ensure taxpayers the proper oversight of the 4,300 local units of government.
- The division will strive to educate and work with local units of government in identifying and preventing fraud. The objective will be to help local government managers evaluate and improve their control systems to prevent fraud, waste, and abuse. Additionally, Special Investigations will continue to train and educate field auditors to enhance the detection of fraud, waste, and abuse.
- The division will continue to address and report on major policy development issues that have statewide impact and relate to assessing the integrity, stewardship, and performance of government activities, such as cemetery oversight and violations of Minnesota law.
- The division will continue to strive to obtain honesty, integrity, and accountability in local governments and to communicate findings of violations to the public.

LONG-TERM IMPACT:

As the number and complexity of special investigative cases continue to increase, the Office of the State Auditor (OSA) will be prepared to fulfill its duties to investigate allegations of wrongdoing and serve as a watchdog over taxpayers' funds. Full staffing will allow the OSA the ability to effectively and timely accomplish these goals.

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1998-99 Biennial Budget

BUDGET ACTIVITY: Government Information Division
PROGRAM: State Auditor, Office of
AGENCY: State Auditor, Office of (OSA)

ACTIVITY DESCRIPTION:

This Government Information Division promotes financial accountability and cost-effective public services for Minnesota's local governments by:

- Researching and analyzing local government financial trends to enable local government officials, state and local taxpayers and state policy makers to better understand the relative financial condition of all local governments.
- Conducting detailed analysis of local government spending patterns to highlight practices employed by various local governments that result in more cost-effective government services.
- Prescribing accounting and financial reporting standards for Minnesota's counties, cities, townships and special service districts to help ensure uniformity and consistency.
- Collecting uniform financial data from local governments, compiling that information into a statewide database, and ensuring that the data collected is verified by using financial audits, Department of Revenue property tax data, and historical data for each unit of government.
- Disseminating statewide financial data on local government revenues, expenditures, indebtedness, fund balances, tax capacity, and salaries/benefits to enable local officials and the public to better assess the relative financial condition of their government, and for state policy makers to use in formulating local government aids and credits policies. The data is also provided to the U.S. Bureau of the Census for integration into a national local government financial database. Expenditures, revenues and bonded debt data on streets and highways is provided to the U.S. and Minnesota Departments of Transportation.
- Developing and maintaining the City and Town Accounting System (CTAS), a computer software program, made available to local governments to automate and improve accounting functions.
- Establishing computerized methods for collecting and disseminating local government financial information to streamline the financial reporting process.

BUDGET ISSUES:

The division is requesting a \$342,000 increase which reflects the need for technological improvements and staff to meet its objectives for computer based reporting and dissemination of OSA information. Since 1991, IISAC has entered into agreements in excess of approximately \$1,300,000 to research changes in uniform accounting and financial reporting methods for local governmental units of Minnesota. IISAC has approximately \$300,000 remaining in this appropriation account.

The OSA intends to participate in elements of this project by establishing a resource on the Internet where local government financial information will be available to the public, local government officials and the Legislature. This information will initially be available in the form of downloadable databases and reports. Reports will also be available in the form of web pages. There will be an ongoing effort to improve the timeliness, accessibility and usefulness of this information, including: 1) providing the ability to query the databases through web pages, 2) working with state agencies to establish links or house related information, where appropriate, 3) working with state agencies to eliminate redundant information, and 4) enhancing the financial information by collecting and relating it to appropriate nonfinancial information. To realize this goal, it will be necessary to obtain and update the OSA's personnel, technical equipment, tools and expertise.

PLANNED RESULTS:

The budget plan will facilitate the accomplishment of the following objectives:

- Conduct in-depth research and analysis of local government finances, including an analysis of our state-local fiscal relationships.
- Recommend proposals for improving the effectiveness and efficiency of the systems used for delivering and financing local government services.
- Revise reporting forms and instructions used to collect routine financial information from local governments.
- Review and resolve apparent discrepancies and reporting errors in financial statements, audits, lobbying disclosure forms, criminal forfeiture incident reporting forms, solid waste management reporting forms, and other statutorily required reporting forms filed by 87 counties, 855 cities, and over 1,800 townships.
- Maintain a comprehensive database of financial data on all local governments within the state.
- At the request of legislative committees and other clients, develop surveys and forms used to gather detailed financial information on specific subjects related to local government finances.
- Review reporting forms filed by local governments on the bonded debt for streets and highways and share the database with the Department of Transportation.
- Maintain the Cities and Towns Accounting System software for use by small cities and towns throughout the state.

The overall efficiency and effectiveness of the Government Information Division should be measured by more than the amount of data it produces. The ultimate dissemination and use of that data to assist in discussion and public policy decision making is a very important measure of its effectiveness. Technological improvements in this area will greatly increase the ability of the Office of the State Auditor to reach out and interact with numerous other governmental entities and citizens throughout the state. Technological improvements will increase citizen access to data and allow taxpayer use of financial data to discuss financial health, local spending and revenue decisions with representatives of local government.

REVENUE:

The Government Information Division receives a direct appropriation from the General Fund, but M.S. 477A.014, subd. 4, authorizes the Commissioner of Revenue to deduct up to \$217,000 each year from local government aids for the cost of services related to the government information function. In order for this division to fully recover its costs, M.S. 477A.014, subd. 4, would need to be amended to provide for the full reimbursement of costs from local government aids.

The costs of collecting highway expenditure data from local governments and reporting the statewide data to state and federal transportation officials is paid to OSA by the Department of Transportation through an interagency agreement. A fee is charged to local governments to purchase the CTAS software package.

1998-1999 BIENNIAL BUDGET
(DOLLARS IN THOUSANDS)

AGENCY: STATE AUDITOR
PROGRAM: STATE AUDITOR
ACTIVITY: GOVERNMENT INFORMATION DIV

ACTIVITY SUMMARY	FY 1996	Est. FY 1997	FY 1998			FY 1999		
			Base Level	Agency Request	Governor Recomm.	Base Level	Agency Request	Governor Recomm.
=====	=====	=====	=====	=====	=====	=====	=====	=====
EXPENDITURES:								

DETAIL BY CATEGORY:								
STATE OPERATIONS:								
PERSONAL SERVICES	244	330	341	406	341	350	415	350
OPERATING EXPENSES	78	196	93	198	93	95	202	95
=====	=====	=====	=====	=====	=====	=====	=====	=====
SUBTOTAL STATE OPERATIONS	322	526	434	604	434	445	617	445
=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL EXPENDITURES	322	526	434	604	434	445	617	445
=====	=====	=====	=====	=====	=====	=====	=====	=====
AGENCY REQUEST ITEMS:								

TECHNOLOGICAL IMPROVEMENTS		GEN		170			172	
=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL AGENCY REQUEST ITEMS				170			172	
=====	=====	=====	=====	=====	=====	=====	=====	=====
EXPENDITURES BY FUND:								

DIRECT APPROPRIATIONS:								
GENERAL	322	526	434	604	434	445	617	445
=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL EXPENDITURES	322	526	434	604	434	445	617	445
=====	=====	=====	=====	=====	=====	=====	=====	=====
FTE BY EMPLOYMENT TYPE:								

REGULAR	7.0	7.0	7.0	8.0	7.0	7.0	8.0	7.0
=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL FTE	7.0	7.0	7.0	8.0	7.0	7.0	8.0	7.0
=====	=====	=====	=====	=====	=====	=====	=====	=====

F.Y. 1998-99 BUDGET INITIATIVE

AGENCY: State Auditor, Office of (OSA)
PROGRAM: State Auditor, Office of
ACTIVITY: Government Information Division

ITEM TITLE: Technological Improvements

	<u>1998-99 Biennium</u>		<u>2000-01 Biennium</u>	
	<u>F.Y. 1998</u>	<u>F.Y. 1999</u>	<u>F.Y. 2000</u>	<u>F.Y. 2001</u>
AGENCY REQUEST*				
Expenditures: (\$000s)				
General Fund				
- State Operations	\$170	\$172	\$172	\$172

Statutory Change? Yes _____ No X

If yes, statutes(s) affected:

*Non-Executive Branches of Government

RATIONALE:

The funds requested will be used for improving local government financial reporting in Minnesota. This project necessitates that local government financial information be made available to the general public, local government officials, and the Legislature. To date, the problem of how to make this information available to the public has been studied under the direction of the Intergovernmental Information Systems Advisory Council (IISAC) and that entity's outside professional consultants.

This request will allow the Office of the State Auditor (OSA) to implement a uniform financial reporting product and the capability to maintain a presence on the Internet where local government financial information will be available for viewing or downloading by others. This initiative will allow the OSA the ability to obtain personnel, equipment, tools, and the technical expertise necessary to make the information collected easily accessible, understandable, and usable. In addition, efforts will be made to work with other state agencies to eliminate redundant information where practical, and to link or house related information when appropriate. Finally, efforts will be made to enhance information by combining current financial data with other related information and analysis to allow the user to better determine the meaning behind the financial information warehoused at the OSA.

PROGRAM OUTCOMES:

- Establishment and maintenance of a Local Area Network within the State Auditor's Office to make preparation and dissemination of annual reports and other public information more efficient for office staff, state agencies, and interested parties.

- Development of computerized methods for reporting local government information. This includes creating computer based reporting forms on diskette and establishing web page reporting forms on the Internet to simplify reporting to the Office of the State Auditor.
- Permitting databases of local government financial information, including financial reports, to be available for more widespread accessibility to the public using diskette, downloading or querying through the Internet.
- Upgrading the Cities and Towns Accounting System software to make reporting more automated.
- At the request of legislative committees and other clients, development of surveys and forms used to gather detailed financial information on specific subjects related to local government finances in a more efficient manner.

LONG-TERM IMPACT:

These technological improvements will increase citizen access to data and allow taxpayer use of financial data to discuss financial health, local spending, and revenue decisions with representatives of local government. This implementation will provide uniform financial reporting by local governments.

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1998-99 Biennial Budget

BUDGET ACTIVITY: Pension Oversight
PROGRAM: State Auditor, Office of
AGENCY: State Auditor, Office of (OSA)

ACTIVITY DESCRIPTION:

The Pension Oversight Division monitors investment, financial and actuarial reporting for public pension funds to ensure a financially stable retirement system throughout the state, accountability for the fiscally prudent management of local tax dollars that are contributed to the retirement funds, and compliance with state statutes governing the activities of the relief associations.

The responsibilities of this division are to:

- Develop and maintain financial reporting that will effectively measure compliance with state laws governing maximum benefit levels, establish the normal costs of the pension fund, determine unfunded liabilities or surplus, and calculate required municipal contributions.
- Review documents filed with the Office of the State Auditor (OSA) including financial reporting forms, schedules, actuarial reports, defined contribution allocation tables, fire protection reporting forms, and audited financial statements for accuracy and completeness. Resolve all discrepancies in reports by working directly with the relief association officers, city officials, and/or independent accountants.
- Prepare periodic reports to the Commissioner of Revenue certifying that individual relief associations have met statutory compliance and reporting standards and are therefore eligible to receive various state aid distributions.
- Prepare an annual report to the Legislature on the general financial condition of approximately 700 volunteer fire relief associations including a summarization of financial and benefit information as required by M.S. 6.72.
- Provide training at the pension conferences sponsored by the OSA and other regional training conferences. These conferences provide information and training for officers and trustees of pension funds on reporting requirements and the appropriate management of pension funds.
- Collect, analyze, and prepare an annual report regarding investment information for over 130 pension reliefs in the state of Minnesota pursuant to M.S. 356.219.
- Develop and annually update an auditor's packet, treasurer's packet, tax booklet, investment recommendations, and financial spreadsheet to assist pension reliefs in complying with state laws.
- Provide technical assistance to pension funds on issues relating to various reporting requirements, tax code, state laws, fiduciary responsibilities of officers and trustees, maintenance of complete and accurate by-laws, and other statutory regulations governing the operation of relief associations.
- Review financial reports of relief associations for potential irregularities that may indicate theft or willful misappropriation of pension funds. Assist the audit and special investigations activities

of the OSA with appropriate investigations.

- Respond to requests for assistance and information from the Legislative Commission on Pensions and Retirement, legislators, executive branch officials, city officials, and citizens.

BUDGET ISSUES:

Pursuant to additional requirements set forth in M.S. 356.219, the Pension Oversight Division requests an additional \$335,000 from the current level of spending. The Pension Oversight Division now receives investment performance information from approximately 160 relief associations. However, beginning in 1998, the Pension Oversight Division will be receiving investment performance information from approximately 570 additional relief associations which will need to be analyzed and compiled into a report as required by law.

Under M.S. 356.219, the costs for investment performance reporting must be funded from the OSA's direct General Fund appropriation. The remaining costs of the Pension Oversight Division, except for investment performance reporting costs, are deducted from the total of General Fund distributions for fire and peace officer state aids pursuant to M.S. 69.021, subd. 5. In F.Y. 1996, the amount deducted from fire and peace officer state aid distributions totaled \$181,763 leaving a net General Fund expenditure for investment performance reporting of only \$45,301.

PLANNED RESULTS:

The budget plan will facilitate the accomplishment of the following objectives:

- Annually review and update schedules and financial reporting forms used by relief associations.
- Annually review all schedules, reporting forms, audits, actuarial reports, and accountant's certification filed by over 700 pension funds.
- Prepare a report for the legislature on general financial conditions of the fire relief associations.
- Assist approximately 650 relief associations to correct discrepancies or inaccuracies in their financial and investment reporting forms.
- Prepare the investment performance report for all 726 pension reliefs as mandated by law.
- Annually issue guidelines for independent auditors to use when conducting their statutorily mandated certifications or audits of relief associations.
- Annually issue guidelines for investing of pension funds and complying with pension laws by relief treasurers.
- Respond to requests for assistance from over 726 pension funds seeking information, advice, and technical assistance on various issues affecting the operations and financial management of the associations.
- Prepare statutorily mandated reports to the legislature and the Commissioner of Revenue relative to the compliance of all relief associations with state laws and reporting requirements.

REVENUE:

The Office of the State Auditor receives a direct appropriation from the General Fund for auditing and pension oversight of local police and fire reliefs. In order to recover costs, the estimated examination costs and expenses certified (and any difference of actual amounts reconciled) by the OSA to the Department of Revenue are deducted from the totals to be paid for aids distributed for local police and fire aid reliefs. These offsets reimburse the General Fund for the OSA's expenses.

1998-1999 BIENNIAL BUDGET
(DOLLARS IN THOUSANDS)

AGENCY: STATE AUDITOR
PROGRAM: STATE AUDITOR
ACTIVITY: PENSION OVERSIGHT

ACTIVITY SUMMARY	FY 1996	Est. FY 1997	FY 1998			FY 1999		
			Base Level	Agency Request	Governor Recomm.	Base Level	Agency Request	Governor Recomm.
=====	=====	=====	=====	=====	=====	=====	=====	=====
EXPENDITURES:								

DETAIL BY CATEGORY:								
STATE OPERATIONS:								
PERSONAL SERVICES	188	193	200	278	200	205	325	205
OPERATING EXPENSES	38	46	46	114	46	47	116	47
=====	=====	=====	=====	=====	=====	=====	=====	=====
SUBTOTAL STATE OPERATIONS	226	239	246	392	246	252	441	252
=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL EXPENDITURES	226	239	246	392	246	252	441	252
=====								
AGENCY REQUEST ITEMS:								

FUND								
ADDITIONAL REPORTING REQUIREMENTS		GEN		146			189	
=====				=====			=====	
TOTAL AGENCY REQUEST ITEMS				146			189	
=====								
EXPENDITURES BY FUND:								

DIRECT APPROPRIATIONS:								
GENERAL	225	237	244	390	244	250	439	250
STATUTORY APPROPRIATIONS:								
SPECIAL REVENUE	1	2	2	2	2	2	2	2
=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL EXPENDITURES	226	239	246	392	246	252	441	252
=====								
REVENUE COLLECTED:								

DEDICATED:								
SPECIAL REVENUE		2	2	2	2	2	2	2
=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL REVENUES COLLECTED		2	2	2	2	2	2	2
=====								
FTE BY EMPLOYMENT TYPE:								

REGULAR	4.0	4.0	4.0	6.0	4.0	4.0	7.0	4.0
=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL FTE	4.0	4.0	4.0	6.0	4.0	4.0	7.0	4.0

F.Y. 1998-99 BUDGET INITIATIVE

AGENCY: State Auditor, Office of (OSA)
PROGRAM: State Auditor, Office of
ACTIVITY: Pension Oversight

ITEM TITLE: Additional Mandated Reporting Requirements

	<u>1998-99 Biennium</u>		<u>2000-01 Biennium</u>	
	<u>F.Y. 1998</u>	<u>F.Y. 1999</u>	<u>F.Y. 2000</u>	<u>F.Y. 2001</u>
AGENCY REQUEST*				
Expenditures: (\$000s)				
General Fund				
- State Operations	\$146	\$189	\$189	\$189

Statutory Change? Yes ____ No X

If yes, statutes(s) affected:

* Non-Executive Branches of Government

RATIONALE:

Pursuant to additional requirements set forth in M.S. 356.219, the Pension Oversight Division requests an additional \$335,000 from the current level of spending. The Pension Oversight Division now receives investment performance information from approximately 160 relief associations. Beginning in 1998, the Pension Oversight Division will be receiving investment performance information from approximately 570 additional relief associations which will need to be analyzed and compiled into a report as required by law. This additional workload will require 3.0 FTE to be added to staff.

The costs of the Pension Oversight Division, except for investment performance reporting expenses, are deducted from General Fund fire and peace officer state aid distributions pursuant to M.S. 69.021, subd. 5. The costs for investment performance reporting are funded through a direct General Fund appropriation, since the State Auditor is prohibited from charging back entities for these reporting costs pursuant to M.S. 356.219, subd. 5. For F.Y. 1996, the General Fund distribution for fire and peace officer state aid was reduced by \$182,000 for Pension Oversight. Only \$45,000 was expended from the General Fund for investment performance reporting costs.

PROGRAM OUTCOMES:

- Assist approximately 650 relief associations to correct discrepancies or inaccuracies in their investment reporting forms.
- Prepare the investment performance report for all 726 pension reliefs as mandated by law.
- Respond to requests for assistance from over 726 pension funds seeking information, advice, and technical assistance on investment reporting issues.

- Prepare statutorily mandated reports to the Legislature as mandated by law.

LONG-TERM IMPACT:

Will the additional resources provided by this request, the Office of the State Auditor will be able to fulfill its additional statutory responsibilities of collecting, analyzing and preparing an annual investment performance report for all 726 pension reliefs.

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1998-99 Biennial Budget

BUDGET ACTIVITY: Single Audit
PROGRAM: State Auditor, Office of
AGENCY: State Auditor, Office of (OSA)

REVENUE:

The expenditures for this division are recovered from state agencies that receive federal funds through the statewide indirect cost process administered by the Department of Finance.

ACTIVITY DESCRIPTION:

The Single Audit Division determines if single audit reports submitted by cities, counties, school districts, nonprofit agencies, Regional Development Commissions (RDC's), Housing Redevelopment Agencies (HRA's) and other agencies have complied with reporting requirements. Single audit reports prepared by a variety of agencies are reviewed annually to determine reporting compliance with the requirements of the Single Audit Act of 1984, Single Audit Act Amendments of 1996, Office of Management and Budget Circulars A-128 or A-133 and the American Institute of Certified Public Accountants, Audit and Accounting Guide, "Audits of State and Local Governmental Units."

The Office of the State Auditor issues a report on the findings of these reviews to the U.S. Department of Agriculture (federal cognizant agency for single audit), Minnesota Legislative Auditor, Minnesota Department of Finance and state agencies that receive federal funding. These findings include internal control, noncompliance, crosscutting issues, questioned costs, the amount of federal grants audited, and whether the report complies with the requirements of the Act, Circulars and Guide. Information from these single audit reports is used by state agencies as a means for resolving the audit findings.

BUDGET ISSUES:

The budget for this activity has been reduced by \$46,000 this biennium to reflect a reduction in workload for this division.

PLANNED RESULTS:

The Single Audit Act Amendments of 1996 changes the thresholds for requiring a single audit. The estimated number of agencies needing a single audit beginning with F.Y. 1997 will be significantly lower than F.Y. 1996.

Single Audit reports to be reviewed:

	<u>F.Y. 1996</u>	<u>F.Y. 1997</u>	<u>F.Y. 1998</u>	<u>F.Y. 1999</u>
Cities	125	125	50	50
Counties	87	87	83	83
HRA's	10	10	10	10
Indian Tribes	12	12	12	12
Libraries	19	16	5	5
Nonprofit Agencies	280	150	55	55
RDC's	10	10	10	10
School/Educational Districts	490	265	265	265
Other	<u>40</u>	<u>25</u>	<u>10</u>	<u>10</u>
TOTAL	1,073	700	500	500

1998-1999 B I E N N I A L B U D G E T
(DOLLARS IN THOUSANDS)

AGENCY: STATE AUDITOR
PROGRAM: STATE AUDITOR
ACTIVITY: SINGLE AUDIT

ACTIVITY SUMMARY	FY 1996	Est. FY 1997	FY 1998			FY 1999		
			Base Level	Agency Request	Governor Recomm.	Base Level	Agency Request	Governor Recomm.
EXPENDITURES:								
DETAIL BY CATEGORY:								
STATE OPERATIONS:								
PERSONAL SERVICES	57							
OPERATING EXPENSES	5	94	55	55	55	55	55	55
SUBTOTAL STATE OPERATIONS	62	94	55	55	55	55	55	55
TOTAL EXPENDITURES	62	94	55	55	55	55	55	55
EXPENDITURES BY FUND:								
DIRECT APPROPRIATIONS:								
GENERAL	62	94	55	55	55	55	55	55
TOTAL EXPENDITURES	62	94	55	55	55	55	55	55
FTE BY EMPLOYMENT TYPE:								
REGULAR	1.1							
TOTAL FTE	1.1							

1998-99 Biennial Budget

BUDGET ACTIVITY: Tax Increment Financing
PROGRAM: State Auditor, Office of
AGENCY: State Auditor, Office of (OSA)

ACTIVITY DESCRIPTION:

The Tax Increment Financing Division promotes legal compliance and accountability through examination and audit of political subdivisions' use of tax increment financing utilized to encourage various types of economic development and redevelopment projects as provided by law. To achieve this end, the division reviews annual reporting forms containing tax increment financing district financial information; performs legal compliance audits on tax increment districts throughout the State of Minnesota; answers citizens' and local government officials' questions regarding tax increment financing; and travels throughout the state to educate local government officials and citizens on the proper use of tax increment financing.

BUDGET ISSUES:

The TIF Division in the Office of the State Auditor was established in 1996. Prior to 1996, legal compliance enforcement rested with the Minnesota Department of Revenue.

The TIF division in the OSA is funded by 0.10% of tax increment distributed to authorities or municipalities administering a tax increment financing district. The amounts deducted from tax increment payments are paid to the General Fund and appropriated to the OSA for the cost of overseeing the financial reporting process for over 1,600 tax increment financing districts and the cost of examining and auditing of authorities' use of over \$250,000,000 in annual tax increment payments.

The annual amount received by the Office of the State Auditor will vary depending on the number of active tax increment financing districts existing in the state and the amount of tax increment generated by those districts. This fluctuating revenue may cause cash flow problems for the division, especially if funds are not forwarded promptly to the State from local units of government.

PLANNED RESULTS:

The budget plan will facilitate the accomplishment of the following objectives:

- Division personnel will review reporting forms containing tax increment financing information from over 1,600 tax increment financing districts throughout the State of Minnesota.
- The OSA will notify authorities or municipalities of problems or issues relating to financial information reported on annual reporting forms and obtain corrected information.
- The division plans to develop and maintain a compilation of financial information relating to the State of Minnesota tax increment financing districts.
- The division will provide information and education and respond to citizens and local government officials requesting information regarding the lawful use of tax increment financing in the State of Minnesota.
- Staff will conduct on-site examinations and audits of authorities' use of tax increment financing in accordance with M.S. 469.174 - .179 and related provisions.

- Staff will identify noncompliance with M.S. 469.174 - .179 and notify authorities or municipalities of unlawful expenditure of tax increment.
- The OSA will provide the chairs of the legislative committees with jurisdiction over tax increment financing with an annual report containing information on authorities' or municipalities' noncompliance with M.S. 469.174 - .179 and related provisions.
- The division will forward relevant information regarding violations of M.S. 469.174 - .179, and related provisions of law, to the county attorney for enforcement action.
- TIF will work in cooperation with the Department of Revenue, the Association of Minnesota Counties, the League of Minnesota Cities, and local government officials to provide training and education to individuals administering tax increment financing districts in the State.

REVENUE:

The Tax Increment Financing division is funded by 0.10% of tax increment monies distributed to authorities or municipalities administering a tax increment financing district. After this revenue is deposited with the State Treasurer, it is transferred to the OSA to fund TIF program activities.

1998-1999 BIENNIAL BUDGET
(DOLLARS IN THOUSANDS)

AGENCY: STATE AUDITOR
PROGRAM: STATE AUDITOR
ACTIVITY: TAX INCREMENT FINANCING

ACTIVITY SUMMARY	FY 1996	Est. FY 1997	FY 1998			FY 1999		
			Base Level	Agency Request	Governor Recomm.	Base Level	Agency Request	Governor Recomm.
EXPENDITURES:								
DETAIL BY CATEGORY:								
STATE OPERATIONS:								
PERSONAL SERVICES	8	204	210	210	210	215	215	215
OPERATING EXPENSES	19	53	55	55	55	50	50	50
SUBTOTAL STATE OPERATIONS	27	257	265	265	265	265	265	265
TOTAL EXPENDITURES	27	257	265	265	265	265	265	265
EXPENDITURES BY FUND:								
STATUTORY APPROPRIATIONS:								
SPECIAL REVENUE	27	257	265	265	265	265	265	265
TOTAL EXPENDITURES	27	257	265	265	265	265	265	265
FTE BY EMPLOYMENT TYPE:								
REGULAR	.2	4.2	4.2	4.2	4.2	4.2	4.2	4.2
TOTAL FTE	.2	4.2	4.2	4.2	4.2	4.2	4.2	4.2

1998-99 Biennial Budget

BUDGET ACTIVITY: Constitutional Office
PROGRAM: State Auditor, Office of
AGENCY: State Auditor, Office of (OSA)

ACTIVITY DESCRIPTION:

The Constitutional Office provides overall management for the Office of the State Auditor (OSA) for its regular and special audits. It oversees timely completion of these audits and the process by which the content, recommendations and technical proficiency are reviewed for accuracy before being issued.

The Constitutional Office directs training programs and conferences hosted by the OSA. It also provides training and instruction to staff regarding technical issues and customer service/client relations.

It coordinates the dissemination of information regarding the financial condition of local governments. It works with local officials to improve the quality of their financial operations and to make their services more efficient and cost-effective.

The Constitutional Office supports the OSA's role on the Executive Council, Land Exchange Board, State Board of Investment, Minnesota Housing Finance Agency, Public Employees Retirement Board and Board of Government Innovation and Cooperation.

BUDGET ISSUES:

The Constitutional Office request consists of a \$15,000 increase which reflects a need to update the computer systems to allow for increased communication with local governments and citizens throughout the state. As the information-sharing activity rests with this area of the OSA, it is important that the Constitutional Office technology keep pace with the rapid technological changes and allow for the most efficient and effective distribution of data gathered by the OSA.

PLANNED RESULTS:

The budget plan will facilitate the accomplishment of the following objectives:

- Provide supervisory oversight and direction to the audit staff concerning all aspects of financial and compliance auditing.
- Offer training programs and conferences for staff, clients, and other interested parties.
- Provide quality staff training in the areas of technical issues and customer service.
- Analyze and share information collected by the Government Information Division on the financial condition of local governments and the financial trends affecting government at state and local levels.
- Communicate and coordinate OSA information with local government officials.
- Monitor local governments reporting requirements on a regular basis.

- Monitor the investments and policies of the Minnesota State Board of Investment.
- Oversee policies and practices of the Public Employee Retirement Association, Rural Finance Administration, and the Board of Government Innovation and Cooperation.
- Establish policies and oversight for the OSA regarding proper financial controls and administrative procedures.
- Provide assistance and information to citizens, local government officials, and state agencies concerning the operation of the OSA.

REVENUE:

None.

1998-1999 B I E N N I A L B U D G E T
(DOLLARS IN THOUSANDS)

AGENCY: STATE AUDITOR
PROGRAM: STATE AUDITOR
ACTIVITY: CONSTITUTIONAL OFFICE

ACTIVITY SUMMARY	FY 1996	Est. FY 1997	FY 1998			FY 1999		
			Base Level	Agency Request	Governor Recomm.	Base Level	Agency Request	Governor Recomm.
EXPENDITURES:								
DETAIL BY CATEGORY:								
STATE OPERATIONS:								
PERSONAL SERVICES	255	259	267	267	267	274	274	274
OPERATING EXPENSES	27	38	35	42	35	36	44	36
SUBTOTAL STATE OPERATIONS	282	297	302	309	302	310	318	310
TOTAL EXPENDITURES	282	297	302	309	302	310	318	310
AGENCY REQUEST ITEMS:		FUND						
CONSTITUTIONAL OFFICE TECHNOLOGY		GEN		7			8	
TOTAL AGENCY REQUEST ITEMS				7			8	
EXPENDITURES BY FUND:								
DIRECT APPROPRIATIONS:								
GENERAL	282	297	302	309	302	310	318	310
TOTAL EXPENDITURES	282	297	302	309	302	310	318	310
FTE BY EMPLOYMENT TYPE:								
REGULAR	3.9	3.9	3.9	3.9	3.9	3.9	3.9	3.9
TOTAL FTE	3.9	3.9	3.9	3.9	3.9	3.9	3.9	3.9

F.Y. 1998-99 BUDGET INITIATIVE

AGENCY: State Auditor, Office of (OSA)
PROGRAM: State Auditor, Office of
ACTIVITY: Constitutional Office

ITEM TITLE: Technological Improvements

	<u>1998-99 Biennium</u>		<u>2000-01 Biennium</u>	
	<u>F.Y. 1998</u>	<u>F.Y. 1999</u>	<u>F.Y. 2000</u>	<u>F.Y. 2001</u>
AGENCY REQUEST*				
Expenditures: (\$000s)				
General Fund				
- State Operations	\$7	\$8	\$8	\$8

Statutory Change? Yes _____ No X

If yes, statutes(s) affected:

* Non-Executive Branches of Government

RATIONALE:

The Constitutional Office's request reflects a need to update the computer systems to allow for increased communication with local governments and citizens throughout the state. As the information-sharing activity rests with this area of the Office of the State Auditor (OSA), it is important that the Constitutional Office technology keep pace with the rapid technological changes and allow for the most efficient and effective distribution of data gathered by the OSA.

PROGRAM OUTCOMES:

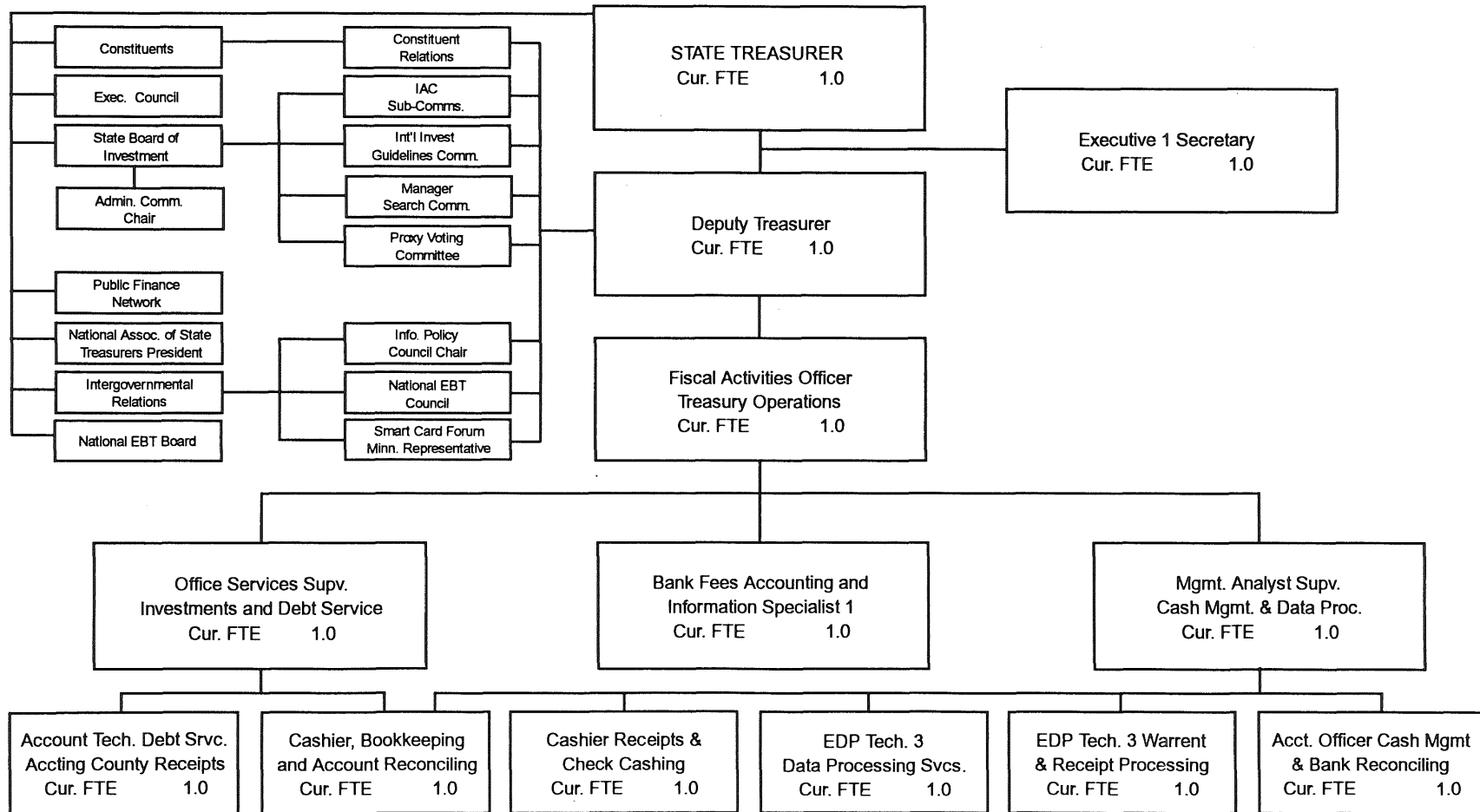
- Provide assistance and information to citizens, local government officials and state agencies concerning the operation of the OSA.
- Analyze and share information collected by the Government Information Division on the financial condition of local governments and the financial trends affecting government at state and local levels.

LONG-TERM IMPACT:

Technological improvements will increase citizen and interoffice access to data and allow citizens and OSA employees to use financial data to discuss and analyze financial health, local spending and revenue decisions.

OFFICE OF THE STATE TREASURER

Organization Chart as of 7/1/96



Total FTE Employees 13

1998-99 Biennial Budget Agency Budget Brief (\$ in thousands)

Agency: State Treasurer, Office of

Fund: General - Direct Appropriations

Summary of Agency Actions:

	<u>F.Y. 1998</u>	<u>F.Y. 1999</u>	<u>F.Y. 98-99</u>
<u>BASE-YEAR (F.Y. 1997)</u>			
Appropriations (F.Y. 1997)	\$2,478	\$2,478	\$4,956
<u>BASE ADJUSTMENT</u>			
1997 Salary Supplement Transfers	31	31	62
1998-99 Compensation Inflation	16	33	49
Small Agency S & E Inflation	<u>47</u>	<u>94</u>	<u>141</u>
<u>BASE LEVEL (for 1998 and 1999)</u>	\$2,572	\$2,636	\$5,208
<u>AGENCY DECISION ITEMS</u>			
	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
<u>AGENCY PLAN (for 1998 and 1999)</u>	\$2,572	\$2,636	\$5,208
<u>GOVERNOR'S INITIATIVES</u>			
Sustainable Growth Initiative	<u>98</u>	<u>98</u>	<u>196</u>
GOVERNOR'S RECOMMENDATIONS	\$2,670	\$2,734	\$5,404

Brief Explanation of Agency Plan:

- The Treasurer's Office appropriation request of \$5,208,000 for the biennium is for the most part non-discretionary expenditures as follows: 64% is obligated for Banking Contract Services, 34% is obligated for salaries, office rent, maintenance, contracts, communications, and continuous required financial system (computer) programming and development.

Revenue Summary:

None.

Affected Statutes:

None.

GOVERNOR'S RECOMMENDATION:

Historically, the courts, the legislature, and other constitutional officers have departed from executive branch budget guidelines and have not fully participated in the executive branch budget process. The Governor respects this separation of powers and the desire of other elected state officials to independently present their budget requests directly to the legislature. However, the Governor is required by law to submit a balanced budget to the legislature, and therefore it is necessary to identify funding for those offices as part of preparing a total, balanced budget.

The Governor is firmly committed to fiscal stability, meaning that spending cannot grow at a greater rate than resources. Therefore, the Governor recommends that the budgets of the courts, the Public Defender, constitutional officers and the legislature grow no more than the rate of growth in General Fund revenues. General Fund revenues for 1998-99 are projected to grow by 7.7% over the current biennium, and the Governor recommends funding increases equal to that growth.

For the Office of the State Treasurer, this amounts to a biennial increase of \$386,000. This increase is comprised of \$49,000 for salary compensation and \$141,000 for expense inflation and \$196,000 for any initiative the office may put forward.

The Governor makes no recommendation regarding the specific initiatives put forward by the Office of the State Treasurer.

1998-99 Biennial Budget

AGENCY: State Treasurer, Office of the

AGENCY DESCRIPTION:

The mission of the Office of State Treasurer, the chief elected state financial officer, is to carry out, independent of other agencies, responsibilities in various monetary areas important to the efficient fiscal operation of state government, including: provide a system of checks and balances in the financial affairs of the state, formulate policy for cash control, and maintain sound cash management; debt service accounting; pension investment policy; policy for leasing natural resources sites; policy for state/federal fiscal relations; and coordination of related financial matters with the legislature and state and local agencies.

The Treasurer serves as a member of the State Board of Investment (SBI) and the Executive Council.

In addition, the incumbent Treasurer is an advocate for public pension rights, consumer rights, shareholder rights, democracy in corporate governance and intergovernmental tax immunity. The incumbent is also active in national public finance organizations: National Association of State Treasurers (President); National Association of State Auditors, Comptrollers and Treasurers; Electronic Benefits Transfer Council; Council of State Governments; National Conference on Public Employee Retirement Systems; Public Finance Network; Council of Institutional Investors; and Government Finance Officers Association.

The proper execution of the duties benefit the citizens and government of the state of Minnesota and requires funding at an adequate level.

The operational responsibilities and objectives of the office include the following:

- Approve an annual total of approximately 5,500,000 state issued warrants and legislative payroll and expenditures as they are presented by banks daily for payment.
- Accurately record daily deposits into 170 banks as reported by approximately 160 Deputy Registrars and 210 different state agencies, including higher education facilities, throughout the state.
- Maximize investment earnings by determining amounts available for investment throughout the day each day after analyzing receipt and disbursement activity.
- Verify all investment expenditures made by SBI staff and authorize payment to brokers.
- Verify receipts of all investment proceeds earned from investments made on behalf of state agencies.
- Assure each day that all state funds on deposit are properly collateralized or insured.
- Formulate policy for cash management procedures.
- Pay and account for principal and interest due for some 70 state bonded debt issues.
- Receive, account for, and deposit federal and state income tax, Medicare and social security taxes for the legislature, boards and commissions, state employees, state universities and community colleges.

- Account for, and process payments to banks for service charges assessed the state for banking activities.
- Receive, account for and deposit the state shares of county receipts, miscellaneous gifts and escheated estates proceeds.
- Operate a cash facility to redeem state warrants, bonds and bond coupons.
- Prepare and publish a credit card report to be available to the general public for the purpose of comparing information of the various card issuers.

AGENCY ISSUES:

To maintain the integrity of financial controls, and to maintain checks and balances, the Treasurer's Office operates independent of the Department of Finance and all revenue collecting agencies.

The office is a service-oriented office. The office serves the public and all state agencies in performing duties that are unique. The office is the cash management and cash control center for the state. It transforms all revenues to cash and drives cash investment. The office is a vital link to the state government financial reporting system by providing fiscal information necessary to operate state government. In short, the office is watchdog for all monies paid into and out of the General Fund, retirement funds, debt service funds and other funds. serving as the representative of the taxpayers of Minnesota.

The following factors are shaping the direction of policies and activities of the State Treasurer's Office.

- **Electronic Collection of Agency Receipts.** Demands by the public and businesses are requiring agencies to accept payments using methods other than checks. These methods include credit cards and Automated Clearinghouse (ACH) Debits and Credits. The federal government has significantly increased its use of electronic transfers of funds to the state treasurer's accounts, sometimes creating reconciling problems for the agencies. The Treasurer's Office will be able to respond to these changes in the financial world by assisting agencies in developing procedures and the technology to accommodate these demands.
- **Electronic Payments to Businesses and General Public.** Just as in collecting payments electronically, the state is being asked to issue payments electronically rather than by issuing state warrants. For example, many vendors offer significant ongoing discounts if they can debit a state account for periodic payments rather than sending out billing statements and processing payments by warrants. The Treasurer's Cash Management System, Funds Transmission Systems and Verification Systems must be able to accommodate these requests without compromising security of state funds.
- **Electronic Benefits Transfers (EBT)** for the Department of Human Services (DHS) Statewide. The Treasurer's Office has been a very active participant in the development of EBT for DHS clients statewide. The State Treasurer is one of 6 charter governmental members of the EBT Council, a public-private division of the National Automated Clearinghouse Association (NACHA), representing the states of the Upper Midwest and the National Association of State Treasurers. In 1996 the EBT Council successfully drafted and adopted the QUEST Operating Rules which are the foundation for EBT nationwide and which are consistent with the pioneering EBT practices in Minnesota. These nationwide rules will significantly reduce the cost of statewide EBT in Minnesota, which means safer for clients, less overhead for government and more efficiency for DHS with less fraud.

1998-99 Biennial Budget

AGENCY: State Treasurer, Office of the
(Continuation)

- **Deposit Reporting (Deputy Registrars).** Half of the current paper reporting system was replaced by an electronic one with the Treasurer's new information system. However, agencies not on the state network such as 160 Deputy Registrars must still use paper via the U.S. mail. Our challenge will be to develop an electronic alternative which is currently being discussed. The effect of this alternative is it is less costly and increases earnings on state funds invested.
- **Electronic Data Interchange (EDI)** - The Treasurer's Office and Finance initiated the formation of an EDI Steering Committee more than 5 years ago. Reason: more efficient cash management. EDI allows accounting and deposit information to be transferred electronically and simultaneously. The proper use of this technology, combined with reengineered business processes, will be much more efficient for agencies; they enter data only once, send it anytime, and no paper.
- **Master Contract for Credit Card Vendors (Proposed)** - current practice allows each agency to separately negotiate terms with credit card companies when the agency has elected to accept credit card payments. This is very inefficient. Agencies are not knowledgeable about these matters; volume discounts are lost; bidding is not competitive; balancing deposits is much more difficult; both paper and electronic systems must be supported, etc. The Treasurer's Office and Finance are developing processes consistent with evolving smart card technology which will require agencies (if they elect to accept credit card payments) to offer such services through a master contract.
- **Electronic Audit Trails (Proposed)** - current practice requires Treasurer to maintain cabinets of paper for audit purposes. New systems are being designed to allow for safe, dependable electronic storage and may allow extensive auditing off-site. Currently, auditors spend approximately 3 months each year on-site. We would hope to share this technology with other agencies when approved.
- **Citizen Access to Information** - We anticipate continued pressure to make public information readily available to the public. We are developing methods of placing such information on the Internet via web pages and other electronic means. Examples are the annual Treasurer's Credit Card Report and the annual Treasurer's Financial Report.

The agency's budget plan is constructed to achieve the following outcomes:

- To accomplish the operational responsibilities and objectives of the office as described under AGENCY DESCRIPTION above.
- To promote and assist agencies in utilizing available technology in the collection of state monies.
- To expand the use by agencies of electronic payments and receipts systems that replace paper and checks.
- To reduce banking costs by consolidating more bank accounts and reducing paper transactions such as checks, return items, deposit errors, reports, etc.

GOVERNOR'S RECOMMENDATION:

Historically, the courts, the legislature, and other constitutional officers have departed from executive branch budget guidelines and have not fully participated in the executive branch budget process. The Governor respects this separation of powers and the desire of other elected state officials to independently present their budget requests directly to the legislature. However, the Governor is required by law to submit a balanced budget to the legislature, and therefore it is necessary to identify funding for those offices as part of preparing a total, balanced budget.

The Governor is firmly committed to fiscal stability, meaning that spending cannot grow at a greater rate than resources. Therefore, the Governor recommends that the budgets of the courts, the Public Defender, constitutional officers and the legislature grow no more than the rate of growth in General Fund revenues. General Fund revenues for 1998-99 are projected to grow by 7.7% over the current biennium, and the Governor recommends funding increases equal to that growth.

For the Office of the State Treasurer, this amounts to a biennial increase of \$386,000. This increase is comprised of \$49,000 for salary compensation and \$141,000 for expense inflation and \$196,000 for any initiative the office may put forward.

The Governor makes no recommendation regarding the specific initiatives put forward by the Office of the State Treasurer.

1998-1999 B I E N N I A L B U D G E T
(DOLLARS IN THOUSANDS)

AGENCY: STATE TREASURER
PROGRAM: STATE TREASURER
ACTIVITY: STATE TREASURER

			FY 1998			FY 1999		
ACTIVITY SUMMARY	FY 1996	Est. FY 1997	Base Level	Agency Request	Governor Recomm.	Base Level	Agency Request	Governor Recomm.
=====	=====	=====	=====	=====	=====	=====	=====	=====
EXPENDITURES:								

DETAIL BY CATEGORY:								
STATE OPERATIONS:								
PERSONAL SERVICES	621	651	660	660	660	676	676	676
OPERATING EXPENSES	1,859	1,973	1,912	1,912	2,010	1,960	1,960	2,058
=====	=====	=====	=====	=====	=====	=====	=====	=====
SUBTOTAL STATE OPERATIONS	2,480	2,624	2,572	2,572	2,670	2,636	2,636	2,734
PAYMENTS TO INDIVIDUALS	29							
=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL EXPENDITURES	2,509	2,624	2,572	2,572	2,670	2,636	2,636	2,734
=====								
GOV'S INITIATIVES:		FUND						

(B) SUSTAINABLE GROWTH INITIATIVE		GEN			98			98
=====					=====			=====
TOTAL GOV'S INITIATIVES					98			98
=====								
EXPENDITURES BY FUND:								

DIRECT APPROPRIATIONS:								
GENERAL	2,379	2,624	2,572	2,572	2,670	2,636	2,636	2,734
OPEN APPROPRIATIONS:								
GENERAL	76							
STATUTORY APPROPRIATIONS:								
AGENCY	54							
=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL EXPENDITURES	2,509	2,624	2,572	2,572	2,670	2,636	2,636	2,734
=====								
REVENUE COLLECTED:								

DEDICATED:								
GENERAL	19	265	265	265	265	265	265	265
SPECIAL REVENUE	6,283	5,850	5,850	5,850	5,850	5,850	5,850	5,850
AGENCY	494	496	496	496	496	496	496	496
HOUSING FINANCE AGENCY	387	390	390	390	390	390	390	390

1998-1999 B I E N N I A L B U D G E T
(DOLLARS IN THOUSANDS)

AGENCY: STATE TREASURER
PROGRAM: STATE TREASURER
ACTIVITY: STATE TREASURER

ACTIVITY SUMMARY	FY 1996	Est. FY 1997	FY 1998			FY 1999		
			Base Level	Agency Request	Governor Recomm.	Base Level	Agency Request	Governor Recomm.
=====								
NONDEDICATED:								
GENERAL	15,911	17,902	17,902	17,902	17,902	17,902	17,902	17,902
STATE GOVERNMENT SPECIAL REVENUE	115	230	230	230	230	230	230	230
CAMBRIDGE DEPOSIT FUND	20,968	22,611	22,611	22,611	22,611	22,611	22,611	22,611
=====								
TOTAL REVENUES COLLECTED	44,177	47,744	47,744	47,744	47,744	47,744	47,744	47,744
FTE BY EMPLOYMENT TYPE:								

REGULAR	12.1	13.0	13.0	13.0	13.0	13.0	13.0	13.0
TEMP/SEAS/PART_TIME	.9	.5						
OVERTIME	.1	.1	.1	.1	.1	.1	.1	.1
=====								
TOTAL FTE	13.1	13.6	13.1	13.1	13.1	13.1	13.1	13.1
=====								

1998-1999 B I E N N I A L B U D G E T
(DOLLARS IN THOUSANDS)

AGENCY: STATE TREASURER

SUMMARY OF AGENCY REVENUES	FY 1996	Est. FY 1997	FY 1998			FY 1999		
			Forecast	Agency Request	Governor Recomm.	Forecast	Agency Request	Governor Recomm.
=====	=====	=====	=====	=====	=====	=====	=====	=====
NON-DEDICATED REVENUE:								

DEPARTMENTAL EARNINGS:								
CAMBRIDGE DEPOSIT FUND	20,968	22,611	22,611	22,611	22,611	22,611	22,611	22,611
OTHER REVENUES:								
GENERAL	15,911	17,902	17,902	17,902	17,902	17,902	17,902	17,902
STATE GOVERNMENT SPECIAL REVENUE	115	230	230	230	230	230	230	230
=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL NON-DEDICATED RECEIPTS	36,994	40,743	40,743	40,743	40,743	40,743	40,743	40,743
DEDICATED RECEIPTS:								

OTHER REVENUES:								
GENERAL	19	265	265	265	265	265	265	265
SPECIAL REVENUE	6,283	5,850	5,850	5,850	5,850	5,850	5,850	5,850
AGENCY	440	496	496	496	496	496	496	496
HOUSING FINANCE AGENCY	387	390	390	390	390	390	390	390
OTHER SOURCES:								
AGENCY	54							
=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL DEDICATED RECEIPTS	7,183	7,001	7,001	7,001	7,001	7,001	7,001	7,001
=====	=====	=====	=====	=====	=====	=====	=====	=====
AGENCY TOTAL REVENUES	44,177	47,744	47,744	47,744	47,744	47,744	47,744	47,744
=====								

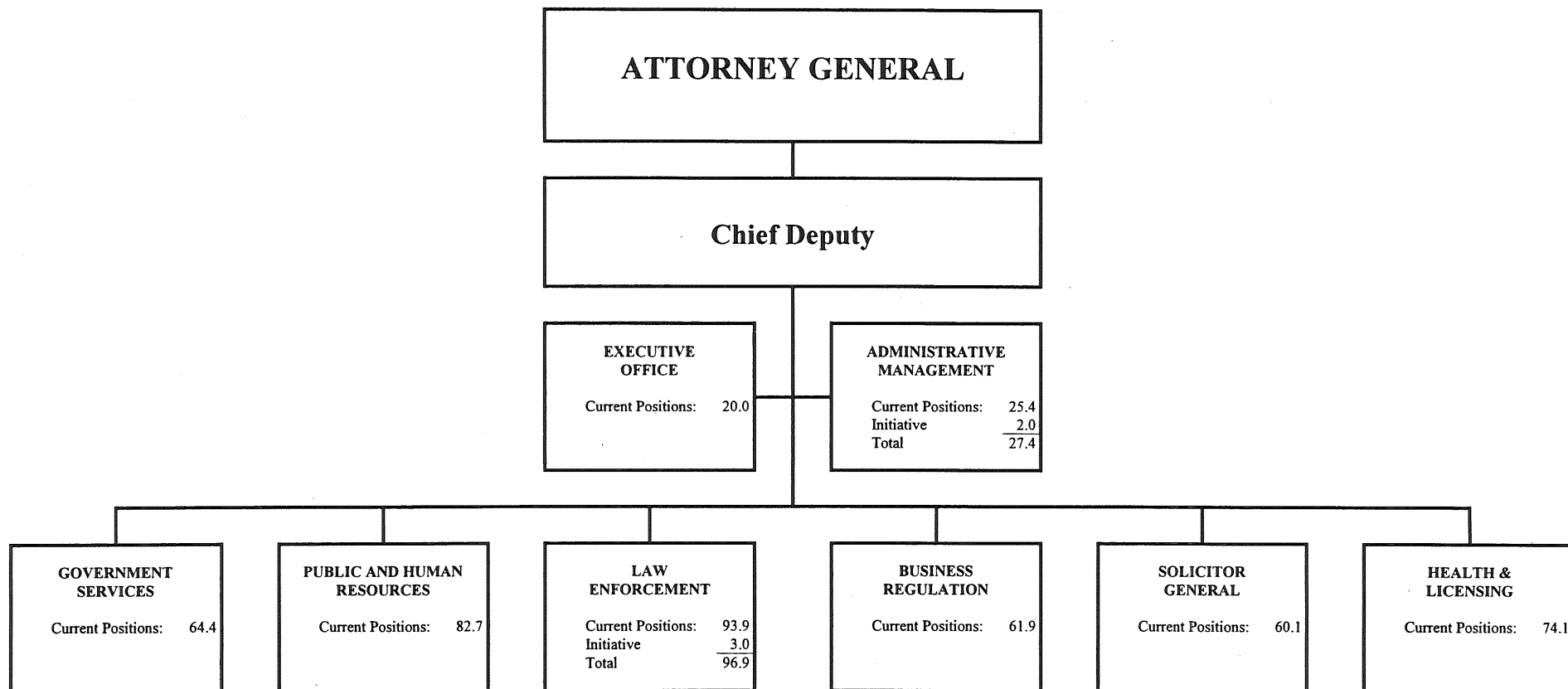
1998-99 BIENNIAL BUDGET

PROGRAM STRUCTURE

AGENCY: Attorney General, Office of (AGO)

<u>PROGRAM</u>	<u>PAGE</u>
GOVERNMENT SERVICES	F-73
PUBLIC AND HUMAN RESOURCES	F-79
LAW ENFORCEMENT	F-85
LEGAL POLICY AND ADMINISTRATION	F-92
BUSINESS REGULATION	F-98
SOLICITOR GENERAL	F-104
HEALTH AND LICENSING	F-109

**Attorney General's Office
Organizational Chart 12/11/96**



June 30, 1996 FTE Employees: 471.08

1998-99 Biennial Budget Agency Budget Brief (\$ in thousands)

Agency: Attorney General, Office of (AGO)

Fund: General

Summary of Agency Actions:

	<u>F.Y. 1998</u>	<u>F.Y. 1999</u>	<u>F.Y. 98-99</u>
<u>BASE-YEAR (F.Y. 1997)</u>			
Appropriations (F.Y. 1997)	\$21,218	\$21,218	\$42,436
<u>BASE ADJUSTMENT</u>			
One-time Appropriations	(125)	(125)	(250)
Transfer Between Agencies	100	100	200
1998-99 Compensation Inflation	406	820	1,226
Documented Rent/Lease Inc/Dec	74	129	203
<u>BASE LEVEL (for 1998 and 1999)</u>	\$21,673	\$22,142	\$43,815
<u>AGENCY REQUEST ITEMS</u>			
Protection of Citizens and Businesses	280	280	560
Information Resource Budget Request	700	700	1,400
Agency Full Funding	1,000	1,000	2,000
1998-99 Compensation Shortfall	133	269	402
<u>AGENCY REQUEST (for 1998 and 1999)</u>	\$23,786	\$24,391	\$48,177
<u>GOVERNOR'S INITIATIVES</u>			
Sustainable Growth Initiative	1,026	1,027	2,053
GOVERNOR'S RECOMMENDATIONS	\$22,699	\$23,169	\$45,868

Brief Explanation of Agency Request:

The Attorney General's Office is committed to providing the highest quality legal services to our agency clients and to the people of the state. We are constantly working to find more efficient and cost-effective ways to do that. This budget submission centers on three goals: preventing legal disputes from becoming expensive contested matters, achieving more cost efficiency, and imposing accountability on us and our clients for the services we provide.

We have a number of initiatives that will help achieve those goals. Several will become joint efforts with the Administration and Legislature, one provides for more partner agency agreements, and one recommends statutory changes to eliminate mandates that impose process burdens on AGO and the agencies without offsetting value. Two initiatives require additional resources: the expansion of our technology programs and an increase in our consumer protection activities.

Revenue Summary:

The pilot experiments with our partner agencies which began in F.Y. 1996 have proven

successful. We recommend a continuation of the 8 current partner agreements and the addition of 4-5 more. We are in negotiations now with potential new partners. If those agreements are negotiated prior to adjournment of the session, we will request that the AGO and partner agency bases be adjusted comparable to the changes made in 1995 for the pilot sites.

AGO has determined to increase our billing rates to better reflect the actual costs of providing legal and investigatory services to state agencies. Affected agencies have been notified of these needed changes, and the new costs will be reflected in our new partner agreements. We recommend that the partner agency appropriations that will go to legal services be adjusted upward to reflect the 2.5% inflation assumption included in the governor's budget instructions.

Pursuant to rider language in Laws of Minnesota for 1996, Chapter 390, Section 2, we are including in this budget submission a summary of all revenues coming to AGO.

Affected Statutes: None.

GOVERNOR'S RECOMMENDATION:

Historically, the courts, the legislature, and other constitutional officers have departed from executive branch budget guidelines and have not fully participated in the executive branch budget process. The Governor respects this separation of powers and the desire of other elected state officials to independently present their budget requests directly to the legislature. However, the Governor is required by law to submit a balanced budget to the legislature, and therefore it is necessary to identify funding for those offices as part of preparing a total, balanced budget.

The Governor is firmly committed to fiscal stability, meaning that spending cannot grow at a greater rate than resources. Therefore, the Governor recommends that the budgets of the courts, the Public Defender, constitutional officers and the legislature grow no more than the rate of growth in General Fund revenues. General Fund revenues for 1998-99 are projected to grow by 7.7% over the current biennium, and the Governor recommends funding increases equal to that growth.

For the Office of the Attorney General, this amounts to a biennial increase of \$3,279,000, which includes the base adjustment of \$1,226,000 for salaries. This increase has been placed in the Government Services program for illustrative purposes only. The Governor makes no recommendation regarding the specific initiatives put forward by the Office of the Attorney General.

The Governor shares the Attorney General's concern over the rising cost of legal services. Since the AGO billing rates are one factor driving agency costs, the Department of Finance will continue to work with the AGO to review their rate proposal in an effort to moderate rate increases. In an effort to control agency demand for legal services, automatic increases were not made to agency budgets to compensate for proposed AGO rates. The Governor's intent is that the AGO and agencies should work together to control the growth in legal services costs. The Governor also recommends further discussion and review of partner agency agreements to evaluate their effectiveness and appropriateness as a funding mechanism for legal services.

1998-99 Biennial Budget Agency Budget Brief (\$ in thousands)

Agency: Attorney General, Office of (AGO)

Fund: State Government Special Revenue

Summary of Agency Actions:

	<u>F.Y. 1998</u>	<u>F.Y. 1999</u>	<u>F.Y. 98-99</u>
<u>BASE-YEAR (F.Y. 1997)</u>			
Appropriations (F.Y. 1997)	\$1,650	\$1,650	\$3,300
<u>BASE ADJUSTMENT</u>			
Salary Supplement Transfers	125	125	125
1998-99 Compensation Inflation	37	74	111
Documented Rent/Lease Inc/Dec	<u>9</u>	<u>18</u>	<u>27</u>
<u>BASE LEVEL (for 1998 and 1999)</u>	\$1,821	\$1,867	\$3,688
<u>AGENCY REQUEST ITEMS</u>			
1998-99 Compensation Shortfall	<u>28</u>	<u>57</u>	<u>85</u>
<u>AGENCY REQUEST (for 1998 and 1999)</u>	\$1,849	\$1,924	\$3,773
GOVERNOR'S RECOMMENDATIONS	\$1,821	\$1,867	\$3,688

Brief Explanation of Agency Request:

AGO serves 14 health related licensing boards by assisting them in their licensing and disciplinary functions. AGO staff work with board staffs in reviewing complaints, drafting legal documents, investigating complaints, and, if the facts warrant, initiating formal contested case proceedings. Many of the cases are resolved through settlement, but an increasing number of cases, reflecting more aggressive board enforcement policies, are proceeding through the process. Some of these cases proceed through the full appeal process allowed within the court system.

AGO and one of the licensing boards, the Board of Medical Practice (BMP), entered into a partner agreement in F.Y. 1996 for the provision of legal services. Under this agreement, anticipated legal costs were transferred from the AGO base to the BMP base. The experience under this agreement has been positive for both parties, and we expect to enter into a continuation of the agreement. We will be exploring additional relationships with other boards in the months and years ahead.

Revenue Summary:

The health licensing boards charge fees to the practioners they license. These fees cover the costs of the services provided to the boards by AGO.

In F.Y. 1996-97, several of the boards initiated cases which resulted in very high legal expenditures. In one of those cases, AGO and Office of Administrative Hearing costs exceeded the entire board budget for the year. To help resolve such situations in the future, AGO and the Department of Finance are preparing a proposal to the Legislature to increase a special contingency account in this fund (the 171 account) to help protect boards from unanticipated case costs. Costs will ultimately be recovered from the licensed health professionals.

Affected Statutes:

None.

GOVERNOR'S RECOMMENDATION:

The Governor recommends the calculated base level funding for F.Y. 1998 and F.Y. 1999. The Governor makes no recommendation regarding the specific initiatives put forward by the Office of the Attorney General.

**1998-99 Biennial Budget
Agency Budget Brief
(\$ in thousands)**

Agency: Attorney General, Office of (AGO)

Fund: Environmental

Summary of Agency Actions:

	<u>F.Y. 1998</u>	<u>F.Y. 1999</u>	<u>F.Y. 98-99</u>
<u>BASE-YEAR (F.Y. 1997)</u>			
Appropriations (F.Y. 1997)	\$116	\$116	\$232
<u>BASE ADJUSTMENT</u>			
Salary Supplement Transfer	9	9	18
1998-99 Compensation Inflation	<u>3</u>	<u>6</u>	<u>9</u>
<u>BASE LEVEL (for 1998 and 1999)</u>	\$128	\$131	\$259
<u>AGENCY REQUEST (for 1998 and 1999)</u>	\$128	\$131	\$259
GOVERNOR'S RECOMMENDATIONS	\$128	\$131	\$259

Brief Explanation of Agency Request:

In carrying out the Attorney General's responsibility for investigating and prosecuting environmental crime, the Law Enforcement Section has entered into memoranda of understanding with interested state agencies, including the Pollution Control Agency, the Department of Transportation and the Department of Natural Resources. In this way we can direct public resources to the areas in which our cooperative efforts can achieve our most important shared objectives.

Revenue Summary:

Not applicable.

Affected Statutes:

None.

GOVERNOR'S RECOMMENDATION:

The Governor recommends the calculated base level funding for F.Y. 1998 and F.Y. 1999.

**1998-99 Biennial Budget
Agency Budget Brief
(\$ in thousands)**

Agency: Attorney General, Office of (AGO)

Fund: Solid Waste Cleanup

Summary of Agency Actions:

	<u>F.Y. 1998</u>	<u>F.Y. 1999</u>	<u>F.Y. 98-99</u>
<u>BASE-YEAR (F.Y. 1997)</u>			
Appropriations (F.Y. 1997)	\$440	\$440	\$880
<u>BASE ADJUSTMENT</u>			
1998-99 Compensation Inflation	<u>5</u>	<u>10</u>	<u>15</u>
<u>BASE LEVEL (for 1998 and 1999)</u>	\$445	\$450	\$895
<u>AGENCY REQUEST (for 1998 and 1999)</u>	\$445	\$450	\$895
GOVERNOR'S RECOMMENDATIONS	\$445	\$450	\$895

Brief Explanation of Agency Request:

These funds are appropriated from the solid waste fund for responsibilities associated with insurance claims settlement and recovery associated with landfills in the landfill cleanup program under M.S. 115B.

Revenue Summary:

Not applicable.

Affected Statutes:

None.

GOVERNOR'S RECOMMENDATION:

The Governor recommends the calculated base level funding for F.Y. 1998 and F.Y. 1999.

1998-99 Biennial Budget

AGENCY: Attorney General, Office of (AGO)

AGENCY DESCRIPTION:

The mission of the Attorney General's Office (AGO) is to protect the interests of the citizens of Minnesota by enforcing laws enacted by the legislature, defending the state in all legal proceedings, assuring the legality of state government action, and proposing new laws to make Minnesota a better place to live and work.

More than 100 executive branch agencies, boards, and commissions receive legal advice and representation from the staff of the Attorney General in the following major respects:

1. Day-to-day legal advice and opinions involving statutory interpretation, potential liabilities, legal authority for proposed agency actions, federal law requirements, and possible alternative courses of action; and
2. Representation in adversarial proceedings including lawsuits, rule making hearings, contested case hearings, rate hearings, disciplinary conferences, state and federal litigation, and collection activities.

The Attorney General also provides substantial legal advice and assistance to the legislature, the judiciary and local officials such as county attorneys and sheriffs in their efforts to enforce the laws of this state.

By virtue of holding a statewide elective office, the Attorney General also acts as a policy leader. The public expects him to speak with authority and influence on major questions involving systems of law and justice. He participates in shaping the legislative agenda with proposals on a wide range of issues. In addition, he has specific program implementation responsibilities in the areas of drug prevention, sexual violence and harassment prevention, environmental protection, and consumer education.

AGENCY ISSUES:

As a public agency, AGO experiences the same challenges that affect executive branch agencies. For instance, we must manage in an age of declining growth in government resources, increasing complexity of issues, and wide and unpredictable variations in our workload.

However, as a large public law firm, AGO faces challenges unique to our office. We do not have the luxury of being able to focus our work in a few topic areas. Our staff must be expert on issues ranging from laws affecting prison inmates, to federal welfare reform and trucking regulation, to tribal law and its impact on gaming, to public health issues emanating from tobacco and HIV, and to state and federal law in the field of school desegregation.

In addition to these "external" issues, we must also provide "internal" legal services for a large and diverse state government workforce. Thus, for example, we must be knowledgeable about employment law and how those laws affect the state's ability to hire and fire employees and to discipline in cases of employment discrimination or harassment.

Our responsibilities are not static. The agencies and their responsibilities are changing continually. The major agent of this change is the legislature, and these state law changes have an enormous impact on AGO. Decisions about the funding level for our office are being made directly and indirectly by a number of committees in the Minnesota House and Senate as they alter the program,

enforcement, and regulatory environments within which agencies operate.

Increasingly, federal statutes and regulations affect state agencies and AGO. The massive federal welfare and immigration reform bills will directly impact our agencies and our citizens. As the health care reform debate continues in Washington, changes to our Medical Assistance and MinnesotaCare programs are inevitable. State agency leaders will look to our staff for advice in this critical transition period.

In sum, we must stay current with changes in every aspect of Minnesota's economy, environment, and society if we are to carry out our duties effectively. We find ourselves in a unique position: one of great privilege but also of great responsibility.

AGENCY STRATEGIES:

We strive to improve the programs administered by the state agencies we represent. We continuously assess and improve our enforcement efforts, encourage the development of clear legal standards, and seek to increase public awareness and involvement with important issues facing the state. We will continue to work with legislators, agency staff, regulated individuals and companies, other states, the federal government, the court system, and members of the bar in pursuit of these goals.

The most important task facing us in F.Y. 1998-99 is to continue doing what we are doing within budget constraints. As the needs of our client agencies grow, we must work closely with them and the legislature to identify areas of priority work. Several of our work areas are growing significantly in legal needs. We have transferred and refocused our staff wherever possible to meet those needs, but we find that we must request additional resources in several carefully targeted areas. These resources are investments to allow us to become even better in the services we provide the agencies and people of the state.

We have determined to focus our F.Y. 1998-99 budget around three major themes:

1. Litigation and administrative contested cases are the most expensive activities at AGO. Personnel costs associated with these activities are large and growing. To begin to slow this growth, we will pursue a two-part *prevention* initiative designed to help our client agencies avoid conflicts but, if conflicts do occur, to resolve them promptly and efficiently.
2. AGO provides quality legal services delivered by persons who are skilled in what they do and who are dedicated to public service. We provide those services efficiently and are able to keep our costs well below those of comparable private and public law offices within the state. However, like all sectors of the American economy, AGO needs to continuously review our *cost efficiency*.
3. The theme of *accountability* is related to cost efficiency. We have found that by developing mutually understood expectations between AGO and our client agencies, we increase the clients' interest in the quality and amount of our work. This increased interest helps to instill the desire on all of our parts to monitor and help control the use of legal services. The principal method for achieving this goal is "partner agreements" which (1) carefully define the legal services to be provided, (2) ensure training for agency staff on ways to avoid or mitigate conflicts, (3) provide for appropriate delegation of certain legal services to agency staff, and (4) mutually agree on focus areas for improved cost efficiency.

SUMMARY OF BUDGET REQUEST:

Over and above our base funding request, AGO is proposing initiatives consistent with the themes outlined above. Our reforms are not limited to these budget requests, however. The Attorney

1998-99 Biennial Budget

AGENCY: Attorney General, Office of (AGO)
(Continuation)

General has directed that all of our divisions undertake our own evaluations of how we can become more effective and cost-efficient. Those divisions evidencing efficiencies and productivity improvements will be first in line for additional resource assistance.

We have grouped our initiatives into three general categories: (1) two initiatives requiring additional resources, (2) five initiatives that may require new resources, but are still being negotiated with the Administration and legislature, and (3) two initiatives for which no new resources are required.

The first 2 initiatives require more resources, but the costs are offset by increased revenues and efficiencies.

Increase efficiency through expanded use of technology. Like virtually all state agencies, AGO has an opportunity to use technology for major improvements in effectiveness, efficiency and productivity. With the support of the legislature, the first phase of the initiative, the PC networking of our office, is about 70% completed. In addition to resources to complete the networking, AGO is seeking funding for 5 additional components. These items are more completely described below and in our formal presentation to the state's Information Policy Office: a case management and docketing system, computerized research capacity, automated litigation support, document imaging for all of our sections but most particularly for consumer services, and standardized document preparation and use. The network completion, case management system, and computerized research capacity will be completed in F.Y. 1998-99; the remaining three projects in F.Y. 2000-01. (F.Y. 1998-99 resources needed: \$1.4 million as specified in the initiative page below.)

Increase protection for Minnesota consumers and businesses. AGO seeks additional resources to strengthen our efforts to protect Minnesota citizens and businesses from the illegal activity of others. Private industry is seeing a new wave of mergers and acquisitions which requires expanded antitrust reviews and possible litigation. Illicit businesses continue to prey on our consumers. Honest differences can arise between legitimate businesses and consumers, and mediation is needed. In all of these situations, the Attorney General already plays a strong role, but additional resources are needed to keep up with the growing demand for services. (AGO resources needed: 4,500 staff hours of time per year, for a total cost of \$280,000. This investment will yield substantially more in monetary returns to the state.)

The following five initiatives will be pursued as part of expected executive branch or legislative initiatives. We are not identifying them as initiatives only of AGO, nor are we estimating costs to AGO until the plans are finalized.

Fight violent crime. In cooperation with members of the legislature, the Attorney General is proposing an initiative focusing on the reduction of violent crimes. When fully implemented, this criminal justice initiative will make our state safer by targeting additional state and local government resources to (1) combat gangs and violent crime, (2) improve the efficiency of implied consent cases in connection with DWI prosecutions, (3) help local governments prosecute arson cases, (4) limit handgun trafficking, (5) defend license revocations related to drug crimes, (6) provide education alternatives for our young people by extending the school day and providing financial incentives for graduation from high school, and (7) provide AGO with additional resources to keep up with the growth of criminal appeals.

Prevent and mitigate the effects of conflict. Our second joint initiative is to develop and implement a major client agency training program on conflict and litigation avoidance. The goal will be to reduce the number of agency actions that result in contested cases or lawsuits. For those instances where a dispute cannot be resolved at early stages, AGO in cooperation with agencies will develop and implement an alternative dispute resolution (ADR) initiative. By initiating this activity, AGO will not be retreating from our commitment to vigorous enforcement of the state's laws. However, this initiative will help us achieve that goal with less cost.

Spread the risk of unexpected legal costs. As the preceding joint initiative indicates, we seek to reduce the number of cases that result in formal legal proceedings. Even if we are successful in that goal, however, AGO will still choose to vigorously prosecute other cases of importance to the state and our citizens as situations warrant. Unfortunately, the cost of litigating complex cases can be enormous. Even in those cases where we prevail, our costs for expert witnesses and trial preparation can easily exceed \$200,000. If we lose, those costs may be compounded by money judgments plus fees. For smaller state agencies, a single adverse judgment or complex case can deplete their entire budgets. Working with the departments of Finance and Administration, we hope to propose a method to spread the risk of such judgments among similarly situated agencies or other state sources. In some cases, the sharing will simply be a method of cash-flowing payments over several years, and, in other cases, it might be total relief from liability for an agency and its constituencies.

Define state relationships with tribal governments. Minnesota state government's relations with the tribal governments in Minnesota is complex, evolving, and in many cases adversarial. Conflicts over tax law, gaming, hunting and fishing rights, and a variety of other issues have demonstrated the need for closer and better ties between the state and the tribes located here.

Fairly compensate AGO staff. We expect the Administration to propose to the 1997 legislature a package of measures designed to increase compensation for professional and managerial classes of state employees. AGO staff have consistently been under-compensated when compared to other law "firms," both public and private. We will support reasonable compensation adjustments pursued by the executive branch, and we will demonstrate the appropriateness of applying them to AGO.

The following two initiatives have no up-front resource needs, and they are therefore not further described in this budget. However, we expect these to result in additional savings and efficiencies, and we therefore wanted to summarize them here.

Increase accountability through partner agency agreements. The 1994 legislature initiated a new system for funding legal services provided by AGO. This "partner agency" system is designed to encourage greater accountability between AGO and those of our clients who choose to be partners with us. In F.Y. 1996-97, AGO entered into pilot partner agency relationships with the following agencies: Board of Medical Practice, Finance, Health, Housing Finance, Human Services, Natural Resources, Pollution Control and Transportation. Those pilot relationships were successful, and we look forward to working with these partners through the next biennium to advance our common goals. In addition, we are in discussion with other agencies about possibly joining us in partner status. All of our partner agency agreements for F.Y. 1998-99 will include more precise language on the respective roles for AGO and the partners in meeting our clients' legal service needs.

Reduce legal costs through statutory reforms. AGO has identified nearly a dozen laws imposing on us costly duties without commensurate returns in benefits to the state and its citizens. In cooperation with affected agencies, AGO will be proposing a series of statutory reforms to eliminate or reduce mandates and required procedural steps. This re-engineering of our work is on those laws which impose costs to AGO and/or our clients which exceed the value received. These law changes will be pursued outside of the budget process, but we feel it appropriate to reference those initiatives here.

1998-99 Biennial Budget

AGENCY: Attorney General, Office of (AGO)
(Continuation)

GOVERNOR'S RECOMMENDATION:

Historically, the Courts, Legislature, and other Constitutional Officers have departed from executive branch budget guidelines and have not fully participated in the executive branch budget process. The Governor respects this separation of powers and the desire of other elected state officials to independently present their budget requests directly to the Legislature. However, the Governor is required by law to submit a balanced budget to the Legislature and therefore it is necessary to identify funding for those offices as part of preparing a total, balanced budget.

The Governor is firmly committed to fiscal stability, meaning that spending can not grow at a greater rate than resources. Therefore, the Governor recommends that the budgets of the Courts, Public Defender, Constitutional Officers and the Legislature grow no more than the rate of growth in General Fund revenues. General Fund revenues for 1998-99 are projected to grow by 7.7% over the current biennium, and the Governor recommends funding increases equal to that growth.

For the Office of the Attorney General, this amounts to a biennial increase of \$3,279,000 which includes the base adjustment of \$1,226,000 provided for salaries.

The Governor makes no recommendation regarding the specific initiatives put forward by the Office of the Attorney General.

1998-1999 B I E N N I A L B U D G E T
(DOLLARS IN THOUSANDS)

AGENCY: ATTORNEY GENERAL

PROGRAM RESOURCE ALLOCATION:	FY 1996	Est. FY 1997	FY 1998			FY 1999		
			Base Level	Agency Request	Governor Recomm.	Base Level	Agency Request	Governor Recomm.
=====	=====	=====	=====	=====	=====	=====	=====	=====
GOVERNMENT SERVICES	4,292	4,488	3,878	3,643	4,904	3,970	3,750	4,997
PUBLIC AND HUMAN RESOURCES	6,437	5,793	2,713	2,905	2,713	2,750	3,011	2,750
LAW ENFORCEMENT	4,920	6,264	5,919	6,454	5,919	6,025	6,565	6,025
LEGAL POLICY & ADMINISTRATION	4,398	5,136	4,230	5,396	4,230	4,290	5,465	4,290
BUSINESS REGULATION	3,977	4,059	2,693	2,990	2,693	2,752	3,078	2,752
SOLICITOR GENERAL	3,735	3,673	3,593	3,762	3,593	3,677	3,850	3,677
HEALTH & LICENSING	2,944	4,413	3,132	3,149	3,132	3,198	3,249	3,198
=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL EXPENDITURES BY PROGRAM	30,703	33,826	26,158	28,299	27,184	26,662	28,968	27,689
EXPENDITURES BY FUND:								

DIRECT APPROPRIATIONS:								
GENERAL	26,426	27,476	21,673	23,786	22,699	22,142	24,391	23,169
PETROLEUM TANK RELEASE CLEANUP	26	114						
STATE GOVERNMENT SPECIAL REVENUE	2,838	2,930	1,821	1,849	1,821	1,867	1,924	1,867
ENVIRONMENTAL	118	127	128	128	128	131	131	131
SOLID WASTE	163	483	445	445	445	450	450	450
HOUSING FINANCE AGENCY	42	42						
STATUTORY APPROPRIATIONS:								
GENERAL	156	960	845	845	845	845	845	845
SPECIAL REVENUE	19	211	170	170	170	170	170	170
FEDERAL	708	1,343	1,076	1,076	1,076	1,057	1,057	1,057
ENVIRONMENTAL	89	89						
AGENCY	111	6						
GIFT	7	45						
=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL EXPENDITURES	30,703	33,826	26,158	28,299	27,184	26,662	28,968	27,689
FTE BY EMPLOYMENT TYPE:								

REGULAR	455.6	468.5	484.5	487.5	484.5	484.5	489.5	484.5
TEMP/SEAS/PART_TIME	1.8	1.8	1.8	2.8	1.8	1.8	1.8	1.8
OVERTIME	.8	.8	.8	.8	.8	.8	.8	.8
=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL FTE	458.2	471.1	487.1	491.1	487.1	487.1	492.1	487.1

**1998-99 Biennial Budget
Agency Level Revenue Summary**

Agency: Attorney General, Office of (AGO)

REVENUE SOURCES:

The programs of the Attorney General's Office generate both non-dedicated and dedicated revenue.

Non-dedicated Revenue:

The majority of the non-dedicated revenue comes from state agencies receiving legal services from the Attorney General for non-general funded activities as provided under M.S. 8.15. During F.Y. 1996 these reimbursements were deposited to the General Fund through the Department of Finance's indirect cost allocation plan. This policy changed in F.Y. 1997 and now non-general fund reimbursements are made directly to the Attorney General Office for deposit into the General Fund as non-dedicated receipts. Other non-dedicated revenue comes from registration fees for health, social referral and buying clubs as provided under M.S. 325G.27 and revenue associated with assurance of discontinuance, civil penalties and restitution of legal costs.

Dedicated Revenue:

The majority of the dedicated revenue comes from federal funds for the Office of Justice Program-DARE Evaluation grant (F.Y. 1997 only), Office of Justice Program-Health Care Fraud Demonstration grant, Department of Health and Human Services-Medicaid Fraud grant, Office of Justice Program-Narcotics grant and U.S. Environmental Protection Agency-Environmental Technology grant. Other dedicated revenue is received through interagency agreements for legal services and indirect cost funds associated with the Federal grants.

1998-1999 B I E N N I A L B U D G E T
(DOLLARS IN THOUSANDS)

AGENCY: ATTORNEY GENERAL

SUMMARY OF AGENCY REVENUES	FY 1996	Est. FY 1997	FY 1998			FY 1999		
			Forecast	Agency Request	Governor Recomm.	Forecast	Agency Request	Governor Recomm.
=====	=====	=====	=====	=====	=====	=====	=====	=====
NON-DEDICATED REVENUE:								

DEPARTMENTAL EARNINGS:								
GENERAL	3							
CAMBRIDGE DEPOSIT FUND	238	234	234	234	234	234	234	234
DEPARTMENTAL EARNINGS (INTER-AGENC								
GENERAL	1	6,075	6,075	6,075	6,075	6,075	6,075	6,075
OTHER REVENUES:								
GENERAL	656	548	548	548	548	548	548	548
FEDERAL	569							
OTHER SOURCES:								
GENERAL	1							
=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL NON-DEDICATED RECEIPTS	1,468	6,857	6,857	6,857	6,857	6,857	6,857	6,857

DEDICATED RECEIPTS:								

DEPARTMENTAL EARNINGS (INTER-AGENC								
GENERAL	110	845	845	845	845	845	845	845
ENVIRONMENTAL		89						
GRANTS:								
FEDERAL	774	1,172	1,057	1,057	1,057	1,057	1,057	1,057
OTHER REVENUES:								
GENERAL	85	76						
SPECIAL REVENUE	33	166	167	167	167	167	167	167
AGENCY	153	550	47	47	47	48	48	48
GIFT	14	17						
OTHER SOURCES:								
FEDERAL	35							
=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL DEDICATED RECEIPTS	1,204	2,915	2,116	2,116	2,116	2,117	2,117	2,117
=====	=====	=====	=====	=====	=====	=====	=====	=====
AGENCY TOTAL REVENUES	2,672	9,772	8,973	8,973	8,973	8,974	8,974	8,974

**1998-99 Biennial Budget
Federal Funds Summary
(\$ in thousands)**

Agency: Attorney General, Office of (AGO)

FEDERAL FUNDS SUMMARY:

The AGO receives federal funding for the following activities:

- The DARE Evaluation grant allowed the Office to conduct an evaluation of the DARE program to determine its impact on participating youths and others in the community. The evaluation was conducted through the state contract process.
- The Health Care Fraud Demonstration grant allows the AGO to expand its efforts investigating and prosecuting health care fraud. This grant began in F.Y. 1996 with 100% federal funding the first year and a 25% state match requirement the second year. It is unknown whether federal funding will be received beyond the second year for this grant.
- The Medicaid Fraud grand allows the AGO to continue investigating and prosecuting fraud. This grant has a 25% state match. The AGO anticipates continued funding of this grant.
- The Narcotics grant allows the AGO to continue our efforts to target the prosecution of those who facilitate the narcotics trade. It also allows us to continue to provide the prosecution support needed by law enforcement during the investigative phase of such cases. This grant has a 25% state match. The AGO anticipates continued funding of this grant.
- The Environmental Technology grant allows the AGO to provide large and small businesses with information about environmental technology and to encourage sound environmental management practices.

**F.Y. 1998-99 Biennial Budget
Federal Funds Summary
(\$ in thousands)**

Agency: Attorney General's Office

Federal Program	Related State Spending	Primary Purpose	SFY 1996 Revenues	SFY 1997 Revenues	Estimated SFY 1998 Revenues	Estimated SFY 1999 Revenues
Office of Justice Program-DARE Evaluation	Yes	SO	-0-	\$15	-0-	-0-
Office of Justice Program-Health Care Fraud Demonstration	N/A	SO	\$47	\$143	\$190	-0-
Department of Health and Human Services	Yes	SO	\$564	\$732	\$717	\$717
Office of Justice Program-Narcotics	Yes	SO	\$108	\$175	\$150	\$150
U.S. Environmental Protection Agency-Environmental Technology	N/A	Pass-Through	\$90	\$107	-0-	-0-

Key:

SO - State Operations

**Attorney General's Office
1998-99 Biennial Budget
Consolidated Listing of Appropriations
(\$ in thousands)**

	Agency Request		Senate Finance	House Finance
	F.Y. 1998	F.Y. 1999	Division	Division
<u>Submitted as Part of the Attorney General's Budget Request:</u>				
Direct Appropriations:				
General Fund	\$23,786	\$24,391		
Petroleum Tank Release Cleanup				
State Government Special Revenue Fund	1,849	1,924		
Environmental Fund	128	131		
Solid Waste Cleanup Fund	445	450		
Housing Finance Agency Fund				
Statutory Appropriations:				
General Fund	845	845		
Special Revenue Fund	170	170		
Federal Fund	1,076	1,057		
Environmental Fund				
Agency Fund				
Gift Fund				
Total 1998-99 Biennial Budget Request	\$28,299	\$28,968	Government Operations	State Government
<u>Other Funding: Partner Agency Agreements:</u>				
Direct Appropriations-General Fund:				
Department of Finance	579	579	Government Operations	State Government
Department of Human Services	1,272	1,272	Health and Family Security	Health and Human Services
Department of Natural Resources	958	958	Environment and Agriculture	Environment and Natural Resources
Pollution Control Agency	392	392	Environment and Agriculture	Environment and Natural Resources
Minnesota State Colleges and Universities	906	906	Higher Education	Higher Education
Department of Health	190	190	Health and Family Security	Health and Human Services
Direct Appropriations-Petroleum Tank Release Cleanup Fund:				
Department of Commerce	114	114	Economic Development	Economic Development
Direct Appropriations-State Government Special Revenue Fund:				
State Board of Medical Practice	1,142	1,142	Health and Family Security	Health and Human Services
Direct Appropriations-Environmental Fund:				
Pollution Control Agency	89	89	Environment and Agriculture	Environment and Natural Resources
Direct Appropriations-Housing Finance Agency Fund:				
Housing Finance Agency	42	42	Economic Development	Housing and Housing Finance
Total Partner Agency Agreement Funding	\$5,684	\$5,684		
TOTAL ALL	\$33,983	\$34,652		

1998-99 Biennial Budget

PROGRAM: Government Services
AGENCY: Attorney General, Office of (AGO)

PROGRAM DESCRIPTION:

The Government Services Program represents the agencies responsible for serving the state in its capacity as:

- tax collector;
- landowner;
- builder of roads and buildings;
- protector of safety on our highways and in our workplaces;
- consumer of goods and materials;
- public pension plan administrator; and
- provider of financing for economic development, affordable housing, and waste water treatment.

Five divisions in this section carry out this work: Labor Law, Public Finance/Opinions, Public Safety, Tax Litigation, and Transportation.

Certain objectives are shared by the divisions in the Government Services Program. These are to:

- provide information to citizens regarding the laws, rules, and procedural requirements for obtaining state services or assistance;
 - provide legal advice to client agencies to enable them to serve the public and fulfill their statutory obligations properly and efficiently; and
 - assist in the development of rules to maximize clarity and prevent future legal disputes.
- **Labor Law** - The Labor Law Division provides client advice and represents the Departments of Labor and Industry (DOLI), Economic Security, and the state's major pension funds. Among its primary responsibilities are Occupational Safety and Health Act (OSHA), the Special Compensation Fund, mandatory workers' compensation insurance enforcement, Code Enforcement, Labor Standards, Rehabilitation and Medical Affairs, and Apprenticeship. It also represents and advises the Public Employees Retirement Association (PERA), Minnesota State Retirement System (MSRS), Teachers Retirement Association (TRA), Minnesota State Colleges and Universities (MnSCU), Department of Employee Relations (DOER) Insurance benefits division, Department of Veterans' Affairs, the Minnesota Veterans' Home, and the Department of Economic Security. The primary goals of the Labor Law Division are:
- to work with DOLI to provide fair, safe, and healthful working conditions for every Minnesota citizen;
 - to ensure that Special Compensation Fund expenditures are consistent with state laws and regulations; and
 - to assist the pension funds in meeting their statutory requirements and protecting the financial assets entrusted to them.
- **Public Finance** - This division assists with the nuts and bolts of operating state government. It provides day-to-day representation to the accountants, real estate managers, and purchasing agents for the state in the departments of Finance and Administration. Attorneys review thousands of contracts, draft hundreds of documents and respond to daily requests for advice.

The division also advises numerous other state boards and agencies that deal with finance and contract matters, including the State Board of Investment (SBI), the Department of Trade and Economic Development, the Public Facilities Authority, the Iron Range Resources & Rehabilitation Board (IRRRB), and others. In addition, we represent the Housing Finance Agency (HFA) in its many projects designed to provide affordable housing for Minnesotans and assist the Ethical Practices Board in carrying out its government oversight role. The division also provides formal and informal opinions on local government matters.

- **Public Safety** - This division improves public safety through litigation, counseling, and training to help ensure that:
- drunk and unsafe drivers lose their licenses;
 - crime victims are justly compensated and criminal records are expunged appropriately;
 - motor vehicle dealers lose their licenses when operating illegally and penalties are assessed for overweight truck violations;
 - disaster victims receive immediate and appropriate assistance; and
 - peace officers receive needed training.

The division supports the work of the Department of Public Safety in all its programs, including the State Patrol, Bureau of Criminal Apprehension, Office of Drug Policy, Driver and Vehicle Services, Emergency Management, and others.

- **Tax Litigation** - Tax Litigation represents the Minnesota Department of Revenue in court cases appealing tax assessments, seeking refunds, petitioning for discharge of tax liabilities in bankruptcy, or challenging the state's tax laws. During a typical year, the division handles 250-300 tax-related matters in Minnesota Tax Court, state and federal district courts, United States Bankruptcy Court, and the appellate courts.
- **Transportation** - Minnesota has a very complex transportation system, including thousands of miles of federal, state and local roads as well as waterways, railroads, ports, bridges, airports and public transit services. This integrated system must meet the state's changing economic and environmental needs while using public resources responsibly. This division assists the Minnesota Department of Transportation (MnDOT) in achieving this goal. MnDOT's program requires the acquisition of hundreds of parcels of land each year. Division attorneys represent MnDOT in proceedings to determine the just compensation due landowners whose real estate is taken for highway purposes. We also assist MnDOT in complying with environmental rules pertaining to these highway projects. In addition, the division enforces regulations dealing with intrastate trucking safety, railroad development, and public airport operations and advises MnDOT on prevailing wage law enforcement, state aid distribution to counties and towns, land use zoning, and many other matters. The division attorneys also assist MnDOT in its initiatives for alternative highway financing such as toll roads and in alternative uses of highway right-of-way such as fiber optic cable installation on freeway right-of-way.

PROGRAM STATUS:

The agencies served by the Government Services Program are experiencing steady increases in their workloads and face issues of greater complexity each biennium. Therefore, each AGO division feels a constant pressure to achieve its objectives more efficiently within current budgetary constraints. In F.Y. 1996, for example, two attorney positions were converted to paralegal positions in an effort to perform needed services as efficiently as possible. Some significant accomplishments and noteworthy trends are described below.

- **Labor Law** - Some of the division's many accomplishments in F.Y. 1995-96 include:

1998-99 Biennial Budget

PROGRAM: Government Services

AGENCY: Attorney General, Office of (AGO)

(Continuation)

- The first major mandatory workers' compensation insurance enforcement case which resulted in an order directing *Wintz Parcel* to pay \$1.2 million in fines and penalties for failure to maintain workers' compensation insurance.
 - Initiation of 16 mandatory insurance enforcement cases against Minnesota employers.
 - Representing the Minnesota State Retirement System (MSRS) *In the Matter of the Retirement Benefits of the Honorable Lawrence R. Yetka*, Court of Appeals File No. C8-96-486 (9-3-96), which involved a dispute over the amount of the former Supreme Court Justice's pension.
 - Assisting PERA in completing a six-month study of its disability benefits program.
 - A major migrant labor wage study in conjunction with the U.S. Department of Labor.
 - Defending an additional 154 cases involving claims against the Special Compensation Fund before the Office of Administrative Hearings and the Workers' Compensation Court of Appeals.
 - Initiating an additional 52 OSHA enforcement cases.
 - Disciplinary actions against several Qualified Rehabilitation Consultants.
- Public Finance - Some of this division's most critical work is preventative in nature. Well-written and properly executed contracts produce less litigation and ensure that the state receives the best product or service available at a fair price and with minimal administrative problems. In F.Y. 1996, the division reviewed several thousand contracts, intellectual property license agreements, leases, requests for proposals, investment management agreements, limited partnerships, and other transactions involving hundreds of millions of dollars for numerous state agencies. Only one lawsuit over contract or lease issues was received during that period. Division staff also helped the state issue over \$434 million in general obligation bonds and over \$1.1 million in revenue bonds. Advice and education on local government matters assists local government with legal compliance in a cost effective manner.
- Public Safety - In F.Y. 1996, the division handled over 2,479 implied consent cases (drunk driver license revocations and/or license plate impoundments) in district courts and prevailing in 85 percent of the cases. Peace officers throughout Minnesota were trained in DWI and traffic laws using satellite technology, as well as traditional teaching methods. The division handled significant appellate litigation having state-wide impact. For example:
- the DWI and implied consent laws were defended against double jeopardy claims;
 - 73 appeals from trial court driver license litigation were handled in F.Y. 1996;
 - the scope of the State's jurisdiction to revoke the licenses of American Indian tribal members arrested for drunk driving on reservation lands is pending in the appellate courts; and
 - the constitutionality of the 1994 legislative prohibition on the use of labels on alcoholic beverages which improperly suggest a connection to American Indian historical figures was litigated.

The number of implied consent cases has grown. No single issue is driving the increase. The private DWI defense bar has become increasingly organized, increasing the complexity of the cases.

- Tax Litigation - Efforts by the division during F.Y. 1996 included:
- Prevailing in litigation with 101 corporations involving over \$50 million stemming from

- challenges to the alternative minimum tax for corporations. The U.S. Supreme Court has denied review of the appeals.
- Defending \$7.8 million in tax assessments in Minnesota Tax Court and District Court Appeals.
- Opposing \$5.2 million in tax refund claims in court cases filed by individual and corporate taxpayers.
- Appearing in more than 100 matters in U.S. Bankruptcy Court to protect state tax claims from discharge or reduction.
- Resolving dozens of tax cases through Alternative Dispute Resolution processes developed in cooperation with the Department of Revenue.
- Settling more than 225 pending bank tax refund claims resulting from the decision in *Cambridge State Bank, et al. v. James*, at a savings of more than \$30 million over the stated amount of the claims, and making substantial progress toward settling with an additional 275 banks.
- Providing legal services to the Department of Revenue in protecting tax liens in 270 mortgage foreclosures and quiet title actions.
- Litigation services to the department in connection with enforced collection actions and levies involving seizures of cash, inventories and other property to satisfy unpaid taxes.
- Advice and legal assistance in the administration and implementation of MinnesotaCare taxes.
- Assistance to local governments in tax matters, including research and drafting briefs in *Leech Lake Bank of Chippewa Indians v. Cass County*.

The work of the division involves all taxes administered by the Department of Revenue, including individual and corporate income, sales, cigarette, gambling, MinnesotaCare, gross receipts, petroleum, alcohol, and other taxes.

Virtually the entire practice of the division is related to litigation and litigation prevention. As an example of the latter, the division has worked with the Department of Revenue on devising alternative dispute resolution procedures for reducing the number of small (\$5,000 or less) tax claims which go to litigation, in amending "officer liability" statutes and procedures to reduce the number of disputes about who is responsible for paying sales and withholding taxes when small businesses fail, and in amending the capital equipment sales tax refund law, to provide clearer guidelines for business taxpayers seeking such refunds.

- Transportation - In its eminent domain activity, the division has consistently been able to achieve significant reductions in damage claims during the prior year. There were 263 parcels of property acquired by eminent domain in 1995 and 192 parcels in the first six months of 1996. Timely and effective administration of these cases has allowed MnDOT's construction program to proceed without delays and with full federal financial participation. Also, no trunk highway project was delayed as the result of any court challenge in the past several years.

The division has also assisted the Department of Revenue in the transition of the additional regulatory duties to the Commissioner of Transportation from the Transportation Regulation Board in 1996 while at the same time maintaining its motor carrier enforcement responsibilities.

This division has also provided the commissioner and his staff with general counsel services. These services include regular consultation with the commissioner's staff, legal work on complex contract issues, and considerable in-house client training on a variety of legal subjects. The division's general counsel efforts have contributed to an avoidance of litigation and claims which could otherwise have interrupted the department's operations.

1998-99 Biennial Budget

PROGRAM: Government Services
AGENCY: Attorney General, Office of (AGO)
(Continuation)

PLANNED RESULTS:

The Government Services Section is committed to providing capable, professional legal services to the many diverse agencies and boards who depend on the AGO. During F.Y. 1998-99, we will seek ways to maintain the high quality of our services while using public monies effectively. Current budgetary constraints do, however, limit our ability to do all that we would like to do.

- **Labor Law** - In addition to a full and increasingly complex caseload of OSHA safety and health cases, other issues and particular cases will demand a great deal of legal resources in F.Y. 1998-99. For instance:
 - In addition to its ongoing OSHA enforcement and workers' compensation defense cases, the division anticipates initiating more workers' compensation mandatory insurance enforcement cases.
 - Violence in the workplace is gaining great attention from state and federal regulators, who are seeking to develop methods to prevent this workplace danger.
 - New federal safety and health standards are in the rule making process. These will lead to increased activity at the state level. Examples include:
 - a new ergonomics standard;
 - regulations regarding tobacco smoke in the workplace;
 - a revised fall protection standard;
 - updated permissible exposure limits for many substances; and
 - increased penalties, including a minimum \$25,000 penalty for willful violations.
 - Issues continue to arise relating to the extent of DOLI's jurisdiction over prisoners, volunteers and certain transportation workers and its authority in areas of potential conflict with other regulatory bodies such as environmental protection, pesticide enforcement, and health regulation.
 - Increased litigation in workers' compensation enforcement, with its accompanying issues of insurance and fraud.
 - Further Employee Retirement Income Security Act (ERISA) preemption litigation is likely concerning prevailing wage, apprenticeship, and labor standards.
 - Continuing investigation of Minnesota migrant worker wages and compliance with the minimum wage and overtime laws.
 - Assisting DOLI in developing procedural rules for the mandatory insurance enforcement cases.
 - Continued litigation regarding calculation of early retirement incentive eligibility and pension benefits.
- **Public Finance** - Specific objectives of this division for F.Y. 1998-99 are to:
 - maximize the value and protection obtained by the state in such contracting areas as specifications, quality assurance, and warranties;
 - assist in drafting and negotiating complex professional, technical services, and commodity contracts for a variety of state agencies;
 - assist in debt and lease-purchase transactions, which permit state agencies to stretch their budgets;

- assist in the issuance of public debt for such purposes as low- or moderate-income housing, waste water treatment, and economic development loans to small businesses and communities;
- assist in drafting and negotiating complex investment, management, and limited partnership agreements for the SBI;
- advising on changes to the procurement process to facilitate innovations and efficiency to the process; and
- provide services contracted for by our partner agencies (HFA, DHS, Finance and MnSCU).

- **Public Safety** - The success of this division is measured not only in the number of driver licenses revoked, but also in the reduction of highway deaths and injuries. Minnesota has one of the leading records in the nation in the reduction of drunk driving. Our objectives remain:

- to remove drunk drivers from the roads through the vigorous enforcement of implied consent and drunk driving laws;
- to educate law enforcement agencies, prosecutors, judges, and defense attorneys in the law governing DWI arrests and license revocations;
- to enforce the laws relating to motor vehicle dealers, liquor regulation, overweight trucks, and other safety provisions; and
- to support the Department of Public Safety in its broad mission by providing sound legal advice in a timely and effective manner.

The number of implied consent hearings increased from 1912 hearings in F.Y. 1993 to 2,479 in F.Y. 1996, a 29% increase. Further, the average time needed for each case increased from 6.7 hours in F.Y. 1994 to 7.2 hours in F.Y. 1996. To address these demands, reform initiatives will be sought to reduce the increasing burden that implied consent hearings place on the criminal justice system and the division, while retaining the strong remedial nature of the implied consent law. If the reform initiatives are not successful, additional staffing will be required to handle the existing litigation calendar.

Preventative measures will continue to reduce the number of cases presenting true issues. However, legal advice and educational measures will be constrained in meeting the litigation demands.

- **Tax Litigation.** Major current issues which will continue to generate litigation include:
 - Double jeopardy issues relating to controlled substance and drug stamp tax.
 - Taxation of Indian, tribal, and band income, lands, and businesses.
 - Due Process and Commerce Clause challenges to taxation of interstate businesses, including telecommunications and Internet enterprises.
 - Supremacy clause challenges to the state's taxation of investment and pension income derived from U. S. government obligations.

These issues often involve millions of dollars in state revenues. For example, the division recently fended off claims by 101 corporate taxpayers seeking tax refunds of over \$50 million, plus interest, in cases involving alternative minimum taxes. Prevention of these types of negative impacts on state revenues and collecting taxes which are owed are the primary objections of the Tax Litigation Division.

- **Transportation** - This division's goals for F.Y. 1998-99 are to:
 - reduce by one-half, in cooperation with the Department of Transportation, the number of outstanding eminent domain actions that are more than two years old;
 - Continue to provide timely, efficient, and fiscally responsible services in the acquisition of real estate for MnDOT and other governmental entities;
 - Advise and represent MnDOT in public interest regulation and financial support of various

1998-99 Biennial Budget

PROGRAM: Government Services

AGENCY: Attorney General, Office of (AGO)
(Continuation)

modes of transportation including but not limited to public transit, railroads, motor carriers, and aviation;

- Improve coordination and delivery of legal services to MnDOT through continued training and improved communication with MnDOT personnel who work most closely with the division; and
- Provide legal advice regarding the proposed toll road project.

BUDGET AND REVENUE SUMMARY:

The Government Services section provides legal services to a broad array of agencies. Although our principal focus is on government's own service agencies (e.g. Finance, Administration, Employee Relations and Revenue), we also provide services that are at least indirectly used by all of state government. We constantly seek ways to help deliver legal services in activities such as state procurement, facilities rental, highway maintenance, traffic enforcement, pension administration, workplace safety, and capital bonding in the most cost-effective ways.

The departments of Finance and Public Safety are already partner agencies, and we believe the other government service agencies will soon be prime candidates for that status. As the number of partners grows, our funding will be tied more directly to our clients. Thus, our accountability to our clients will be strengthened.

1998-1999 B I E N N I A L B U D G E T
(DOLLARS IN THOUSANDS)

AGENCY: ATTORNEY GENERAL
PROGRAM: GOVERNMENT SERVICES
ACTIVITY: GOVERNMENT SERVICES

ACTIVITY SUMMARY	FY 1996	Est. FY 1997	FY 1998			FY 1999		
			Base Level	Agency Request	Governor Recomm.	Base Level	Agency Request	Governor Recomm.
EXPENDITURES:								
DETAIL BY CATEGORY:								
STATE OPERATIONS:								
PERSONAL SERVICES	3,646	4,019	4,016	3,781	4,016	4,097	3,877	4,097
OPERATING EXPENSES	646	469	483	483	1,509	494	494	1,521
TRANSFERS			<621>	<621>	<621>	<621>	<621>	<621>
SUBTOTAL STATE OPERATIONS	4,292	4,488	3,878	3,643	4,904	3,970	3,750	4,997
TOTAL EXPENDITURES	4,292	4,488	3,878	3,643	4,904	3,970	3,750	4,997
AGENCY REQUEST ITEMS:		FUND						
TECHNICAL REALLOCATIONS		GEN		<249>			<249>	
COMPENSATION INCREASES UNDERFUNDING		GEN		14			29	
TOTAL AGENCY REQUEST ITEMS				<235>			<220>	
GOV'S INITIATIVES:		FUND						
(B) SUSTAINABLE GROWTH INITIATIVE		GEN			1,026			1,027
TOTAL GOV'S INITIATIVES					1,026			1,027
EXPENDITURES BY FUND:								
DIRECT APPROPRIATIONS:								
GENERAL	4,249	4,431	3,863	3,628	4,889	3,955	3,735	4,982
HOUSING FINANCE AGENCY	42	42						
STATUTORY APPROPRIATIONS:								
GENERAL	1	15	15	15	15	15	15	15
TOTAL EXPENDITURES	4,292	4,488	3,878	3,643	4,904	3,970	3,750	4,997

1998-1999 B I E N N I A L B U D G E T
(DOLLARS IN THOUSANDS)

AGENCY: ATTORNEY GENERAL
PROGRAM: GOVERNMENT SERVICES
ACTIVITY: GOVERNMENT SERVICES

ACTIVITY SUMMARY	FY 1996	Est. FY 1997	FY 1998			FY 1999		
			Base Level	Agency Request	Governor Recomm.	Base Level	Agency Request	Governor Recomm.
REVENUE COLLECTED:								
NONDEDICATED:								
GENERAL	45	45	45	45	45	45	45	45
CAMBRIDGE DEPOSIT FUND	2							
TOTAL REVENUES COLLECTED	47	45	45	45	45	45	45	45
FTE BY EMPLOYMENT TYPE:								
REGULAR	62.4	67.6	64.4	64.4	64.4	64.4	64.4	64.4
TEMP/SEAS/PART_TIME	.2	.2						
OVERTIME	.1	.1	.1	.1	.1	.1	.1	.1
TOTAL FTE	62.7	67.9	64.5	64.5	64.5	64.5	64.5	64.5

1998-99 Biennial Budget

PROGRAM: Public and Human Resources
AGENCY: Attorney General, Office of (AGO)

PROGRAM DESCRIPTION:

The Public and Human Resources Program provides critical legal services to assist state agencies in protecting Minnesota's most precious resources: its environment and its people. Each division counsels client agencies on program development and implementation, initiates enforcement action as necessary, and defends the authority of the legislature and the agencies when they are sued. The divisions in this program are Agriculture and Natural Resources, Environmental Protection, and Human Services.

■ Agriculture and Natural Resources - Provides legal services to:

- Department of Natural Resources (DNR),
- Department of Agriculture,
- Board of Water and Soil Resources,
- Board of Animal Health,
- Minnesota Agricultural Society (State Fair),
- Minnesota Emergency Response Commission,
- Minnesota Historical Society,
- Minnesota Indian Affairs Council,
- State Arts Board, and
- State Archeologist.

Key functions include the following:

- Indian law issues. The Chippewa bands in northern Minnesota are vigorously challenging the enforcement of state natural resource laws against their members on the grounds that those laws are preempted by 19th-century treaties. The division is defending the state in two major Indian treaty lawsuits, one brought by the Mille Lacs Band and one by the Fond du Lac Band. The division also provides assistance to several state agencies on issues related to Indian sovereignty.
- General counsel and litigation. The division provides a wide range of legal advice to its client agencies and boards. The division has been assisting the DNR with implementing the new trespass law and enforcement of fish and game laws. We also assist agencies in their vital enforcement actions, including permit hearings under Minnesota water laws, actions against violators of agricultural chemical control and food safety regulations, and litigation concerning pesticide incident response and cost recovery. It defends the agencies in litigation such as regulatory "takings" claims, animal rights cases, environmental rights challenges, and constitutional challenges to state laws. The division has increased its emphasis on preventing problems by providing legal assistance before a problem becomes a major dispute, and resolving disputes with alternatives to litigation.
- Transaction services. The division handles the legal work for DNR's substantial real estate transactions, including acquisition, land exchanges, sales and conveyances, land and mineral leases, and others. The division also provides real estate expertise to other state agencies including the substantial conservation easement program at the Board of Water and Soil Resources. Our attorneys handle disputes over zoning and land use planning, drainage,

boundaries and trespasses, natural resources damage claims, and other proceedings. Staff members also draft, negotiate, and review contracts, leases, and grants for the DNR and State Arts Board. The division is working with DNR to introduce reforms in state real estate practice that should increase customer satisfaction and cost-efficiency.

- Environmental Protection -This division represents and counsels three state environmental agencies which protect public health and the natural environment from air, water, and soil pollution:
 - Pollution Control Agency (PCA);
 - Office of Environmental Assistance; and
 - Environmental Quality Board (EQB).

This division helps these agencies carry out their responsibilities by:

- Counseling the agencies on the development and implementation of environmental programs to assure compliance with state and federal laws;
- Training staff to avoid litigation and to assure understanding of legal authorities and procedures;
- Assisting with permits, environmental review, and certification proceedings; and negotiating corrective actions and environmental cleanups;
- Initiating litigation as necessary to insure compliance and to defend environmental policies and laws against challenges; and
- Recovering the costs of natural resources damages, and public expenditures for environmental cleanups.

In addition, the division has two projects assigned by the Legislature to the AGO: the Insurance Cost Recovery Project (to recover cleanup costs associated with 106 municipal waste landfills as required by the Landfill Cleanup Act) and the Local Government Assistance Project (to assist local units with legal issues and options associated with waste management).

The division emphasizes approaches that avoid litigation and legal problems, resolve conflicts, seek balance between competing interests, provide open public involvement in decision making, and protect public health and the environment.

- Human Services - This division represents the Department of Human Services (DHS). The myriad of programs supervised and administered by DHS involve a complex maze of federal and state laws. The division works with DHS to assure that:

- licensed programs for children and adults are safe and effective;
- rate structures are adequate and prudent for hospitals, nursing homes, non-institutional providers, and intermediate care facilities for the mentally retarded;
- costs paid for care by Medical Assistance are recovered from responsible insurers;
- income and medical assistance program standards are administered fairly and appropriately; and
- the regional treatment centers admit, treat, and discharge persons within statutory and constitutional parameters.

The division focuses its efforts in 3 main areas:

- Litigation. Initiate, defend, or intervene in legal actions in federal and state courts to protect the authority of DHS and the well-being of the people it serves;
- Administrative enforcement. Initiate and defend DHS in administrative actions with individuals or service providers who challenge agency actions; and

1998-99 Biennial Budget

PROGRAM: Public and Human Resources

AGENCY: Attorney General, Office of (AGO)
(Continuation)

- Advice and consultation. Assist DHS with legislation, implementation of statutes, rules and programs, and questions from the public about human services laws and issues.

PROGRAM STATUS:

In F.Y. 1996-97, each division's caseload has become larger and more complex. Many external pressures affect the agencies, which in turn seek assistance from the AGO in meeting these new challenges. Significant accomplishments and noteworthy trends are described below.

■ Agricultural and Natural Resources:

- Preparation for Phase II of the Mille Lacs case. In Phase I of the Mille Lacs case, the federal court concluded that the Chippewa Bands retain hunting, fishing, and gathering rights in the territory ceded under the 1837 treaty. Phase II of the trial deals with allocation of the resources between the State and the Bands. We have completed extensive discovery and briefing of summary judgment motions, and negotiated a detailed stipulation on the hunting and fishing regulations that would apply to the Chippewa in the ceded territory. In addition, we continue to work on the appeal of the phase I ruling.
- Consolidation of the Fond du Lac Case. After the federal court ruled that the Fond du Lac Band had hunting, fishing, and gathering rights in both the 1837 and 1854 ceded territories, the division successfully moved the court to consolidate the 1837 phase II portions of the Fond du Lac case with the Mille Lacs case. We are currently working separately on phase II (allocation and regulations) issues for the 1854 Treaty portion of the Fond du Lac case.
- Training/public information. The division has assisted the DNR by providing the public with information on issues such as the Treaty litigation, and training to DNR staff on issues such as the new trespass law.
- Real estate transactions. In 1995-96, division real estate specialists helped DNR with 116 transactions worth over \$6,450,332 by reviewing title documents, drafting acquisition documents and providing other support. The experience of the real estate group in the division is a critical asset in preventing disputes that might cloud the title to state land. We also assisted the Board of Soil and Water Resources in acquiring easements with a value of \$12.6 million supporting the Reinvest In Minnesota program.
- Minnesota State Colleges and Universities (MnSCU) transactions. The incorporation of the community and technical colleges into the state system increased real estate work for the division. We have advised MnSCU on a variety of transactions such as sale of houses built by students and acquisition and sale of property for the colleges.
- "Once through cooling." The last "once through cooling" system in Minneapolis was phased out through settlement with DNR of an enforcement action, helping to conserve the state's groundwater.
- Agriculture issues. The division submitted briefs opposing the implementation of the Northeastern Dairy Compact, served on the U.S. Department of Agriculture's Livestock Concentration Advisory Committee, and developed efficient enforcement mechanisms for the department's laws. The division assisted with a major investigation involving false labeling of "organic foods."
- Takings cases. The division successfully defended a "takings" challenge to the Wetland Conservation Act of 1991 and a similar challenge to the state's public water laws.

- Board of Water and Soil Resources. The division assisted with implementation of the Wetland Conservation Act, including assistance in appeals of local government decisions. The division also assisted with a wide range of transactions, including the purchase of numerous conservation easements under the Reinvest in Minnesota (RIM) program and the distribution of grant money to local governments.
- Waters issues. Water appropriation issues are becoming more important in the face of local scarcity. The division also handles several contested cases each year concerning water permits and restoration orders. Finally, the number of court appeals resulting from local government decisions on shore land and wild and scenic river zoning matters has increased.
- Indian law issues. Indian law expertise has been expanded to assist agencies with increasing assertions of tribal sovereignty. Issues have included the application of traffic laws on the White Earth reservation; taxability of fee lands owned by a band; permitting authority for construction projects; band regulation of water quality under Federal Laws; reservation border questions; application of zoning regulations; and the effect of recent federal court cases on trust lands, gaming, and state and band immunity from suit.

■ Environmental Protection:

- Landfill Cleanup Program. Our assistance developing model documents and negotiating agreements to bring landfill facilities within the program were crucial to successful implementation of the program, and saved the state millions of dollars through careful review of reimbursement requests. Expensive cost recovery litigation has ended, and the U.S. Environment Protection Agency (EPA) has relinquished authority to the Pollution Control Agency for cleanup.
- Insurance Recovery Project. Our Report on Insurance Recovery Under the Landfill Cleanup Act addressed the potential recovery of insurance proceeds to cover a reasonable share of cleanup costs for 106 designated municipal landfills. The legislature followed the recommendations in the Report by amending the Landfill Cleanup Act.
- Environmental Innovation and Project XL. We helped the PCA draft the Environmental Regulatory Innovations Act and develop the first innovative "XL" permits for 3M Hutchinson.
- Superfund Cost Recovery. Over \$1 million of cleanup costs was recovered for the State Superfund. Additional recovery efforts are pending in state and federal courts. The division also protected state interests in cleanups of U.S. Department of Defense sites in Minnesota.
- Environmental Enforcement. The division negotiated numerous stipulation agreements and pursued litigation, as necessary, to obtain compliance with environmental standards.
- Nuclear waste storage and alternative energy. The division represented the Environmental Quality Board in two controversial proceedings, one involving the siting of a nuclear spent fuel storage facility in Goodhue County, and the other involving the construction of Large Wind Energy Conversion Systems along Buffalo Ridge in southeastern Minnesota.
- Waste Management. The division defended a constitutional challenge to the state's authority over solid waste management by public entities, and to the legislature's authority to establish waste management policies for public entities.
- Environmental Review Process. The division has defended several controversial matters such as the Konditor (metal shredder) facility in Minneapolis, the University of Minnesota steam plant, and the expansion of a wood products facility located near Cook, Minnesota.
- Lake Superior Water Quality. The Grand Portage Band and state negotiated a model agreement to assure high water quality standards, the first of its kind in the nation.

■ Human Services:

- Medical Assistance Reimbursement. Successfully defended nursing home provider claims for \$100 million in additional state and federal funds, and claims by a home health care

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PROGRAM: Public and Human Resources
AGENCY: Attorney General, Office of (AGO)
(Continuation)

provider association, several home health care providers, and recipients for \$30 million in additional state and federal funds. The latter case is on appeal to the Eighth Circuit Court of Appeals. Handled an increasing number of long term care rate reimbursement appeals brought by nursing home and ICF/MR providers, saving several hundred thousand dollars to the Medical Assistance program during the biennium.

- Abortion Funding. Defended the state's abortion funding limitations. The Minnesota Supreme Court found the state law to be in violation of the Minnesota Constitution. The parties are now negotiating implementation of the decision.
- Sex Offenders. Successfully defended several statutory and constitutional challenges to regional treatment center discharge procedures involving sexually dangerous persons. Will represent DHS in connection with the implementation of the new sex offender notification law. Successfully defended constitutionality of new statute for commitment of sexually dangerous persons. The case is now on appeal to the Minnesota Supreme Court.
- Health care and welfare reform. With the passage of federal welfare reform laws, we expect an increase in advice to DHS on legislative proposals and implementation strategies, and legal challenges to the new laws.
- Criminal background checks. Advised DHS on legal issues related to the implementation of background studies for persons who provide services in licensed facilities. Defended DHS in several lawsuits involving the disqualification process.
- Vulnerable Adults Act. Handled hearings by alleged perpetrators of vulnerable adult abuse under the newly enacted Vulnerable Adults Act.
- Foster Care Payments. Defended a class action lawsuit brought by relative foster care providers against DHS and Hennepin County challenging foster care services and appeal rights. The majority of issues were settled, and the state prevailed on a remaining issue. Implementation of the settlement continues.
- Reimbursement. Recovered over one quarter of a million dollars for services to clients served by the regional treatment centers.
- Indian Law. Negotiated with Minnesota's Indian tribes concerning the provision of social services to tribal members, advised the agency and local units of government on many issues, including the Indian Child Welfare Act.
- Citizen Assistance. Division law clerks fielded hundreds of calls concerning human services and labor questions, including wage and hour questions.

PLANNED RESULTS:

The section plays a key role in helping state agencies effectively administer their programs. We measure the results of our efforts in the following ways:

- Meeting Increased Demand for Legal Services. Efforts are underway to meet the increased demand for legal services without increasing our staffing. There are three prongs to this:
 - Train agency staff to avoid legal problems and handle smaller matters with limited attorney involvement;
 - Eliminate unnecessary steps in agency processes or recommend statutory amendments which will eliminate those steps which add little value; and
 - Seek alternative methods of dispute resolution and, where possible, encourage pre-litigation settlement.

For example, the DNR and our staff have jointly undertaken a systematic review of each type of real estate transaction (e.g. purchase, sale, exchange, lease, easement) to reduce the number of steps. Through this effort, we hope to free enough time to absorb the real estate work generated by the community colleges which have joined the MnSCU system, without adding more staff. We are also working with the MPCA to examine the environmental review process. There are several steps and a number of avenues for challenging the process which have entangled the state in protracted litigation with no discernible benefit to the environment and great expense and delay for Minnesota businesses.

- Success of Agencies' Programs. Capable legal analysis is frequently essential to the development and implementation of state programs. Not only must we construe the state statutes, but we must do so in a manner consistent with federal law and courts' construction, analyzing the facts presented and the options available for implementation. Frequently this involves working with agencies to evaluate proposals made by regulated industries.
- Successful Litigation. One of the key responsibilities of the Attorney General is to represent state interests effectively in litigation. We place great emphasis on this role and have been consistently successful. We continue to assess methods of achieving our client's goals in the most efficient and effective manner. As part of this effort, we are working with our clients to identify opportunities for the use of alternative dispute resolution methods.
- Responsive and Effective Legislation. We are frequently called upon to help identify areas of needed change in the law at the state and federal level, and to assist in developing and drafting proposed initiatives or amendments, such as the recently enacted trespass legislation.
- Agency Satisfaction. We work closely with the state agencies to get regular feedback to improve our service. For example, we continually evaluate whether agency staff were satisfied with the quality of the written and oral advocacy. Were enforcement actions prioritized in a manner which clarified the agency's authority? Were such transactions as land acquisitions and contract negotiations managed so as to protect the state, anticipate potential disputes, and creatively resolve conflicts?
- Local Government Assistance. As local governments take on more responsibilities, especially in the environmental area, it has become more important for the state to provide some of the specialized technical resources (including legal resources) needed to support the work of local governments. The section is supporting this need in several areas including solid waste, Indian law and real estate.
- Timely Citizen Assistance. Each year we receive hundreds of calls and letters from individuals and businesses with questions about their rights or complaints about perceived infringement of those rights. Although we are careful to state that we cannot advise individuals about their legal rights, we are often able to direct them to provisions of the law, agency staff or community resources which may be helpful. Our goal is to provide accurate, professional, and prompt assistance to citizens.

Within these broad service areas, each division faces special challenges in F.Y. 1998-99. We will work to achieve our objectives within budgetary limitations.

■ Agriculture and Natural Resources:

- Treaty litigation. The anticipated federal appeals of the Mille Lacs and Fond du Lac treaty cases will take place in F.Y. 1998, as will phase II of the 1854 portion of the Fond du Lac case.
- Indian jurisdiction issues. With the increased assertion of Indian sovereignty we anticipate a significant rise in the issues related to tribal jurisdiction. We will advise state agencies on their authority, assist counties with the complex law related to the bands' authority, and inform the public about sovereignty issues so that a more knowledgeable discussion of them is possible. In addition, we will negotiate agreements with bands that allow cooperation with

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PROGRAM: Public and Human Resources
AGENCY: Attorney General, Office of (AGO)
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the state. Litigation of some jurisdictional issues may be needed to clarify the relationship.

- Transaction assistance. The division's real estate experts are increasingly called upon to help agencies other than DNR with both routine and complex real estate transactions. We anticipate that this trend will continue.
- Takings issues. Takings claims have become more common in light of an increased emphasis on property rights. We expect that this trend will continue, and require more staff time to negotiate or litigate takings challenges.
- Administrative enforcement. The new trespass law added administrative remedies to the current criminal trespass remedies. Appeals of civil trespass citations will be handled by the division. We anticipate that other DNR enforcement programs will move from misdemeanor criminal to administrative enforcement during F.Y. 1998-99. The result will be fewer minor criminal cases handled by city and county attorneys and the criminal court system, but increased work of the division to advise the DNR on administrative enforcement and in handling administrative appeals. Overall, we anticipate this change will be very cost-effective for the state, reserving criminal enforcement resources for more serious cases, and using a more streamlined civil enforcement process.

■ Environmental Protection:

- Federal Clean Air Act. Participate in innovative federal and state air rule reform efforts, and obtaining federal approvals of state programs.
- Air Emission Permits. Assist in the negotiation and issuance of permits implementing the new state air emission permit program, which will include major air permits for Minnesota's power plants, oil refineries, pulp and paper mills, taconite plants, and municipal waste combustors.
- Landfill Cleanup Act. Work with MPCA to insure that landfills are brought into compliance with the act and that the state will be able to take over future cleanup efforts and avert private cost recovery litigation.
- Recover Insurance Benefits. Gather and process information involving approximately 50,000 insurance policies, 7,000 policyholders with associated disposal information, and 100 insurance groups; and negotiate settlement agreements with insurance carriers so they bear a reasonable portion of the cleanup costs and damages at 106 landfills. Recoveries to the state are projected to exceed \$5 million by July, 1999.
- State Superfund. Work toward improving the effectiveness by assisting in the development and implementation of legislative and policy initiatives including authority for the state to pay an "orphan share" of cleanup costs, greater consideration of planned land use in cleanup decisions, and further streamlining of the Superfund investigation and remedy selection process.
- Voluntary Investigation and Cleanup (VIC). Continue to advise and work with the PCA to protect the public, and work with owners, developers, and lenders to redevelop environmentally contaminated property.
- Environmental Quality Board. Advise the Board regarding power plant siting, transmission line routing, and permitting of large wind to energy conversion systems, including Northern States Power's phase three wind project; and continuing to advise the EQB on major projects undergoing environmental review.

- Assist Local Government. Provide assistance with legal issues and options for solid waste management, including constitutional challenges to state waste management policy and authority.
- Annual Feedlots. Assist efforts that address and resolve air emissions and land use issues.
- Environmental Review. Promote and assist to improvement of the environmental review process.

■ Human Services:

- Welfare Reform. Assist with legislative proposals for implementing federal welfare reform and implementation of new state legislation. Defend the state in associated litigation.
- Health Care. Assist with development of managed health care and long term care reimbursement reform to assure quality service and a fair price.
- Child Support Enforcement. Continually assist DHS to improve child support enforcement.
- Sex Offenders. Counsel DHS on rapidly changing law and protect the balance of public safety and individual rights in litigation.
- Training. Increase training to staff of regional treatment centers to prevent tort, civil rights and employment litigation and to enhance the ability of staff to effectively represent the agency.

BUDGET AND REVENUE SUMMARY:

The mission of this section is to help protect our state's natural and human resources. As the demands on these resources increase, so too is the amount of legal services we provide. This is particularly true in the human services field where recent federal welfare reform legislation is placing greater demands on state agencies.

Another rapidly growing activity within this section is associated with state-tribal relations. Disputes tied to Indian treaty rights have generated substantial work for the section and will likely continue to do so.

Environmental protection also takes significant staff resources. Most of the laws governing these issues are not new, but legal activity tied to Superfund, landfill cleanups, and water and air quality will continue to demand section legal expertise.

Three of the agencies represented by the section are partner agencies. We look forward to the number of partners to grow in coming years, and that will increase our direct accountability to our clients.

1998-1999 B I E N N I A L B U D G E T
(DOLLARS IN THOUSANDS)

AGENCY: ATTORNEY GENERAL
PROGRAM: PUBLIC AND HUMAN RESOURCES
ACTIVITY: PUBLIC AND HUMAN RESOURCES

ACTIVITY SUMMARY	FY 1996	Est. FY 1997	FY 1998			FY 1999		
			Base Level	Agency Request	Governor Recomm.	Base Level	Agency Request	Governor Recomm.
=====	=====	=====	=====	=====	=====	=====	=====	=====
EXPENDITURES:								

DETAIL BY CATEGORY:								
STATE OPERATIONS:								
PERSONAL SERVICES	5,136	4,470	4,405	4,597	4,405	4,451	4,712	4,451
OPERATING EXPENSES	1,301	1,323	1,019	1,019	1,019	1,010	1,010	1,010
TRANSFERS			<2,711>	<2,711>	<2,711>	<2,711>	<2,711>	<2,711>
=====	=====	=====	=====	=====	=====	=====	=====	=====
SUBTOTAL STATE OPERATIONS	6,437	5,793	2,713	2,905	2,713	2,750	3,011	2,750
=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL EXPENDITURES	6,437	5,793	2,713	2,905	2,713	2,750	3,011	2,750
=====	=====	=====	=====	=====	=====	=====	=====	=====
AGENCY REQUEST ITEMS:		FUND						
-----		-----						
TECHNICAL REALLOCATIONS		GEN		15			15	
AGENCY FULL FUNDING PLAN		GEN		108			108	
COMPENSATION INCREASES UNDERFUNDING		GEN		69			138	
=====		=====		=====			=====	
TOTAL AGENCY REQUEST ITEMS				192			261	
=====								
EXPENDITURES BY FUND:								

DIRECT APPROPRIATIONS:								
GENERAL	6,135	5,091	2,249	2,441	2,249	2,300	2,561	2,300
SOLID WASTE CLEANUP	163	483	445	445	445	450	450	450
STATUTORY APPROPRIATIONS:								
SPECIAL REVENUE		1						
FEDERAL	50	128	19	19	19			
ENVIRONMENTAL	89	89						
AGENCY		1						
=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL EXPENDITURES	6,437	5,793	2,713	2,905	2,713	2,750	3,011	2,750
=====	=====	=====	=====	=====	=====	=====	=====	=====
REVENUE COLLECTED:								

DEDICATED:								
GENERAL	1	15	15	15	15	15	15	15

1998-1999 BIENNIAL BUDGET
(DOLLARS IN THOUSANDS)

AGENCY: ATTORNEY GENERAL
PROGRAM: PUBLIC AND HUMAN RESOURCES
ACTIVITY: PUBLIC AND HUMAN RESOURCES

ACTIVITY SUMMARY	FY 1996	Est. FY 1997	FY 1998			FY 1999		
			Base Level	Agency Request	Governor Recomm.	Base Level	Agency Request	Governor Recomm.
SPECIAL REVENUE		1						
FEDERAL	90	107						
ENVIRONMENTAL		89						
NONDEDICATED:								
GENERAL	13							
TOTAL REVENUES COLLECTED	104	212	15	15	15	15	15	15
FTE BY EMPLOYMENT TYPE:								
REGULAR	89.6	80.5	82.7	82.7	82.7	82.7	82.7	82.7
TEMP/SEAS/PART_TIME	.3	.3						
TOTAL FTE	89.9	80.8	82.7	82.7	82.7	82.7	82.7	82.7

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PROGRAM: Law Enforcement
AGENCY: Attorney General, Office of (AGO)

PROGRAM DESCRIPTION:

The Attorney General protects Minnesota's people, property, environment, and the integrity of the state's commerce through a multi-disciplinary, proactive Law Enforcement Section. The divisions in the Law Enforcement Program are: Criminal, Consumer Enforcement, including a Consumer Information Unit, Consumer Services, Medicaid Fraud, and Antitrust.

Minnesotans expect the Attorney General to play an important role in fighting crime. The Criminal Division fulfills that mission by supporting county attorneys in their efforts to prosecute some of the toughest crimes. The division's greatest efforts are in prosecuting violent crimes, especially those against children and vulnerable adults, drug crimes and white-collar crimes, particularly those which threaten the integrity of the gambling and health-care industries. The division also handles felony and gross misdemeanor appeals for 79 of the state's 87 counties.

Consumer confidence in the essential fairness and integrity of business practices in Minnesota is as critical to a healthy economy as effective prosecutions are to Minnesotans' peace of mind. These divisions work to assure that confidence by enforcing a variety of laws against unfair or dishonest business practices.

■ **Antitrust** - The Antitrust Division's mission is to provide vigorous enforcement of both state and federal antitrust laws within the State of Minnesota. Our antitrust laws help consumers and government enjoy the benefits of open competition by outlawing unreasonable restraints of trade - such as price fixing, bid rigging, and monopolization - and by prohibiting mergers and acquisitions that substantially lessen competition. The success of the American free enterprise system depends on healthy competition among businesses. It is that competition which ultimately provides Minnesota consumers with the highest quality of goods and services at the lowest possible prices. The division accomplishes its mission by:

- Holding antitrust law violators accountable through investigation and prosecution of illegal business restraints.
- Providing cost-effective enforcement through monetary penalties and damage actions against antitrust violators.
- Preventing antitrust violations before they occur through educating businesses and the public on the law's requirements.

■ **Consumer Enforcement** - The primary mission of this division is to prosecute consumer fraud and false advertising cases. Examples of cases in the past two years include:

- frauds aimed at senior citizens, recent immigrant groups and other vulnerable persons;
- scams and illegal businesses operating on the Internet, including an illegal Internet gambling operation;
- deceptive auto leasing and sales practices involving new and used cars;
- health frauds, such as bogus medical devices and quack treatments, as well as false advertising by national drug companies;
- telemarketing and direct mail scams that bilk Minnesota seniors and other citizens out of millions of dollars; and
- phony "invoice" scams that have defrauded thousands of Minnesota businesses.

In addition, the division handles frauds involving home repair, auto repair, living trusts, mortgages, health clubs, door-to-door sales, credit reporting, "get-rich-quick" seminars, going out of business sales, pyramid schemes, and numerous other frauds, scams, and false advertising.

The division also contains a Consumer Information Unit. It educates and informs Minnesota citizens about their rights and responsibilities in today's marketplace. Projects of note during F.Y. 1996 include:

- Distribution of more than 400,000 print pieces including "Landlords and Tenants: Rights and Responsibilities," "The Home Buyer's Handbook," "The Home Seller's Handbook," "Buying a New Car," "Minnesota's Lemon Law," "The Used Car Handbook," "Hassle-Free Home Building and Remodeling," "Seniors' Legal Rights," "Senior Guide to Consumer Fraud," "Hang Up on Fraud," "Recall Roundup," "Conciliation Court," "Fast Food Facts," "Pyramid Schemes," Spanish "Know Your Rights" columns, and "Using Credit Wisely" (which is published in English, Spanish, Hmong, Vietnamese, Laotian and Cambodian).
- Alerting the media to current consumer scams and providing useful, proactive information about good consumer habits and self-protection through weekly "Know Your Rights" newspaper columns, radio Public Service Announcements, and monthly "Conozca Sus Derechos" columns (Spanish "Know Your Rights" columns).
- Special emphasis on classroom consumer education, including introduction of the LifeSmarts consumer education program designed to teach students in grades 9-12 about consumer rights and responsibilities, personal finance, health, the environment, and technology; regular "Consumer Classroom" newsletters for educators; and, distribution of a new publication entitled "The Real Deal: Playing the Buying Game," a guide that teaches good consumerism to students in grades 3-8.

■ **Consumer Services** - This division is the largest public contact division in the Attorney General's Office. The division has two principal responsibilities: 1) to respond to citizens' telephoned questions and complaints regarding various areas of law; and 2) to assist citizens who have filed complaints regarding their individual experiences in the consumer marketplace.

■ **Criminal Division** - Through the work of this division, the Attorney General carries out the statutory duty to "appear in court in such criminal cases as the attorney general deems proper" upon the request of the local county attorney and his duty to "appear for the state in all causes in the supreme and federal courts wherein the state is directly interested."

The division prosecutes serious crimes in trial courts throughout Minnesota when requested by the county attorney and handles felony and gross misdemeanor appeals for 79 counties. Representative trial prosecutions during F.Y. 1996-97 have included:

- homicide and attempted homicide;
- sexual assault;
- serious drug trafficking offenses, including sales of narcotics and operating clandestine drug labs;
- complex white-collar crimes such as swindling money from the Petrofund;
- environmental crimes such as water pollution;
- gambling offenses including illegally providing slot machines and operating illegal lotteries;
- health care fraud such as providing and accepting illegal kickbacks;
- forfeiture; and
- firearms offenses.

The division had to deal with a 21% increase in appellate matters from F.Y. 1994 to F.Y. 1995. During F.Y. 1996 appellate activity again increased. F.Y. 1996 appellate matters included

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PROGRAM: Law Enforcement
AGENCY: Attorney General, Office of (AGO)
(Continuation)

147 briefs, 63 responses to petitions for review of appeals court decisions, 43 oral arguments, and 3 petitions for review of appeals court decisions. Thus, the number of appellate briefs increased by 29% from F.Y. 1994 to F.Y. 1996 and by more than 8% from F.Y. 1995 to F.Y. 1996. Based on statistics of appellate filings and demographics, a similar increase in filings is expected for F.Y. 1997 as well.

The division also investigates certain types of suspected criminal activity not generally within the expertise of the local law enforcement agencies, and trains law enforcement officers and prosecutors throughout the state. Investigations of a variety of cases during F.Y. 1996-97 include:

- health care fraud;
- environmental crimes;
- complex thefts by swindle, including those from state agencies;
- tax fraud;
- insurance fraud; and
- allegations of wrongdoing by public employees.

Division personnel have trained law enforcement professionals on many topics, including:

- sex offender sentencing;
- stalking and harassment laws;
- arson;
- firearms laws;
- narcotics investigations;
- search and seizure;
- suspect interrogation;
- evidence;
- double jeopardy;
- wiretaps and electronic surveillance;
- health care and insurance fraud; and
- forfeiture.

- **Medicaid Fraud** - This division is one of 47 federally certified Medicaid Fraud Control Units in the country. The division's primary mission is to prosecute health care providers who fraudulently over bill the state's Medical Assistance program. The deterrent value of the prosecutions, and the division's aggressive recoupment of stolen money, are critical components of the state's overall efforts to contain health care costs. Its mission has three components:

- Investigate and prosecute health care providers who commit fraud in the Medical Assistance program;
- Investigate and prosecute long term care providers who commit cost report fraud; and
- Review reports of abuse and neglect in Medicaid funded facilities and prosecute or refer for prosecution at the local level.

PROGRAM STATUS:

- **Antitrust** - During F.Y. 1996 the division worked on 50 antitrust investigations and enforcement actions. These included a broad range of civil and criminal cases in numerous industries, from infant formula companies and airlines to athletic shoes, high school class rings, and municipal playground equipment. It includes work on the antitrust aspects of the Attorney General's ground breaking lawsuit against the tobacco companies. The division also conducts a significant Antitrust Education and Outreach Program through brochures and public speaking engagements aimed at educating business and government on antitrust requirements to prevent violations before they occur.

The Antitrust Division's law enforcement mission is highly cost effective. It traditionally obtains far more money for Minnesota's consumers and state and local governments than it costs to maintain its current small complement of 3 attorneys, 2 investigators, and 2 legal secretaries. During F.Y. 1996 the division obtained judgments awarding a total of \$5,918,878 in civil penalties, damages, and costs. It also obtained 800 hours in community service work sentences against antitrust criminal defendants.

Among the division's more significant successes was \$4,700,000 in damages won for Minnesota mothers and the state Women Infants and Children (WIC) program from the nation's largest infant formula manufacturer, Abbott Laboratories, in a case alleging its price fixing of infant formula. Another success was the \$1,058,877 in discounted air fares won for Minnesota state and local governments from eight major airlines in a lawsuit alleging that they had conspired to fix prices at an artificially high level through their joint computerized reservation systems.

- **Consumer Enforcement** - From July 1, 1995 through June 30, 1996, this division litigated or settled 29 law enforcement actions, obtaining judgments for the state of \$803,000 in civil penalties and \$99,916 in costs and attorney fees, as well as \$601,100 in restitution and \$17,500 for consumer education. In addition, the division obtained numerous injunctions that stopped or reformed illegal business practices, thereby preventing greater injury to Minnesota consumers. The attorneys and investigators in the division also worked closely with the Consumer Services Division to assist individual citizens with consumer problems and with the Consumer Information Unit in developing consumer education materials and in speaking to and educating seniors and other groups of consumers.

Public demand for enforcement actions by the division continues to grow, while division resources were reduced in F.Y. 1996 with the loss of two investigator positions for salary savings purposes. Therefore, the division must manage its limited resources and choose its enforcement actions in a manner that has the greatest overall impact on the public's well-being.

During F.Y. 1996 the Consumer Information Unit distributed more than 400,000 print pieces to educate Minnesota consumers. To date, more than 600 educators have received training from the Attorney General's Office to help them implement useful consumer information in their classrooms. To date, 500 crime prevention officers and other police officers have received training from the Attorney General's Office to help them recognize and stop consumer fraud within their senior communities.

- **Consumer Services** - The growth in consumer calls to the AGO has been phenomenal. In the past five years, consumer calls have doubled and currently average 500 calls per day.

In F.Y. 1996, the division received approximately 11,000 written consumer complaint mediations per year. To maintain some control over this workload, the division urges callers to take "self-help" steps in resolving their consumer disputes. Additionally, complaints under \$50 are

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PROGRAM: Law Enforcement
AGENCY: Attorney General, Office of (AGO)
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discouraged. Even with these controls in place, the average mediator has nearly 600 open and active files.

This division recovered over \$2 million for consumers in F.Y. 1996. Moreover, an incalculable amount of economic loss is also prevented by the advice given to citizens who make telephone inquiries.

- **Criminal Division - Significant accomplishments of the division's legal and investigative staff in F.Y. 1996 were:**
 - obtaining guilty verdicts in a triple first-degree murder which was drug related;
 - successfully prosecuting with the U.S. Attorney's office a drug company for paying kickbacks to a local doctor where the company paid over \$160 million in criminal and civil fines and penalties;
 - successfully investigating and prosecuting two class A municipal wastewater treatment operators for water pollution; and
 - successfully prosecuting a major drug trafficker found in possession of 1 kilo of cocaine and over one-half pound of methamphetamine at the airport worth over \$250,000.

Division lawyers combated crime on many different fronts. The memorandum of understanding on the investigation and prosecution of environmental crimes resulted in a number of successful prosecutions, including a case where an Iowan was found guilty of illegally disposing of thousands of old tires and forging documents filed with the Pollution Control Agency. The health care fraud initiative expanded with the addition of two investigators and a legal secretary funded by a federal grant as part of a pilot program. A recent investigation resulted in the conviction of a policyholder who defrauded the health care insurance company out of \$27,000 using fabricated medical bills allegedly necessitated by an auto accident and forged physician's orders continuing her disability status. The federally funded narcotics prosecutors obtained guilty verdicts and guilty pleas in cases arising from the operation of a clandestine methamphetamine laboratory, and plan to continue efforts to stem the rise in such drug labs. Domestic violence prosecutions resulted in one man being convicted of first-degree murder, first-degree assault, and second-degree assault for shootings arising out of a domestic dispute, and another man being found guilty of attempted murder in the first degree involving a past pattern of domestic abuse where his victim was left in a vegetative state. That case is presently on appeal. Gambling prosecution efforts brought about guilty verdicts against an out-of-state distributor for illegally placing and profiting from slot machines in a bar as well as a firearm violation. Three cases are pending against a family for running an illegal Thai lottery, the first such prosecutions in the state. As part of the division's efforts to assist crime victims, the victim/witness assistance coordinator served as president of the General Crime Victims Coalition as well as working with the victims of crimes investigated and prosecuted by the division.

- **Medicaid Fraud - In F.Y. 1996 investigations by this ten person division resulted in recovery of over \$4 million (\$4,114,979.71), which consisted of the following:**
 - \$3,489,277 in restitution of Medicaid program funds,
 - \$51,096 in restitution for consumers or insurers,

- \$2,000 in costs of prosecution, and
- \$572,607 in fines, penalties, and surcharges.

The unit has participated in several cases involving national or multi-state cases of fraud, including National Health Labs (NHL), National Medical Enterprises (NME), and Caremark Inc. ("Caremark"). It played a major role in the fraud and kickback investigation and settlement involving Caremark, an Illinois-based health care corporation. The Minnesota unit actively participated in the national Medicaid Fraud Control Units' settlement team working with other team leaders from Washington, Ohio, and New York to negotiate this landmark settlement on behalf of all 50 states and the District of Columbia. This coordinated state effort made it possible for all state Medicaid programs to recover payment for Caremark's fraud.

The proceeds of this key settlement were distributed as follows. Minnesota's share of the total \$161 million state and federal settlement amounted to \$2,087,999. The indirect benefit to the Medicaid program in Minnesota was \$3,228,494 (this sum is the amount credited by the federal government directly from the recovery for their share of Medicaid payments). Minnesota returned \$1,517,392 to the Department of Human Services as restitution of the state share of Medicaid funds wrongfully paid to Caremark. The state General Fund received \$568,607 in penalties. Restitution of the state share (approximately 47% of the total) of Medicaid funds for kickbacks amounted to \$304,372. Further restitution to the state for inflated acquisition costs (again 47% of actual funds paid) amounted to \$1,213,020. Penalties for engaging in kickbacks amounted to \$496,607. A separate claim unique to Minnesota involving the failure to license their businesses as Minnesota Home Health agencies resulted in payment of an additional penalty of \$72,000. The state also collected \$2,000 for reimbursement of investigative costs. Finally, Caremark agreed to reimburse the costs of the negotiating committee so the state was not financially penalized for volunteering a staff member to participate in the negotiations.

PLANNED RESULTS:

- **Antitrust - The results of the Antitrust Division's work are seen everyday in a healthy, competitive, Minnesota economy that provides good jobs and quality products at fair prices. Minnesota's ability to compete on a worldwide basis is renowned because we have maintained a free and open marketplace here at home.**

Vigorous antitrust law enforcement helps keep the marketplace open by holding businesses accountable when they do engage in illegal restraints of trade. We plan to continue these prosecution efforts fully in the next biennium.

- **Consumer Enforcement - Each year, there are far more instances of fraud reported to the division than can be investigated and prosecuted with our current resources. The division considers a number of factors in deciding which cases to pursue, including the nature of the potential defendant; the nature of the conduct; the vulnerability of the victims; the amount of money involved; the number of persons affected; the nature of the harm; the likelihood of obtaining meaningful relief; the deterrent effect; the likely educational effect; and the availability of private remedies. We will focus our efforts on those activities with the greatest positive impact for Minnesota consumers. In the next two years, the division will continue to:**

- protect vulnerable citizens, such as seniors, low-income persons, and people of color;
- uncover and prevent frauds that add to increased health-care costs, including health fraud scams and cases involving unlawful advertising and marketing practices;
- stop telemarketing and direct mail scams, illegal mortgages practices, deceptive auto sales and leasing practices, credit scams, and other frauds and scams that cost Minnesota consumers millions of dollars per year;

1998-99 Biennial Budget

PROGRAM: Law Enforcement

AGENCY: Attorney General, Office of (AGO)
(Continuation)

- recover civil penalties for the state and restitution for victims of consumer frauds;
- save money for Minnesota consumers by stopping illegal practices, deterring unlawful business practices through aggressive law enforcement, and educating consumers on how to protect themselves in the marketplace and how to spend their dollars wisely.

Additionally, the Consumer Information Unit will continue to strive for excellence in F.Y. 1998-99. Specific plans include:

- Further dissemination of the Home Series, including, "The Home Buyer's Handbook," "The Home Seller's Handbook," "Landlords and Tenants: Rights and Responsibilities," and "The Manufactured Home Park Handbook."
 - Introduction of a comprehensive handbook on automobiles, and a publication to alert small businesses and non-profit organizations about frauds directed at them.
 - Continued emphasis on vulnerable groups such as older consumers and recent immigrant groups.
 - Continued expansion of our Consumer Connection World Wide Web site.
- **Consumer Services** - Each year, the division determines how best to attain its objectives within its budgetary constraints. Protecting and advising citizens in the purchase of large-ticket items and educating consumers about telemarketing scams will continue to be the mainstay of the division's activity. In F.Y. 1998-99, the division will:
- continue to help consumers with their individual difficulties in the marketplace;
 - place more emphasis on helping citizens help themselves, in order to control the number of written consumer complaints;
 - coordinate activities with the Consumer Enforcement Division so as to mediate complaints related to health care involving hospitals, direct patient providers, and pharmaceutical companies;
 - focus on assisting with larger consumer purchases such as cars and homes;
 - expand our consumer outreach in the areas of landlord and tenant rights and responsibilities; and
 - fully develop the ability to receive and to process consumer complaints through a World Wide Web site.
- **Criminal** - For F.Y. 1998-99, the division plans to continue to emphasize the prosecution of serious crimes against persons (homicide and sex crimes), serious drug offenses, complex white-collar crimes, gambling-related offenses, environmental crimes, and health-care and insurance fraud. Division lawyers will continue to appear in the appellate courts when those convicted of serious crimes appeal their convictions. Lastly, the division must continue to provide high-quality training to peace officers and prosecutors.
- **Medicaid Fraud** - The division will continue to work closely with the Surveillance and Integrity Review Section (SIRS) of the Minnesota Department of Human Services, which oversees administrative recoupment of overpayments by the Medical Assistance program. The division will continue to criminally investigate referrals from SIRS concerning potentially fraudulent overpayments. Additionally, the division will continue to work closely with the Office of

Inspector General-Health and Human Services, which has primary authority to investigate fraud in the Medicare program. The unit also plans to work with other Medicaid Fraud Control Units (MFCU) across the country in global settlement cases involving national and international health care providers.

BUDGET AND REVENUE SUMMARY:

Growth in legal work has been rapid for this section. Rising rates of violent crime and longer sentences has meant more activity for the Criminal Division. More criminal convictions has also meant more appeals for AGO to handle from our non-metro counties.

Growth has also occurred in our consumer protection activities. Reasons for the growth include a recent spurt in the number of corporate mergers and acquisitions prompting antitrust concerns. Also growing are consumer complaints driven by unscrupulous businesses preying on Minnesota healthcare consumers, home and auto buyers, and the elderly.

To deal with this growth, AGO is requesting 3 new staff persons: an attorney for the antitrust division, an enforcement investigator, and a consumer mediator. These individuals can be expected to generate for the state and individual consumers substantially more revenues than their cost.

1998-1999 B I E N N I A L B U D G E T
(DOLLARS IN THOUSANDS)

AGENCY: ATTORNEY GENERAL
PROGRAM: LAW ENFORCEMENT
ACTIVITY: LAW ENFORCEMENT

ACTIVITY SUMMARY	FY 1996	Est. FY 1997	FY 1998			FY 1999		
			Base Level	Agency Request	Governor Recomm.	Base Level	Agency Request	Governor Recomm.
=====	=====	=====	=====	=====	=====	=====	=====	=====
EXPENDITURES:								

DETAIL BY CATEGORY:								
STATE OPERATIONS:								
PERSONAL SERVICES	3,939	4,828	4,603	5,138	4,603	4,701	5,241	4,701
OPERATING EXPENSES	981	1,436	1,316	1,316	1,316	1,324	1,324	1,324
=====	=====	=====	=====	=====	=====	=====	=====	=====
SUBTOTAL STATE OPERATIONS	4,920	6,264	5,919	6,454	5,919	6,025	6,565	6,025
=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL EXPENDITURES	4,920	6,264	5,919	6,454	5,919	6,025	6,565	6,025
=====	=====	=====	=====	=====	=====	=====	=====	=====
AGENCY REQUEST ITEMS:		FUND						
-----		-----						
TECHNICAL REALLOCATIONS		GEN		49			49	
AGENCY FULL FUNDING PLAN		GEN		201			201	
COMPENSATION INCREASES UNDERFUNDING		GEN		5			10	
PROTECTION OF CITIZENS AND BUSINESSES		GEN		280			280	
=====		=====		=====			=====	
TOTAL AGENCY REQUEST ITEMS				535			540	
=====								
EXPENDITURES BY FUND:								

DIRECT APPROPRIATIONS:								
GENERAL	4,070	4,882	4,707	5,242	4,707	4,810	5,350	4,810
STATE GOVERNMENT SPECIAL REVENUE	20	20	21	21	21	21	21	21
ENVIRONMENTAL	118	127	128	128	128	131	131	131
STATUTORY APPROPRIATIONS:								
GENERAL		10						
SPECIAL REVENUE	5	21	6	6	6	6	6	6
FEDERAL	658	1,200	1,057	1,057	1,057	1,057	1,057	1,057
AGENCY	49	4						
=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL EXPENDITURES	4,920	6,264	5,919	6,454	5,919	6,025	6,565	6,025
=====	=====	=====	=====	=====	=====	=====	=====	=====
REVENUE COLLECTED:								

DEDICATED:								

1998-1999 BIENNIAL BUDGET
(DOLLARS IN THOUSANDS)

AGENCY: ATTORNEY GENERAL
PROGRAM: LAW ENFORCEMENT
ACTIVITY: LAW ENFORCEMENT

ACTIVITY SUMMARY	FY 1996	Est. FY 1997	FY 1998			FY 1999		
			Base Level	Agency Request	Governor Recomm.	Base Level	Agency Request	Governor Recomm.
GENERAL	10							
SPECIAL REVENUE	4	7	3	3	3	3	3	3
FEDERAL	719	1,050	1,057	1,057	1,057	1,057	1,057	1,057
AGENCY	92	549	46	46	46	47	47	47
NONDEDICATED:								
GENERAL	320	317	317	317	317	317	317	317
CAMBRIDGE DEPOSIT FUND	15	15	15	15	15	15	15	15
FEDERAL	569							
TOTAL REVENUES COLLECTED	1,729	1,938	1,438	1,438	1,438	1,439	1,439	1,439
FTE BY EMPLOYMENT TYPE:								
REGULAR	80.5	84.8	93.9	96.9	93.9	93.9	96.9	93.9
TEMP/SEAS/PART_TIME	.3	.3						
OVERTIME	.1	.1	.1	.1	.1	.1	.1	.1
TOTAL FTE	80.9	85.2	94.0	97.0	94.0	94.0	97.0	94.0

F.Y. 1998-99 BUDGET INITIATIVE

AGENCY: Attorney General, Office of (AGO)
PROGRAM: Law Enforcement
ACTIVITY: Law Enforcement

ITEM TITLE: Protection of Citizens and Businesses

	<u>1998-99 Biennium</u>		<u>2000-01 Biennium</u>	
	<u>F.Y. 1998</u>	<u>F.Y. 1999</u>	<u>F.Y. 2000</u>	<u>F.Y. 2001</u>
AGENCY REQUEST*				
Expenditures: (\$000s)				
General Fund	\$280	\$280	\$310	\$310

Statutory Change? Yes _____ No X

If yes, statutes(s) affected:

*Non-Executive Branches of Government

RATIONALE:

AGO requests \$560,000 for the biennium for additional support for the protection of Minnesota citizens and businesses. Revenue to support this increase in funding will be earned for the state and its taxpayers in settlements and judgments.

The need for additional consumer protection is reflected in the growing volume of calls AGO's consumer services division must field. In the past five years, consumer calls have doubled. Today they number about 500 per day. 11,000 written consumer complaints were received by AGO in F.Y. 1996.

Minnesota consumers also need increased protection from the uncompetitive impacts of industry restructuring in the state. More and more of our larger industry sectors include fewer and fewer companies. Mergers and acquisitions are especially notable in sectors such as health care, banking, and public utilities. Without a strong antitrust and consumer services activity at AGO, our citizens will be paying more for services which lack competition.

AGO has a history of success in these consumer areas. For example, the antitrust section has earned for the state and its taxpayers more than \$11.2 million in total settlements and judgments in the last five years. Of this amount, about \$4.1 million, or \$833,000 per year, has been recovered for the General Fund. Each of the 4 attorneys in the division has averaged \$208,000 in General Fund recoveries per year.

The AGO consumer enforcement division has obtained over \$10.2 million in civil penalties, attorneys' fees and costs, consumer education, and restitution during the same period. Over the past 5 years, each AGO consumer enforcement investigator has averaged about \$70,000 in collections for the General Fund per year.

Finally, our consumer dispute mediation functions net Minnesota consumers approximately \$2 mil-

lion per year in voluntary complaint settlements. We expect the mediator to generate about \$400,000 in consumer settlements per year, all of which will be returned to consumers.

We are comfortable in providing the preceding estimations of financial recoveries for the general fund. On the other hand, it is impossible to guarantee such recoveries in any particular year. Our principal rationale for making these budgetary requests is our firm belief in the value of this initiative to Minnesota consumers.

PROGRAM DESCRIPTION:

To combat the problems identified above and to give greater assistance to Minnesota consumers, AGO proposes to increase staff assigned to the antitrust and the consumer services and enforcement programs. Specifically, we recommend an additional attorney for antitrust, a consumer enforcement investigator, and a consumer services mediator.

PROGRAM OUTCOMES:

Based on the prior returns from our enforcement activities, it is reasonable to assume a significant financial return greatly exceeding the cost of the additional attorney position in antitrust. The average number of cases worked on per antitrust attorney is 13 per year. We can reasonably expect a new attorney to equal that number.

Each consumer enforcement investigator deals with 10-15 complex cases per year, and we expect similar results and financial returns from the new investigator.

Our consumer services mediators are deluged with cases. Currently each mediator has about 600 open files to work on. This number far exceeds recommended national standards of 180 open files per mediator. By adding one more consumer services mediator, we will be able to reduce the number of open files per mediator from 600 to about 500, which is still far higher than we would like.

LONG-TERM IMPACT:

Long term, our goal is to create an environment where many anticompetitive or unscrupulous businesses choose not to attempt to operate in Minnesota because of the extensive enforcement programs of the state.

1998-99 Biennial Budget

PROGRAM: Legal Policy and Administration
AGENCY: Attorney General, Office of (AGO)

PROGRAM DESCRIPTION:

The **Legal Policy and Administration Program** provides the Attorney General's Office with legal and policy leadership and administrative services.

- **Administrative Services** - Administrative Services staff provide operations support to the Attorney General's Office. They direct the personnel, financial, information systems, library services, docketing systems, records maintenance, and facility management activities for the 32 divisions of the office. The goal of this group is to facilitate the smooth operation of a large and multifaceted public law office.
- **Policy and Communications** - This division develops and coordinates the legal and public policy positions of the Attorney General, directs and coordinates communications for the office, and implements special programs and initiatives to reach policy objectives. Policy directors in the areas of environmental protection, consumer protection, children's advocacy, and criminal justice and civil rights develop policy initiatives and legislation, work with task forces and commissions on these initiatives, and develop legal proposals and litigation to advance public policy objectives.
- **Special Projects** - The Special Projects Director coordinates and implements the office's policy-related programs, including the Safe Schools Survey, the Youth Summit, the Partnership for a Drug-Free Minnesota, and the MN Media Violence Campaign, as well as initiatives in environmental education, teen pregnancy prevention, child support education, and other areas. Through a contact with the Department of Human Services we provide child support enforcement information. We employ federal, state, local, and private funding and personnel to carry out these activities. The director reports to the executive assistant.

PROGRAM STATUS:

- **Administrative Services** - The division provides administrative support to the rest of AGO staff. Accounting staff members pay over 700 bills each month and process an additional 125 expense reports. Other staff provide direction regarding lease renewal and enforcement, union contract administration, enforcement of safety measures, compliance with the Americans With Disabilities Act (ADA), affirmative action efforts, and office wide training in areas such as sexual harassment awareness.

The systems staff is responsible for converting AGO to our PC network and maintaining all current operating systems. In addition, staff are periodically requested to develop new databases for complex litigation or projects.

Library staff offer reference and research support, conduct searches of legal and non-legal computerized information sources, and oversee the selection, purchase and cataloging of all books, serials, journals, magazines, newspapers, and other materials. AGO library staff have been very involved in the movement to on-line research activities.

The docketing unit maintains the office's docket of 50,000 cases and inputs over 11,000 time report entries every 2 weeks. The personnel staff process payroll, provide information and assistance on all health insurance matters, and direct all areas of hiring and separation.

- **Policy and Communications** - Significant accomplishments in each major policy area are described below.

Environmental Protection Policy - Over the past eight years the office has assumed an increasingly proactive role in developing environmental policy initiatives. Among the key initiatives are:

- legislative proposals including the 1991 Environmental Enforcement Act, the 1993 Health Enforcement Consolidation Act, and the national award-winning Land Recycling Act;
- efforts to prevent environmental problems which have received national recognition, including development of *Eco-Sense*, an environmental curriculum for grades 7-12 and *Eco-Sense - It's Elementary* for the elementary grades; and
- the development of a senior high curriculum on sustainable development and conducting teacher training workshops.

Criminal Justice Policy - Since taking office in 1983, the Attorney General has developed a series of proposals to reform the criminal justice system. These proposals often originate from commissions and task forces in which the Attorney General has played a lead role. For example, the Attorney General's Task Force on Sexual Violence Against Women developed major reform of Minnesota's laws on rape and sexual assault and a series of proposals for education on sexual violence and harassment prevention. Since the 1990 legislative session, the vast majority of these reform recommendations have been enacted, making Minnesota a national leader in sexual violence prevention.

Since 1993, the Attorney General helped initiate and develop extensive reforms of Minnesota's juvenile justice system, including:

- treating violent juveniles as serious offenders;
- reforming privacy laws to allow school officials to know about the criminal history of students;
- expanding sentence-to-work programs; and
- forcing parents to appear with juveniles in court and mandating parental participation in court-ordered treatment and restitution.

Consumer Protection Policy - As the state's chief enforcer of consumer protection laws, the Attorney General regularly develops policy initiatives to address consumer problems and issues. Recent initiatives include legislative proposals to contain consumer health-care costs, regulate the sale of rebuilt autos, and create restrictions on sweepstakes mailings and fraudulent telemarketing.

The Attorney General also plays a major role in influencing national consumer protection policies. Examples include the leadership of the national task force that established federal standards for environmental marketing claims and providing key congressional testimony and comments on the Federal Credit Reporting Act.

Since 1990, the AGO's consumer information initiatives have won 5 national awards for quality and innovation, while distributing over one million publications on topics from auto repair and tenants' rights to nutrition and senior citizen protection. These efforts include:

1998-99 Biennial Budget

PROGRAM: Legal Policy and Administration
AGENCY: Attorney General, Office of (AGO)
(Continuation)

- the nation's most comprehensive free guides to home buying and refinancing;
- the first national summit conference on consumer education;
- nationally distributed television spots to fight fraud and scams against seniors;
- popular curriculum materials for Minnesota's teachers; and
- Minnesota's first consumer education materials in Spanish, Hmong, Vietnamese, Lao and Cambodian.

Civil Rights - The Attorney General has worked to prevent hate crimes, to punish violators of those laws, and to promote equal opportunity and equal justice in Minnesota. The Attorney General is involved in civil rights enforcement through a variety of joint initiatives with the federal government pursuant to an agreement between the National Association of Attorneys General and the Civil Rights Division of the United States Department of Justice.

In F.Y. 1996-97, the Attorney General was instrumental in developing and securing passage of the following legislative initiatives: creating a civil cause of action for individuals victimized by hate crimes, revising and tightening minimum wage enforcement laws, and by creating a cause of action for individual victims of fraudulent immigration services.

Drug and Alcohol Abuse Prevention - Created in 1987, the Partnership For A Drug-Free Minnesota encourages Minnesota communities, law enforcement and schools to participate in drug and alcohol abuse prevention. Recent and ongoing activities of the partnership include:

- sponsoring an annual youth leadership conference on drug- and alcohol-related issues for senior high school students. In 1996, 450 students and educators attended;
- co-sponsoring, with the Minnesota Twins, a junior high school drug prevention contest to encourage students to initiate and participate in anti-drug activities. During the 1995-96 school year, over 2,500 students participated;
- sponsoring a youth leadership conference for junior high students. In 1996, 200 students and educators gathered to discuss drug- and alcohol-related issues; and
- conduct media campaigns, distribute PSA's to TV, radio, and print throughout Minnesota.

The Attorney General has played a prominent role in establishing and promoting the Minnesota D.A.R.E. program. The Attorney General chairs and staffs the D.A.R.E. Advisory Council, which has successfully supported and expanded the program in communities and schools throughout the state. The Advisory Council and Minnesota D.A.R.E., Inc. have had a tremendous impact on the growth of the program across the state. The Minnesota D.A.R.E. program is now regarded as a national model. Some statistics include:

- The number of certified D.A.R.E. officers increased from just one in 1987 to 514 in 1996.

- 314,000 Minnesota 5th and 6th graders have graduated from the D.A.R.E. program.
- The D.A.R.E. curriculum is now being taught in 635 schools, in 210 of the 408 school districts in the state, and has been implemented in every elementary school in Minneapolis and St. Paul.
- 120 officers are trained to deliver the junior high curriculum; four are trained to deliver the senior high program; and 46 officers are trained to teach the parent component in Minnesota.

Sexual Violence and Harassment Prevention - To attack the roots of the problem of sexual violence, the Attorney General developed and implemented a public education effort aimed at preventing rape and sexual harassment. The initiative began in 1989 with passage of the Attorney General's proposal to require schools to develop clear policies on sexual harassment. Accomplishments in 1991-96 include:

- presentations at nearly 100 college and university campuses across the state aimed at preventing sexual harassment, date rape, and campus violence;
- distribution of 175 copies of the video "Campus Rape" and 175 sets of rape awareness advertisements to colleges across the state;
- development of legislation requiring all Minnesota higher education institutions to implement "campus security plans" to avoid problems of violence and sexual harassment on campus;
- development of an information packet on sexual harassment and date rape sent to all institutions of higher education and public senior and junior high schools; and
- distribution and compilation of several surveys of educational institutions' policies and procedures concerning sexual harassment, assault, and violence. The surveys reached elementary and middle schools, junior high and high schools, and post-secondary institutions.

PLANNED RESULTS:

- **Administrative Services** - The members of this division will continue to devote their efforts to providing timely and professional assistance to the 500 people we serve. The resource constraints facing the office also challenge the administrative staff, however. We must work continually to redesign and improve our procedures, with the help of information technology, to meet our objectives.
- **Policy and Communications** - This division will continue to use the resources and authority of the Attorney General's Office to develop and advance policies to address critical public issues and concerns. The growing problems of violence, racism, sexual harassment and violence against women, drug and alcohol abuse, environmental degradation and pollution, and health care fraud present ongoing challenges for us. The needs to reform key elements of our economic and social infrastructure also demand our efforts.

BUDGET AND REVENUE SUMMARY:

This program provides all support services for the sections. The growth in legal activity in AGO generally has prompted increased demands on this program, particularly in administrative services. Program staff are working hard to help improve the cost-effectiveness of AGO operations and to effectively manage the growing number of outreach activities.

1998-99 Biennial Budget

PROGRAM: Legal Policy and Administration
AGENCY: Attorney General, Office of (AGO)
(Continuation)

In addition to the base budget request, the attorney general has developed and submitted to the state's Information Policy Office an information resource proposal that is more fully described below. The single most important factor in improving cost-effectiveness for AGO is technology. We are in the midst of an ambitious program to update everything from desktop word processing to computerized research to document imaging. One of the AGO budget initiatives, prepared as part of the Information Policy Office process, will complete our PC network, will replace our unsatisfactory case management system, and will facilitate inexpensive computer-based research.

1998-1999 B I E N N I A L B U D G E T
(DOLLARS IN THOUSANDS)

AGENCY: ATTORNEY GENERAL
PROGRAM: LEGAL POLICY & ADMINISTRATION
ACTIVITY: LEGAL POLICY & ADMINISTRATION

ACTIVITY SUMMARY	FY 1996	Est. FY 1997	FY 1998			FY 1999		
			Base Level	Agency Request	Governor Recomm.	Base Level	Agency Request	Governor Recomm.
=====	=====	=====	=====	=====	=====	=====	=====	=====
EXPENDITURES:								

DETAIL BY CATEGORY:								
STATE OPERATIONS:								
PERSONAL SERVICES	2,538	2,698	2,327	2,814	2,327	2,382	2,947	2,382
OPERATING EXPENSES	1,860	2,438	1,903	2,582	1,903	1,908	2,518	1,908
=====	=====	=====	=====	=====	=====	=====	=====	=====
SUBTOTAL STATE OPERATIONS	4,398	5,136	4,230	5,396	4,230	4,290	5,465	4,290
=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL EXPENDITURES	4,398	5,136	4,230	5,396	4,230	4,290	5,465	4,290
=====								
AGENCY REQUEST ITEMS:		FUND						
-----		-----						
TECHNICAL REALLOCATIONS		GEN		103			103	
AGENCY FULL FUNDING PLAN		GEN		354			354	
COMPENSATION INCREASES UNDERFUNDING		GEN		9			18	
INFORMATION RESEARCH BUDGET REQUEST		GEN		700			700	
=====		=====		=====			=====	
TOTAL AGENCY REQUEST ITEMS				1,166			1,175	
=====								
EXPENDITURES BY FUND:								

DIRECT APPROPRIATIONS:								
GENERAL	4,331	4,787	4,071	5,237	4,071	4,131	5,306	4,131
STATUTORY APPROPRIATIONS:								
GENERAL	46	105						
SPECIAL REVENUE	14	184	159	159	159	159	159	159
FEDERAL		15						
GIFT	7	45						
=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL EXPENDITURES	4,398	5,136	4,230	5,396	4,230	4,290	5,465	4,290
=====								
REVENUE COLLECTED:								

DEDICATED:								
GENERAL	75	76						
SPECIAL REVENUE	29	158	159	159	159	159	159	159

1998-1999 B I E N N I A L B U D G E T
(DOLLARS IN THOUSANDS)

AGENCY: ATTORNEY GENERAL
PROGRAM: LEGAL POLICY & ADMINISTRATION
ACTIVITY: LEGAL POLICY & ADMINISTRATION

ACTIVITY SUMMARY	FY 1996	Est. FY 1997	FY 1998			FY 1999		
			Base Level	Agency Request	Governor Recomm.	Base Level	Agency Request	Governor Recomm.
FEDERAL		15						
GIFT	14	17						
NONDEDICATED:								
GENERAL	21	6,076	6,076	6,076	6,076	6,076	6,076	6,076
TOTAL REVENUES COLLECTED	139	6,342	6,235	6,235	6,235	6,235	6,235	6,235
FTE BY EMPLOYMENT TYPE:								
REGULAR	47.2	46.4	47.4	47.4	47.4	47.4	49.4	47.4
TEMP/SEAS/PART_TIME	.1	.1	1.8	2.8	1.8	1.8	1.8	1.8
OVERTIME	.6	.6	.6	.6	.6	.6	.6	.6
TOTAL FTE	47.9	47.1	49.8	50.8	49.8	49.8	51.8	49.8

F.Y. 1998-99 BUDGET INITIATIVE

AGENCY: Attorney General, Office of (AGO)
PROGRAM: Legal Policy and Administration
ACTIVITY: Legal Policy and Administration

ITEM TITLE: Information Resource Budget Request

	<u>1998-99 Biennium</u>		<u>2000-01 Biennium</u>	
	<u>F.Y. 1998</u>	<u>F.Y. 1999</u>	<u>F.Y. 2000</u>	<u>F.Y. 2001</u>
AGENCY REQUEST*				
Expenditures: (\$000s)				
General Fund	\$700	\$700	\$930	\$930

Statutory Change? Yes ____ No X

If yes, statutes(s) affected:

* Non-Executive Branches of Government

RATIONALE:

AGO, like all legal services providers, is a very labor-intensive office. We have initiated a number of cost-reduction activities such as transforming, wherever possible and appropriate, higher cost lawyer positions into lower cost legal assistant positions. Technology is an area which also offers great potential for cost reduction.

Law practice has become increasingly reliant on automated information systems for such activities as legal research and client billing. For us to keep up with industry trends, and to better track the delivery of our services, we need to improve our information systems.

For far too long, government service has not been concerned about such private sector staples as accountability and customer satisfaction. As Minnesota state agencies become reengineered and more citizen-oriented, they are developing similar expectations for their vendors -- of which AGO is one. Therefore, our interest in technology improvement is not only internally driven, it is also externally driven by the demands of our customers.

Finally, our competition -- usually private law firms representing the opponents of our agency clients -- are rapidly developing sophisticated information systems to track documents in complex litigation. We must stay current in our capabilities to compete with the private sector.

PROGRAM DESCRIPTION:

The following are brief synopses in order of priority of our F.Y. 1998-99 Information Resource Request. Some of these are already in development; others are in planning. The first 3 of the following are scheduled for completion in F.Y. 1998-99. The last 3 will be completed in F.Y. 2000-01.

Completion of networking. Complete the PC-based LAN for our staff by January, 1998. (Note: 70% of AGO is now networked.)

Case management system. Replace our outdated and ineffective case management and docketing system with a new system that will simultaneously meet the needs of our clients and managers for detail on work performed and the needs of state systems managers in human resources, payroll, and accounting.

Computerized research capacity. Purchase hardware and system software to permit networked access to a CD-ROM-based system to be maintained by the AGO library. Facilitate staff access to other sources through Internet and NAAGNet (national attorneys general research and data sharing). Use these systems to greatly reduce our reliance on expensive private on-line legal research systems. (Note: we project savings of \$98,000 per year in which we have reduced our budget request incorporating these potential savings.)

Automated litigation support. Acquire and install litigation technologies comparable to those now used widely in the private practice of law. Expedite preparation of trial materials and analytical capacities to improve both the effectiveness and efficiency of case presentation.

Office wide imaging. Acquire and install hardware and software, or leverage such facilities from other state agencies, to facilitate digitizing of documents such as consumer and citizen mail, microfiche records, and other paper-heavy activity areas. Improve response time, data analysis and validation, and AGO office consistency in dealing with citizen concerns.

Automated document creation. Working with state agencies, develop a library of standard form documents to be used throughout government. Digitize these documents and make them available on-line to trained state agency staff so that they can be adapted to particular situations with a minimum of AGO and client staff preparation time.

PROGRAM OUTCOMES:

The project's goal is to dramatically increase the quality, productivity and effectiveness of AGO. In addition, several elements of the proposal will improve the operations of our client agencies. The net result will be better value for the taxpayers' dollar. [Note: please see the extended discussion of project benefits for each component of the project in CSF5, pages 46-48 of the IPO proposal.]

LONG-TERM IMPACT:

We envision these initiatives as dramatically restructuring the practice of public law in the future. More and more activities now performed by lawyers will be delegated to legal assistants and trained client agency staff. Our internal efficiencies will soar with the advent of better research and document drafting capabilities. We will have much better access to information from other states on proposed law changes, and within Minnesota our relationships with local prosecutors and advocacy organizations, and individual citizens will improve.

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PROGRAM: Business Regulation
AGENCY: Attorney General, Office of (AGO)

PROGRAM DESCRIPTION:

The Business Regulation Program represents over 15 state agencies. These agencies are responsible for protecting citizens against discrimination in important transactions such as employment and housing, keeping abusive teachers out of Minnesota schools, and preventing deceptive practices in the financial services and gambling industries. The program's staff provides the legal services that are essential to assist its agency clients in delivering higher education services to over 150,000 students and implementing state educational policy. In addition, section staff members oversee the conduct of charitable organizations and work to ensure that residential and small business customers have access to affordable and high quality utility services. The program is comprised of 6 divisions: Charities, Residential and Small Business Utilities, Commerce and Gambling, Education, Human Rights, and Telecommunications and Energy.

Charities: In recent years, nonprofit organizations have assumed an increasingly important role in Minnesota, providing a wide range of services in sectors as diverse as health care, education, and the arts. In the past ten years, the number of charities and foundations registered with the Attorney General's Charities Division has more than doubled, from 2,600 to over 5,400. These organizations hold over \$41 billion of assets in trust for the benefit of the general public. The mission of the Charities Division is to enforce state laws regulating these organizations and to ensure that they are accountable to the public, particularly with regard to the manner in which they raise and spend their money.

Residential and Small Business Utilities: Residential and small business customers of utility companies cannot afford to participate effectively in contested proceedings before the Public Utilities Commission (PUC). Therefore, this division represents these customers, whose interests often conflict with those of larger customers, who routinely hire their own expert analysts and attorneys to advocate on their behalf. The division protects small customers from unreasonable price increases, decreased service quality, and deceptive business practices. The division also works to shape an energy future for the state that will include both cheaper and cleaner forms of energy. Finally, the division works to explore and implement ways in which increased competition in these industries can be used to bring benefits to all customers, instead of increasing overall costs while benefiting only a select few.

Commerce and Gambling: The Commerce and Gambling Division represents the state's gambling agencies: the Gambling Control Board, the Minnesota Lottery and the Minnesota Racing Commission. The division's work for these agencies consists primarily of a combination of legal advice, assistance with rule making, and litigation. Most of the division's litigation involves disciplinary contested case proceedings against regulated organizations and individuals. The division also represents the Minnesota Board on Judicial Standards, the Petroleum Tank Release Compensation Fund, and the Agricultural Chemical Response Compensation Board.

Education: The Education Division represents many of the state agencies that are responsible for the development and implementation of educational policy and the delivery of educational services in Minnesota. These include the Minnesota State Colleges and Universities (MnSCU) (7 State Universities, 10 Community Colleges, 10 Technical Colleges, and 11 Consolidated Colleges), the State Board of Education, the Department of Children, Families and Learning, the Board of Teaching, the Minnesota Center for Arts Education, the Higher Education Services Office, and the State Council

on Vocational Education. The division provides the legal services (e.g., rule making assistance, contract drafting, student discipline issues, litigation, etc.) necessary to enable these agencies to effectively implement the wide variety of programs and services that they offer.

Human Rights: Discriminatory practices prohibited by the Minnesota Human Rights Act affect the most fundamental aspects of citizens' lives, occurring as they do in employment, education, housing, and access to public accommodations. The division protects the public by advising the Department of Human Rights so that it can fairly decide allegations of discrimination, justly and expeditiously resolve through settlement and mediation claims of discrimination, and efficiently and effectively litigate such matters. The division recovers compensatory and punitive damages for victims of discrimination, civil penalties and costs for the state, and injunctive relief that benefits both victims of discrimination and the public. The division also represents the Bureau of Mediation Services, the Ombudsman for Corrections, the Ombudsman for Mental Health and Mental Retardation, and the Council on Disability.

Telecommunications and Energy: The Telecommunications and Energy Division represents the Department of Public Service in its role as representative of all utilities customers, large as well as small, before the Public Utilities Commission, the Federal Communications Commission, the Federal Energy Regulatory Commission, the Nuclear Regulatory Commission, and state and federal courts. The division also assists the department in its enforcement of state weights and measures standards and energy conservation programs. The division's representation includes litigation, legal advice, and rule making.

PROGRAM STATUS:

Charities: In its efforts to make charitable organizations accountable to the public, the division has three primary tools: registration, education, and litigation.

- Under Minnesota law, charitable organizations must register with the division. As a part of that process, they file annual financial reports that detail how much money they received and how they spend it. With this information in hand, citizens can make more informed decisions about donating money. Thus, registration can be a powerful tool for preventing misuse of charitable funds. In F.Y. 1996 the division focused in part on making its registration records more easily accessible to the public. The division's records, including extensive financial information on registrants, were put onto a computer database and then transferred to the AGO Internet web site. Minnesota citizens with access to the Internet can now search the AGO web site to determine whether an organization is registered and, if so, review the previous two years of its financial records. In addition, to make the registration process easier for charities, the division, working in conjunction with several other states, developed a uniform registration form now accepted by more than 20 states.
- Education of charities' board members and staff is also an effective tool for ensuring accountability. Boards of directors have significant oversight responsibilities for the organizations they represent. By educating directors about their duties, the division can enlist their help in preventing misconduct. To educate directors, the division distributed thousands of copies of its brochure explaining the fiduciary duties of directors, and also made it available on the AGO web site. In addition, the division organized seminars designed to educate board members about their responsibilities as well as staff about how to comply with state charities laws.
- Litigation is the third tool employed by the division to enforce the law and ensure accountability. In the past two years the division has handled cases involving misappropriation of funds by charitable trusts and charitable organizations, mishandling of funds due to lack of internal

1998-99 Biennial Budget

PROGRAM: Business Regulation
AGENCY: Attorney General, Office of (AGO)
(Continuation)

controls, misleading financial reports filed with the division that overstate the amount of money spent for programmatic activity, and misleading telemarketing and direct mail schemes that mislead donors about how their donations will be used. Since 1995 the division has obtained over \$2 million in restitution to Minnesota charitable organizations, costs and civil penalties.

Residential and Small Business Utilities: This division's role as the advocate for the average utilities customer is unique.

- Since its inception in 1983, this division has saved hundreds of millions of dollars for utilities customers, providing a return of over \$100 for each tax dollar invested. For example, in one recent rate case, Minnegasco sought to increase residential and small business rates dramatically while reducing rates for large business customers. Other parties supported similar rate changes. However, the division was concerned that such rate changes were unjustified and could stifle emerging competition. The division successfully advocated much lower rate increases for residential and small business customers, saving these customers over \$6 million per year compared to the company's proposal. In two other Minnegasco dockets, implementing new forms of regulation or attempting to introduce competition for selected customers, the division's efforts saved Minnegasco customers an additional \$3 million per year.
- The division also represents small customers in the numerous proceedings underway to introduce competition into these industries. Central to this effort is preserving universal availability of high quality local telephone and energy services. Division members have worked as part of a task force for the past several months to develop the rules that will govern local telephone competition. The division has worked to insure that competition will benefit residential customers, as well as business customers, and will benefit all areas of the state, not just the Twin Cities metro area. The division has also focused on protecting customers from deceptive business practices. Recent initiatives and enforcement actions have protected customers' local phone service from disconnection due to "pay-per-call" scams such as talk lines and other billing practices that in the past have put local phone service in jeopardy.

Commerce and Gambling: During this biennium, demand for the division's services is increasing:

- The division has experienced a significant increase in the demand for its services by the Petroleum Tank Release Compensation Fund. This fund distributes millions of dollars to reimburse for cleanup costs caused by soil and water contamination. A number of issues, including implementation of new statutes and rules, have necessitated more legal advice. In addition, more fund reimbursement decisions have been challenged, thus increasing the volume of litigation.
- The division is also seeing a trend toward increased litigation on behalf of the Department of Commerce, both in administrative disciplinary proceedings and in civil litigation to recover money from recovery funds administered by the department.
- Prior to this biennium, the division's services to the Board on Judicial Standards consisted mainly of legal advice. However, in F.Y. 1996 the board was involved in more litigation, thus requiring the division's assistance on its behalf in discovery and motion practice.

Education: During this biennium, demand for this division's services has also increased significantly.

- The higher education merger that created MnSCU was completed on 7-1-95. With the merger, the division assumed responsibility for representing the 34 technical colleges that had previously been local governmental units. The division assisted these institutions in modifying their practices to conform to the requirements imposed by state law on state agencies. In addition, in an effort to prevent future claims against MnSCU, the division provided the colleges and universities with training on issues such as student due process, data practices, and the conduct of discrimination and harassment investigations.
- The Department of Children, Families and Learning and the State Board of Education are addressing a number of complex legal issues relating to school desegregation and graduation standards. In addition, the department is faced with a large increase in the number of special education cases in state and federal courts to which it is a party. It has also experienced a notable increase in the number and types of state bond financed grants for which it is responsible. These grants have become more legally complex as a result of requirements imposed by the 1994 bonding bill.

Human Rights: The division's primary work during this biennium has been to assist the Department of Human Rights.

- Through negotiations, mediation, and litigation, this division has represented the department in obtaining remedies for victims of discrimination. In F.Y. 1996, the first year of the biennium, those remedies amounted to over \$500,000 for Minnesota citizens. As an example, in the Eagan Athletic Association matter the division obtained a reasonable accommodation for a hearing impaired participant and greater access to interpreters which will allow the student and other similarly situated athletes to enjoy the benefits of the association's programs. The demand for these kinds of services increased significantly in the first year of the biennium. The department referred 67 cases to the division in F.Y. 1995 and 157 cases in F.Y. 1996.
- In addition, during this biennium division staff members have assisted the department in implementing its alternative dispute resolution project, revising its procedures to expedite case processing, and conciliating cases in which the department had found probable cause that human rights laws had been violated.

Telecommunications and Energy: During this biennium, lawyers in this division have represented the Department of Public Service in its traditional work involving utilities rate cases and investigation of utility practices. In addition, representation of the department has also involved a variety of new issues, including:

- development of alternative forms of regulation for telephone companies pursuant to recently enacted legislation;
- certification of competitors for local telephone service in areas formerly exclusive to one company;
- continuing litigation regarding nuclear waste storage and the federal responsibility to provide it;
- valuation and application of environmental external costs related to electric generation;
- ratepayer versus utility liability for environmental clean up costs;
- restructuring of the electric utility industry; and
- state versus federal authority over the production, transmission and sale of electricity.

1998-99 Biennial Budget

PROGRAM: Business Regulation
AGENCY: Attorney General, Office of (AGO)
(Continuation)

PLANNED RESULTS:

The Business Regulation Program is committed to effectiveness in achieving its objectives, while using public resources efficiently. Because litigation is often costly, avoiding unnecessary litigation through prevention and alternative dispute resolution can be an effective means to use limited resources more efficiently.

Charities: Prevention through public access to financial records is a cost-effective way of improving accountability for charitable organizations. The division intends to continue to increase its efforts in this area. The division will update the financial records posted on the AGO web site at least quarterly, thus improving public access to current information. Because most registered organizations welcome accountability and want to comply with the law, education can also be a cost-effective means of enhancing accountability and achieving compliance with the law. In the coming biennium, the division plans to expand its efforts to inform organizations of their duties through the development of educational seminars and materials. In addition, the division will continue its efforts to facilitate compliance by simplifying and making uniform its registration process.

Residential and Small Business Utilities Division: During the next biennium, the central topic of debate in the utilities industries will continue to be the evolution of the telephone and electric industries from a monopoly to a mix of regulated monopoly services and potentially unregulated or partially regulated competitive services. These changes will continue to introduce new and complex regulatory issues and consumer problems. This division will work to ensure that lessened regulation results in benefits for all consumers in Minnesota, not just a select few. Enforcement actions, along with increased consumer education, will be necessary to protect customers from deceptive practices, anti-competitive activities, and decreased quality and reliability of service.

Commerce and Gambling: The most significant growth in demand for the division's legal services has been in its representation of the Petroleum Tank Release Board in disputed claims matters and in its representation of the Department of Commerce in disciplinary actions involving fraudulent practices by building contractors. The division is working with board and department staff to develop more effective and efficient procedures to expedite case processing and to enable the division to focus its resources on the most significant cases. With these procedures in place, the division's goal is to have the need for its services level off, and to meet its clients' needs with the resources currently available to it.

Education: In F.Y. 1998-99 the division will continue its efforts to enhance preventative training in areas that the MnSCU colleges and universities identify as promoting more efficient use of resources and reducing the likelihood of claims. Additional issues affecting legal services will arise as the merger of MnSCU matures and evolves. Two such issues are the decentralization of the system and the possible extension of the 1996 mandates reduction bill. In defending the Department of Children, Families and Learning in special education litigation, the division will focus on clarifying the law by establishing court precedent. This will reduce the number of lawsuits in which the department and the state board are parties, thus cutting the cost of litigation for these agencies. The division also anticipates that legal issues associated with graduation standards and school desegregation matters will continue to require the division's assistance.

Human Rights: Based on its experience during this biennium, the division believes that the need for legal services by the Department of Human Rights will increase in the 1998-99 biennium. As indicated above, the number of cases referred to the division more than doubled between F.Y. 1995 and F.Y. 1996. Furthermore, the department now refers all cases involving a finding of discrimination to the division for mediation and conciliation. This process is designed to expedite the handling of complaints, and to minimize the need to resort to litigation.

Telecommunications and Energy: The division expects that issues relating to the restructuring of the telephone and electric industries will be at the forefront of the Department of Public Service agenda for the rest of this fiscal year and remain there well into the next biennium. These issues are unique and predicting their outcome is difficult. In addition, disposal of nuclear waste from power plants will remain a major issue, one with significant legal implications requiring the divisions' assistance.

BUDGET AND REVENUE SUMMARY:

Business regulation encompasses a broad sweep of client representation. Our Commerce and Gambling, Charities and Human Rights divisions are very active in protecting consumer interests. The statutorily-created group to represent consumers in public utility matters provides an independent review source for important PUC decisions, while the Telecommunications and Energy represents the Public Service Department in various state and federal proceedings. Finally, the Education Division provides critical representation to the State Board of Education, the Department of Children and Families, and the huge Minnesota State College and Universities.

These growing sectors are placing increasing demands on the section. While no specific initiatives are proposed for F.Y. 1998-99, the likelihood remains of the need for additional resources in upcoming bienniums.

1998-1999 B I E N N I A L B U D G E T
(DOLLARS IN THOUSANDS)

AGENCY: ATTORNEY GENERAL
PROGRAM: BUSINESS REGULATION
ACTIVITY: BUSINESS REGULATION

ACTIVITY SUMMARY	FY 1996	Est. FY 1997	FY 1998			FY 1999		
			Base Level	Agency Request	Governor Recomm.	Base Level	Agency Request	Governor Recomm.
=====	=====	=====	=====	=====	=====	=====	=====	=====
EXPENDITURES:								

DETAIL BY CATEGORY:								
STATE OPERATIONS:								
PERSONAL SERVICES	3,359	3,431	3,075	3,372	3,075	3,125	3,451	3,125
OPERATING EXPENSES	618	628	638	638	638	647	647	647
TRANSFERS			<1,020>	<1,020>	<1,020>	<1,020>	<1,020>	<1,020>
=====	=====	=====	=====	=====	=====	=====	=====	=====
SUBTOTAL STATE OPERATIONS	3,977	4,059	2,693	2,990	2,693	2,752	3,078	2,752
=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL EXPENDITURES	3,977	4,059	2,693	2,990	2,693	2,752	3,078	2,752
=====								
AGENCY REQUEST ITEMS:		FUND						
-----		-----						
TECHNICAL REALLOCATIONS		GEN		61			61	
AGENCY FULL FUNDING PLAN		GEN		208			208	
COMPENSATION INCREASES UNDERFUNDING		GEN		28			57	
=====		=====		=====			=====	
TOTAL AGENCY REQUEST ITEMS				297			326	
=====								
EXPENDITURES BY FUND:								

DIRECT APPROPRIATIONS:								
GENERAL	3,796	3,753	2,502	2,799	2,502	2,561	2,887	2,561
PETROLEUM TANK RELEASE CLEANUP	26	114						
STATUTORY APPROPRIATIONS:								
GENERAL	93	186	186	186	186	186	186	186
SPECIAL REVENUE		5	5	5	5	5	5	5
AGENCY	62	1						
=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL EXPENDITURES	3,977	4,059	2,693	2,990	2,693	2,752	3,078	2,752
=====								
REVENUE COLLECTED:								

DEDICATED:								
GENERAL	93	186	186	186	186	186	186	186
SPECIAL REVENUE			5	5	5	5	5	5

1998-1999 B I E N N I A L B U D G E T
(DOLLARS IN THOUSANDS)

AGENCY: ATTORNEY GENERAL
PROGRAM: BUSINESS REGULATION
ACTIVITY: BUSINESS REGULATION

			FY 1998			FY 1999		
ACTIVITY SUMMARY	FY 1996	Est. FY 1997	Base Level	Agency Request	Governor Recomm.	Base Level	Agency Request	Governor Recomm.
=====	=====	=====	=====	=====	=====	=====	=====	=====
AGENCY	61	1	1	1	1	1	1	1
NONDEDICATED:								
GENERAL	178	178	178	178	178	178	178	178
CAMBRIDGE DEPOSIT FUND	219	219	219	219	219	219	219	219
=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL REVENUES COLLECTED	551	584	589	589	589	589	589	589
FTE BY EMPLOYMENT TYPE:								

REGULAR	61.6	61.0	61.9	61.9	61.9	61.9	61.9	61.9
=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL FTE	61.6	61.0	61.9	61.9	61.9	61.9	61.9	61.9

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1998-99 Biennial Budget

PROGRAM: Solicitor General
AGENCY: Attorney General, Office of (AGO)

PROGRAM DESCRIPTION:

The Solicitor General's Program is a litigation group which represents state agencies and officials in lawsuits. The work of this group:

- protects the state, its agencies, officials and employees from adverse court judgments;
- provides high-quality litigation representation in a cost-effective manner;
- minimizes litigation costs and promotes the early resolution of disputes where possible through the use of alternative dispute resolution;
- provides advice and training to clients to increase compliance with regulatory programs and reduce future litigation; and
- where adverse litigation results are likely, limits the extent of the damage as much as possible.

The section includes 5 specialized litigation divisions: Civil Litigation, Litigation, Employment Law, Collections Litigation and Torts.

- **Civil Litigation** - This division defends lawsuits that challenge the constitutionality of state statutes, rules, and official action. In many of these cases, the state is sued directly. However, Minnesota court rules and federal statutes also require that the Attorney General be notified any time a statute is challenged as unconstitutional in private litigation. The Attorney General may then intervene in the lawsuit or file a "friend of the court" brief to support the statute's constitutionality. In addition, the division provides legal advice and representation to the Minnesota judiciary and the State Board of Public Defense. Senior attorneys in the Civil Litigation division also review all significant appeal briefs before they are filed with the courts in order to assure quality and consistency of positions. A corrections team within the division defends the Department of Corrections (DOC) against numerous lawsuits brought by inmates and also provides legal advice to DOC concerning operation of the prison system.
- **Construction Litigation** - This division advises agencies involved in state construction projects and defends the state when contractors, subcontractors, consultants, and third parties sue. The division protects taxpayers by filing claims against persons who perform defective work or otherwise fail to comply with contract requirements. In addition, the division advises all non-regulatory state agencies relative to numerous state and federal environmental laws and regulations and represented those agencies when they were involved in environmental litigation. The division also assists agencies in the acquisition or conveyancing of contaminated properties. Finally, the division assists client agencies in drafting contract provisions, understanding the legal ramifications of contract decisions, and evaluating claims arising from construction projects.
- **Employment Law** - This division advises state departments and agencies on employment and labor issues including advice on Equal Employment Opportunity Commission (EEOC) and human rights charges. It also provides legal representation in state and federal court against employment-related lawsuits brought by current and former employees. Significant agencies represented include the Department of Employee Relations, Minnesota State Colleges and

Universities (MnSCU), the Department of Corrections, and State Court Administration of the Minnesota Court System.

- **Collections Litigation** - This division's objective is to seek, recover, retain, and obtain more monetary funds owed to the state, so that more revenue is provided for needed public services. The division handles extensive collections, bankruptcy, and financial litigation on behalf of the State and all state agencies, including seeking monetary judgments, enforcing collection of judgments and protecting the rights of the state as a creditor. This division was established as part of the state-wide accounts receivable initiative.
- **Torts** - By investigating, settling or litigating tort claims, this division defends the state and its employees in personal injury or property damage suits brought by individuals and corporations. The allegations are most commonly of negligence, but they also involve wrongful death, defamation, assault, infliction of emotional distress, excessive force, interference with business relations, and federal civil rights claims.

PROGRAM STATUS:

Although effective representation of the state's interests is neither necessarily visible in the "won-lost" record of litigation nor measurable in dollars saved, as described below, during the F.Y. 1996-97 biennium the section has had several significant victories and managed its practice in a very cost-effective manner.

- **Civil Litigation** - Lawsuits challenging the constitutionality of the state's laws are a never-ending reality of state government. The laws and the issues may change, but the litigation continues. The **Civil Litigation Division** handles many of these suits. The division successfully defended the state's public defender financing system in **Kennedy v. State**, a suit by the Hennepin County Public Defender seeking additional appropriations. In **Boyle v. Anderson**, the division successfully defended the MinnesotaCare provider tax against a claim of Employee Retirement Income Security Act (ERISA) preemption. Currently, the division is defending against two major lawsuits, **NAACP v. State** and **ISD No. 625 (St. Paul) v. State**, that seek relief from the state for inadequacies in the Minneapolis and St. Paul schools systems allegedly caused by segregation by race and poverty and inadequate funding.

Although the division has been successful in many significant cases, in constitutional litigation a favorable decision can never be assured. For example, in **Twin Cities Area New Party v. McKenna**, the federal district court upheld the state law that prohibits a candidate from appearing on the ballot for more than one political party, but the Eighth Circuit Court of Appeals reversed, striking down the law. The case is now on appeal to the United States Supreme Court.

The outcome of constitutional litigation is not the only measure of performance. Within the limits established by legislative appropriation and executive decisions regarding the distribution of personnel and resources, the division has aggressively asserted the state's position. Unfortunately, however, this does not assure victory.

In this biennium, the corrections team handled an increasing number of psychopathic personality commitment proceedings of increasing complexity that made it difficult to devote adequate resources to the legal work of the DOC. Although the corrections attorneys were consistently successful in persuading courts to dismiss inmate lawsuits without payment of damages by the state, some longer term legal issues still need to be resolved. With the psychopathic personality work transferred to another division, the corrections team will now be able to focus on the high volume of inmate litigation and the reservoir of legal issues presented by the ever-expanding prison system.

1998-99 Biennial Budget

PROGRAM: Solicitor General
AGENCY: Attorney General, Office of (AGO)
(Continuation)

- **Construction Litigation** - This division, representing the Department of Transportation (MnDOT), helped save the state nearly seven million dollars in several cases brought by contractors seeking over \$10.1 million in additional compensation on state construction projects. Their claims were resolved for approximately \$3.1 million through alternative dispute resolution; the state received very favorable results and saved significant legal expenses in the process. In addition, the division recovered \$60,000 from a consultant in a case resolved in mediation. The division continues to emphasize the use of alternative dispute resolution and the early resolution of legal disputes.
- **Employment Law** - The division provided legal representation and legal counseling in over 150 employment disputes during the past biennium. The division continued to establish and help clarify public sector employment law dealing with official and discretionary immunity, whistle blower claims, and defamation in the workplace. In one ground breaking case, *Bolton v. Department of Human Services*, the division received a favorable decision from the Minnesota Supreme Court settling an important principle of defamation law for all employers. Alternate dispute resolution efforts have continued saving the state thousands in litigation costs. The division aggressively defends court cases and seeks to resolve such conflicts at the earliest possible time. With current trends showing that claims are likely to increase in the employment law field, the division will more vigorously pursue mediation and arbitration as less costly alternatives to protracted litigation. An emphasis will also be placed on preventing employment suits including sexual harassment claims through training programs developed for the state's managers and supervisors. These programs will be aimed at recognizing sexual harassment, investigating claims in a timely manner, and resolving employee complaints through mediation.
- **Collections Litigation** - In its first two fiscal years, the division spent extensive time assisting and providing legal support to state agencies so that they will better collect their debts and drafted legal policy and strategy on state-wide collection matters, such as the innovative child support legislation to revoke driver's license for delinquent child support payments, for which \$6 million has been collected up to June 30, 1996. The division has directly collected over \$2 million as a result of its direct legal work; \$2.50 collected for every \$1 of division funding.
- **Torts** - During F.Y. 1995-96, this division closed 1,329 claims and 89 lawsuits. Agencies represented by the division paid out \$398,478.10 on claims with an original estimated value of about \$6.5 million. Although the division receives approximately 700 claims annually, only about 50 new personal injury lawsuits are filed against the state each year. This indicates that the division efficiently resolves most tort claims before they develop into lawsuits, thus saving the state the significantly higher cost which inevitably result from litigation. Cases are not routinely settled in order to avoid litigation. The division's appellate practice successfully defended and refined the state's immunity from many claims and lawsuits involving the operation of the state's parks, the design of state highways, and the parole of state prisoners.

PLANNED RESULTS:

In F.Y. 1998-99, the Solicitor General Program will continue to defend increasing numbers of lawsuits against the state in all of our areas of practice. However, current resources are already severely tested by claims we have already received, cases now in preparation for litigation and

continued requests and needs of state agencies for assistance in matters of lawsuit prevention and risk management. We will strive to realize our objectives within these fiscal limitations. Some significant issues in F.Y. 1998-99 are described below.

- **Civil Litigation** - This division will have the major task in the upcoming biennium of defending the *NAACP v. State* and *ISD No. 625 (St. Paul) v. State* challenges to the adequacy of the Minneapolis and St. Paul school systems. Either one of those cases alone would be a significant drain on resources. The combined effect, on top of the other typical constitutional defense work of the division, will require additional resources well beyond the normal capacity of the division. With respect to the corrections team, the prison population continues to grow. It remains to be seen whether recently enacted federal legislation intended to reduce the volume of frivolous inmate litigation will have its intended effect.
- **Construction Division** - The division's construction caseload has remained relatively constant in the past several years. With the increased emphasis on early resolution of disputes through alternative dispute resolution, the division anticipates that it will continue to manage the construction caseload with its existing resources. Additionally, state agencies would benefit from evaluating recent developments in construction insurance, risk management, and contractual risk transfer, and modifying state contract requirements where appropriate. Devoting resources in these areas is expected to reduce the state's exposure to certain risks and, ultimately, reduce the amount of litigation arising from construction projects.

The workload in the environmental area has increased in the past biennium, and the division expects a continued increase for several reasons. First, litigation about the projected environmental impacts of major state projects has become more frequent, and this trend is expected to continue. For example, the division handled three Environmental Impact Statement (EIS) lawsuits recently involving two metro area highway projects and a new public golf course at Giants Ridge and expects a similar lawsuit over the siting of a new prison. In addition, the merger of the technical colleges into the state higher education system has resulted in an increased demand for assistance in areas such as real estate transactions, hazardous waste management, underground tank management, and wetland protection. Finally, there is an increased demand upon the division to train and assist clients in understanding and complying with environmental regulations, such as in the storm water management and wetland areas. This demand for assistance in the environmental area is expected to continue for the foreseeable future.

- **Employment Law** - With an increase in the number of lawsuits brought under state whistle blower and human rights laws, this division will continue to see a rise in the number of claims brought by state employees. Perhaps tempering this rise are court decisions including *Seminole Tribe* (U.S. S. Ct.) which provides some restrictions on the claims state employees may bring against the state in federal court and *Williams v. Ramsey Medical Center* (Minnesota Supreme Court) which eliminates some types of whistle blower claims. But as is always the case, the meaning and effect of these cases will be determined in subsequent case decisions. Employment claims are increasing in number and complexity. Prevention and early resolution of claims will be a priority during F.Y. 1998-99.
- **Collections Litigation**. In addition to enforcing, litigating and obtaining monies owed to the state, the collections litigation division will continue to:

- Identify, draft, and support appropriate legislation to increase collection return;
- Identify other sources of income or resources available to the state, and ascertain and recommend better practices and procedures where the state can enhance receipt or recovery of such funds;

1998-99 Biennial Budget

PROGRAM: Solicitor General
AGENCY: Attorney General, Office of (AGO)
(Continuation)

- Work with and train state agencies to develop more effective debt collection practices and procedures.
- Torts - The number of new claims and lawsuits received by this division has been relatively constant for the past 10 years, at about 1,400 claims and 100 lawsuits per biennium. These figures are expected to increase as a result of the technical colleges merging into the state higher education system and becoming a state responsibility (they were formerly insured as part of local secondary school systems). In addition, in August and September, 1996, the Minnesota Supreme Court decided a number of cases in which statutory and common law immunities for governmental entities were broadly interpreted. Although these decisions may reduce the number of lawsuits against state agencies long term, for the foreseeable future more litigation will be required in order to ascertain how the trial courts will apply immunity to the various activities of state government.

The Solicitor General Program will continue to provide high quality legal representation and defense in a cost effective manner. However, continued increases in the number of lawsuits may require the Attorney General to appoint outside counsel to defend such litigation. Although this will add substantially to the cost of litigation for state agencies, it will be necessary in order to provide an effective defense which is consistent with the ethical responsibilities imposed on attorneys by law.

BUDGET AND REVENUE SUMMARY:

The office of Solicitor General deals with issues that cut across all sections of AGO and affect virtually every state agency. All of the state's high profile lawsuits are handled by the Solicitor as are most of the civil case appeals from district court. Therefore, as the caseloads increase in other sections, the work of the Solicitor's staff is assured of increasing.

To partially offset this increase, the Solicitor General and his staff have taken the lead in developing an alternative dispute resolution program for our client agencies. Working with agency providers of such services, we intend to spend considerable time training client staff members on how to avoid disputes reaching the litigation stage but, if they do, how to use mediation and arbitration as ways to resolve them.

1998-1999 BIENNIAL BUDGET
(DOLLARS IN THOUSANDS)

AGENCY: ATTORNEY GENERAL
PROGRAM: SOLICITOR GENERAL
ACTIVITY: SOLICITOR GENERAL

ACTIVITY SUMMARY	FY 1996	Est. FY 1997	FY 1998			FY 1999		
			Base Level	Agency Request	Governor Recomm.	Base Level	Agency Request	Governor Recomm.
EXPENDITURES:								
DETAIL BY CATEGORY:								
STATE OPERATIONS:								
PERSONAL SERVICES	3,413	3,185	3,099	3,268	3,099	3,177	3,350	3,177
OPERATING EXPENSES	322	488	494	494	494	500	500	500
SUBTOTAL STATE OPERATIONS	3,735	3,673	3,593	3,762	3,593	3,677	3,850	3,677
TOTAL EXPENDITURES	3,735	3,673	3,593	3,762	3,593	3,677	3,850	3,677
AGENCY REQUEST ITEMS:		FUND						
TECHNICAL REALLOCATIONS		GEN		37			37	
AGENCY FULL FUNDING PLAN		GEN		129			129	
COMPENSATION INCREASES UNDERFUNDING		GEN		3			7	
TOTAL AGENCY REQUEST ITEMS				169			173	
EXPENDITURES BY FUND:								
DIRECT APPROPRIATIONS:								
GENERAL	3,719	3,589	3,509	3,678	3,509	3,593	3,766	3,593
STATUTORY APPROPRIATIONS:								
GENERAL	16	84	84	84	84	84	84	84
TOTAL EXPENDITURES	3,735	3,673	3,593	3,762	3,593	3,677	3,850	3,677
REVENUE COLLECTED:								
DEDICATED:								
GENERAL	16	84	84	84	84	84	84	84
NONDEDICATED:								
GENERAL	84	7	7	7	7	7	7	7
CAMBRIDGE DEPOSIT FUND	2							
TOTAL REVENUES COLLECTED	102	91	91	91	91	91	91	91

1998-1999 B I E N N I A L B U D G E T
(DOLLARS IN THOUSANDS)

AGENCY: ATTORNEY GENERAL
PROGRAM: SOLICITOR GENERAL
ACTIVITY: SOLICITOR GENERAL

			FY 1998			FY 1999		
		Est.	Base	Agency	Governor	Base	Agency	Governor
ACTIVITY SUMMARY	FY 1996	FY 1997	Level	Request	Recomm.	Level	Request	Recomm.
=====	=====	=====	=====	=====	=====	=====	=====	=====
FTE BY EMPLOYMENT TYPE:								

REGULAR	59.2	55.5	60.1	60.1	60.1	60.1	60.1	60.1
TEMP/SEAS/PART_TIME	.3	.3						
=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL FTE	59.5	55.8	60.1	60.1	60.1	60.1	60.1	60.1

1998-99 Biennial Budget

PROGRAM: Health and Licensing
AGENCY: Attorney General, Office of (AGO)

PROGRAM DESCRIPTION:

The Health and Licensing Program represents boards and agencies responsible for health care and licensing issues, as well as advice and litigation services for the Public Utilities Commission (PUC). The section's work focuses on advising agency and board clients, handling litigated matters primarily in the administrative law arena, and providing the legal advice which helps to shape the state's public health and utility regulation programs.

- **Health** - This division provides legal services to the Department of Health as the department both confronts rapid changes in the health care economy and fulfills its public health leadership role. Some examples of the services provided are as follows:
 - Judicial and administrative litigation in such matters as long-term care enforcement, nurse aide challenges to findings of abuse or neglect, enforcement of disease prevention and control matters, protection of drinking water supplies, enforcement of mobile home park health and safety requirements, and enforcement of asbestos abatement requirements;
 - Rule making in various aspects of health regulation;
 - Legal advice on matters affecting the Department of Health's operations, including health care reform and tobacco matters; and
 - Guidance regarding governmental procedures such as data practices, open meetings, administrative services, and ethical practices.
- **Licensing and Investigations** - Members of the public entrust their health and welfare to a variety of licensed professionals. Unfortunately, some of those professionals violate that trust by providing substandard services, engaging in sexual contact with clients, billing clients fraudulently, providing services while under the influence of drugs or alcohol, or endangering clients because of the licensee's untreated mental illness. These divisions assist 13 health and 4 non-health licensing boards to protect the public from services that place them at risk. The Licensing Division is the legal arm of this effort and is staffed with attorneys, legal assistants, and support personnel. The Investigations Division provides the boards with all needed investigative services and includes investigators with experience in nursing, pharmacy, social work, dentistry, psychology, and other disciplines. To protect the public, these divisions:
 - Immediately investigate complaints about licensee sexual misconduct or chemical dependency;
 - Audit medical charts to determine quality of care;
 - Advise licensing boards in their complaint resolution process;
 - Prosecute disciplinary cases and represent boards in the appellate courts; and
 - Pursue remedies in district court against those who practice without a license.
- **Public Utilities** - Given increased deregulation and the newly enacted Federal Communications Act, the workload of the Public Utilities Commission continues to grow, as does the agency's demand for legal services. This division's workload is essentially externally driven by the regulated industries' filings. Other outside forces that affect this agency are technological changes, economic trends, and changes in state and federal regulatory policies and laws. Decreased regulation ironically has created more work for regulators and their attorneys because there are more market entrants and new issues arise, including bankruptcies and antitrust issues.

PROGRAM STATUS:

In F.Y. 1996-97, the boards and agencies served by the Health and Licensing Program experienced increases in their workloads, particularly in contested case matters. Some significant accomplishments and noteworthy trends are described below.

- **Health** - Services to the Department of Health included extensive advice and representation related to the Minnesota Health Care Commission, MinnesotaCare, and health care reform efforts. Because of changes to the Vulnerable Adults Act statute, the division handled a large influx of nurse aide cases on a timely basis. Other high profile matters included handling the legal ramifications of large infectious disease matters, such as the Schwan's situation and matters involving HIV or hepatitis B-infected health care workers. Finally, the division provided important advice on health care legislative matters including senior discount drug programs and health care financing initiatives in light of new case law.
- **Investigations** - During the past 15 months, the division reduced a backlog of cases from 330 to 180. In addressing that backlog, the division dramatically improved the turnaround time for investigators. Now case management reports give the division the ability to predict the anticipated length of time it takes to complete investigations. These benchmarks will enable the AGO and its clients to make more appropriate cost projections and will serve as a way to evaluate turnaround time for cases that fall outside the parameters.
- **Licensing** - There were 776 new complaints received by the division in F.Y. 1996. The division closed 958 cases, mostly through the use of stipulated disciplinary orders or corrective actions. Currently, 1,383 separate disciplinary matters are being handled by the division. In addition, the Licensing Division spent an increasing amount of its time on contested case matters which resulted, in at least two situations, in multi-month trials involving numerous expert witnesses. Given the increased number of complex contested cases referred to the division, we anticipate that the division's efforts in the next biennium will focus even more heavily on contested case matters involving health professionals who present a potential danger to the public and refuse to sign a disciplinary order.
- **Public Utilities** - Implementation of the new Federal Telecommunications Act of 1996 has been a major priority for the PUC Division. Lawyers in the division have had a major role in interpreting the law and shaping procedures to implement it. The division also focused on the proposed Northern State Power (NSP) merger as well as a number of PUC cases on review in the appellate courts. Given the 1996 Federal Telecommunications Act and the restructuring in the electric industry, the division anticipates it will face an increased number of court proceedings.

PLANNED RESULTS:

The Health and Licensing Program is committed to providing capable professional services to the agencies and boards in this section who depend upon the AGO for legal services. During F.Y. 1998-99, we will seek ways to maintain the high quality of our services, and further the public protection goals of our health-related clients, while using public moneys effectively.

- **Health** - For F.Y. 1998-99, the Health Division will:
 - Provide legal counsel to the Department of Health in its lead role of implementing the state's health reform effort while responding to a quickly changing health care market place and potential federal reforms which would lead to a further increase in the state's health care role;

1998-99 Biennial Budget

PROGRAM: Health and Licensing
AGENCY: Attorney General, Office of (AGO)
(Continuation)

- Enforce sanctions against nursing homes, hospitals and other health care facilities, and facility staff for conduct which jeopardizes the health and safety of residents and patients;
 - Provide input on how to maintain the integrity of the health facility regulatory program in light of impending reductions in federal funding;
 - Advise on issues involving contagious and communicable diseases such as AIDS, tuberculosis, Hepatitis B, including taking appropriate actions against disease carriers who, after being advised and counseled, nevertheless place others at risk;
 - Evaluate which contested case matters could be streamlined, thus eliminating some of the need for duplicate advising attorney work;
 - Assist with planning a legally defensible public health response to new emerging diseases for which there are no known efficacious treatments or ways to limit transmission;
 - Work with the client to identify statewide health care legal issues which are more effectively addressed by a single counsel rather than separate legal counsel for a variety of state agencies;
 - Assist in implementing the administrative penalty order program to further streamline and facilitate the effective enforcement of environmental regulatory programs governing food and lodging establishments, asbestos and lead abatement, radiation control, and public water supply protection; and
 - Assist public health education efforts, such as the department's effective anti-smoking campaigns.
- **Licensing and Investigations** - In F.Y. 1998-99, the Licensing and Investigations Division expects to emphasize the following matters:
- Promote a legislative package which will expedite the contested case process by imposing time requirements, requiring Alternative Dispute Resolution (ADR) prior to trial, and making more of the process public.
 - Redefine the obligation of licensees and others to comply with board-issued subpoenas so that the ever increasing number of subpoena challenges can be reduced and handled in a more expedited fashion.
 - Develop a case management system which will enable the investigations division to forecast and plan for potential backlogs.
- During the past 15 months, the division reduced a backlog of cases from 330 to 180. In addressing that backlog, the division dramatically increased the turnaround time for investigators. Now case management reports give the division the ability to predict the anticipated length of time it takes to complete investigations. These benchmarks will enable the AGO and its clients to make more appropriate cost projections and will serve as a way to evaluate turnaround time for cases that fall outside the parameters.
- Develop benchmarks for resolution of complaints and contested cases, similar to the benchmarks already developed for investigations.
 - Double the number of cases where we attempt to use alternative dispute resolution techniques to resolve a matter prior to filing a contested case.
 - Work with staff of the boards so they can take on some of the responsibilities involving order drafting and records collection, freeing our investigators and legal staff to focus on high-level

investigations, contested cases, and other complex disciplinary legal issues.
Reduce attorney time involved in contract review and Rule making matters by shifting some of these responsibilities to legal assistants and/or board staff.

BUDGET AND REVENUE SUMMARY:

The increasing aggressiveness of state agencies and boards on public health issues has generated significant work for the section. In addition, the section represents the Public Utilities Division which must deal with the increasingly complex world of telecommunications law.

To help manage the growth of legal services, the section has entered into 2 partner agreements: with the Department of Health and the Board of Medical Practice (BMP). Our experiences with BMP and the other 13 health related licensing boards has demonstrated the need for a separate contingent account which is large enough to finance unanticipated disciplinary contested cases. We are working with the Departments of Finance and Administration to structure a mechanism that can spread the risk of such judgments among similarly situated agencies, a method of cash flowing payments over several years and other issues encountered in certain very expensive cases.

If the federal government or the Minnesota Legislature enact major health care reform legislation, the activities of the section will rise dramatically. Whether that happens in F.Y. 1998-99 or later, these issues are comparable in size and legal scope to welfare reform, and will therefore require significant amounts of legal services.

1998-1999 B I E N N I A L B U D G E T
(DOLLARS IN THOUSANDS)

AGENCY: ATTORNEY GENERAL
PROGRAM: HEALTH & LICENSING
ACTIVITY: HEALTH & LICENSING

ACTIVITY SUMMARY	FY 1996	Est. FY 1997	FY 1998			FY 1999		
			Base Level	Agency Request	Governor Recomm.	Base Level	Agency Request	Governor Recomm.
=====	=====	=====	=====	=====	=====	=====	=====	=====
EXPENDITURES:								

DETAIL BY CATEGORY:								
STATE OPERATIONS:								
PERSONAL SERVICES	2,698	3,860	3,896	3,913	3,896	3,947	3,998	3,947
OPERATING EXPENSES	246	553	568	568	568	583	583	583
TRANSFERS			<1,332>	<1,332>	<1,332>	<1,332>	<1,332>	<1,332>
=====	=====	=====	=====	=====	=====	=====	=====	=====
SUBTOTAL STATE OPERATIONS	2,944	4,413	3,132	3,149	3,132	3,198	3,249	3,198
=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL EXPENDITURES	2,944	4,413	3,132	3,149	3,132	3,198	3,249	3,198
=====	=====	=====	=====	=====	=====	=====	=====	=====
AGENCY REQUEST ITEMS:		FUND						
-----		-----						
TECHNICAL REALLOCATIONS		GEN		<16>			<16>	
COMPENSATION INCREASES UNDERFUNDING		GEN		5			10	
COMPENSATION INCREASES UNDERFUNDING		SGS		28			57	
=====		=====	=====	=====	=====	=====	=====	=====
TOTAL AGENCY REQUEST ITEMS				17			51	
=====								
EXPENDITURES BY FUND:								

DIRECT APPROPRIATIONS:								
GENERAL	126	943	772	761	772	792	786	792
STATE GOVERNMENT SPECIAL REVENUE	2,818	2,910	1,800	1,828	1,800	1,846	1,903	1,846
STATUTORY APPROPRIATIONS:								
GENERAL		560	560	560	560	560	560	560
=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL EXPENDITURES	2,944	4,413	3,132	3,149	3,132	3,198	3,249	3,198
=====	=====	=====	=====	=====	=====	=====	=====	=====
REVENUE COLLECTED:								

DEDICATED:								
GENERAL		560	560	560	560	560	560	560
=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL REVENUES COLLECTED		560	560	560	560	560	560	560
=====	=====	=====	=====	=====	=====	=====	=====	=====

1998-1999 B I E N N I A L B U D G E T
(DOLLARS IN THOUSANDS)

AGENCY: ATTORNEY GENERAL
PROGRAM: HEALTH & LICENSING
ACTIVITY: HEALTH & LICENSING

			FY 1998			FY 1999		
ACTIVITY SUMMARY	FY 1996	Est. FY 1997	Base Level	Agency Request	Governor Recomm.	Base Level	Agency Request	Governor Recomm.

FTE BY EMPLOYMENT TYPE:								
REGULAR	55.1	72.7	74.1	74.1	74.1	74.1	74.1	74.1
TEMP/SEAS/PART_TIME	.6	.6						
=====								
TOTAL FTE	55.7	73.3	74.1	74.1	74.1	74.1	74.1	74.1

1998-99 Biennial Budget Agency Budget Brief (\$ in thousands)

Agency: Secretary of State

Fund: General

Summary of Agency Actions:

	<u>F.Y. 1998</u>	<u>F.Y. 1999</u>	<u>F.Y. 98-99</u>
<u>BASE-YEAR (F.Y. 1997)</u>			
Appropriations (F.Y. 1997)	\$5,573	\$5,573	\$11,146
<u>BASE ADJUSTMENT</u>			
Biennial Appropriation	18	-0-	18
Biennial Appropriation	(94)	(1)	(95)
1998-1999 Salary Inflation	73	150	223
DOC. Space Rent/Lease Increase	2	2	16
<u>BASE LEVEL (for 1998 and 1999)</u>	\$5,577	\$5,731	\$11,308
<u>AGENCY DECISION ITEMS</u>			
Smart System	140	-0-	140
US Postal Service Change of Address	10	15	25
World Wide Web Information	97	12	109
Voter Information Telephone Line	17	125	142
US Supreme Court Costs & Fees	250	-0-	250
Upgrade Map Plotting Equipment	12	5	17
<u>AGENCY PLAN (for 1998 and 1999)</u>	\$6,103	\$5,888	\$11,991
<u>GOVERNOR'S INITIATIVES</u>			
Sustainable Growth Initiative	315	315	630
GOVERNOR'S RECOMMENDATIONS	\$5,892	\$6,046	\$11,938

Brief Explanation of Agency Plan:

The plan calls for a base reduction of \$93,000 for printing of the "Minnesota Legislative Manual", and a reduction of \$1,000 each year for per diem for Presidential Electors. The base includes an increase of \$18,000 for the Election Judge Training Video. The Legislative Manual is printed every other year and the Election Judge Training Video is produced every other year.

The plan includes a base increase for salary inflation, F.Y. 1998, \$73,000 and F.Y. 1999, \$150,000 and rent increases, F.Y. 1998, \$7,000 and F.Y. 1999, \$9,000.

The agency decision items include: expand information on the World Wide Web; design a "Smart System" for our telephone information system; pay court costs and attorney fees assessed as a contingent on a negative decision in an appeal before the U.S. Supreme Court; implement a voter information telephone line; implement an interface between the voter registration system and the U.S. Postal Service; and upgrade our district map equipment and cover the increases to the equipment licensing and maintenance fees.

Revenue Summary:

None.

Affected Statutes:

- M.S. 204B.27, subdivision 8.

GOVERNOR'S RECOMMENDATION:

Historically, the courts, the legislature, and other constitutional officers have departed from executive branch budget guidelines and have not fully participated in the executive branch budget process. The Governor respects this separation of powers and the desire of other elected state officials to independently present their budget requests directly to the legislature. However, the Governor is required by law to submit a balanced budget to the legislature, and therefore it is necessary to identify funding for those offices as part of preparing a total, balanced budget.

The Governor is firmly committed to fiscal stability, meaning that spending cannot grow at a greater rate than resources. Therefore, the Governor recommends that the budgets of the courts, the Public Defender, constitutional officers and the legislature grow no more than the rate of growth in General Fund revenues. General Fund revenues for 1998-99 are projected to grow by 7.7% over the current biennium, and the Governor recommends funding increases equal to that growth.

For the Office of the Secretary of State, this amounts to a biennial increase of \$853,000. This increase less \$223,000 for salary inflation amounts to \$315,000 annually and has been placed in the Administration Activity for illustrative purposes only.

The Governor makes no recommendation regarding the specific initiatives put forward by the Office of the Secretary of State.

AGENCY: Secretary of State

AGENCY DESCRIPTION:

The Secretary of State serves as the chief election official of the state of Minnesota, where she has a primary responsibility for insuring that elections are administered and conducted in a fair and impartial manner in accordance with the constitutional and statutory requirements of the state.

The office is responsible for maintaining a statewide computer network connecting all 87 county courthouses linking the records of all registered voters, all uniform commercial code and farm lien transactions and all state and county election results. Minnesota was the first state in the nation with a centralized and on-line statewide computer network which provides Minnesota counties with equal access to business, financial and farm lien transaction processing. The office also assists state and county officials in conducting elections and provides timely reporting of election results at the state level as each precinct is reported to their county auditor.

The Office of the Secretary of State is the official repository for all public documents of the state. It accepts for filing information on all businesses operating in Minnesota and disseminates information to a wide client group including legislators, the general public, business and legal communities, election administrators, national and local press and other governmental entities.

The office values its empowered, productive employees as the most important resource in providing accurate, professional and efficient services in an appropriate and unbiased manner.

The Office of the Secretary of State is organized into one program: Secretary of State; and 3 budget activities: Administration, Operations and Elections.

I. SECRETARY OF STATE:

A. Administration:

- Office of the Secretary
 - Administrative Services
 - Fiscal Operations
 - Human Resources

B. Operations:

- Uniform Commercial Code
- Business Services
- Information Services
 - Computer Services
 - Public Information (Direct Access)
 - Records Processing

C. Elections:

- Open Appointments
- Public Information
- Official Documents

AGENCY ISSUES:

The record number of corporate downsizings, mergers and job layoffs; increasing concern with reducing the federal deficit and a general dissatisfaction with the responsiveness of government to the everyday concerns and priorities of its citizenry has led to an increasing demand for reductions in taxes. Policymakers have reduced government spending at a time when the demand for services is at an all time high, requiring governmental service providers to continue to find ways to reduce the total public cost of providing services without reducing access and product quality.

Increase in public information inquiries: The volume of telephone calls to our public information lines is steadily and significantly increasing. Calls answered average between 1000 and 1200 per day and are expected to increase by 30% in F.Y. 1997 and by 20% each succeeding year. Callers need and expect immediate and correct information; thus, our telephone specialists require direct and immediate access to data.

Increase in business filings: The trend in the volume of business filings continues inexorably upward, with over 100,000 filings accepted in this area during the last biennium. A growing workload for the division is indicated for the biennium. Growth in the workload is not tied to overall economic fortunes, as entrepreneurial business start-ups increase during periods of downsizing by private sector employees.

Increasing complexity of election administration: The administration of elections in Minnesota is becoming more complex, as additional election laws are passed and computer technology is applied to such areas as voter registration and the counting of ballots. The result to the Office of the Secretary of State is an increasing need for technical assistance, more election administration challenges, and the need to develop more sophisticated training materials for local election officials.

Declining interest in the political process: Public interest in the political process has been declining. This is particularly manifested in a decrease in the number of citizens voting in elections. This national trend is reflected in low voter turnout in Minnesota, as well as throughout the United States. Failure to reverse this trend has long-term consequences for the future of our democratic form of government. As elected officials seek to reverse this trend, we must begin to consider the potential for fundamental changes in election laws that will be required as we re-think access issues and the way in which we conduct elections today. These changes will impact directly on the way the Office of the Secretary of State carries out its responsibilities and conducts its work.

AGENCY STRATEGIES:

The Office of the Secretary of State is committed to making resources and quality services accessible to our many customers in a cost effective, efficient, and courteous manner. We provide information on accessing our services and respond to information requests from: accountants, attorneys, legislators, political candidates, financial institutions, law firms, grain elevator operators, small business owners, corporate CEO's, the general public, and other state and federal governmental units.

The office has completed and biennially updates a strategic planning process which involves all staff, customer surveys and a number of customer focus groups. The office has successfully refined and will continue to clarify its mission and purpose, employee roles and responsibilities for implementing the mission and the development of implementation strategies to achieve both the organizational vision and the legislatively mandated responsibilities of the office.

The primary goals of the office for the 98-99 biennium are:

To maintain improved customer service in order to respond to our customers' needs in a timely, accurate and cost effective manner. This has and will continue to be accomplished by asking our

1998-99 Biennial Budget

AGENCY: Secretary of State
(Continuation)

varied customer groups through surveys, focus groups, and other direct interaction how we can improve services provided by this office. They will also be asked how we can provide more meaningful and better quality services and products. In the most recent customer focus groups and surveys (3/96), our customers responded that they wanted the ability to do business through electronic interchange; the ability to pay for services through automated clearing house (ACH) and credit card accounts; and the ability to access forms and other information through the Internet and a 24-hour fax forms library.

To increase the productivity of secretary of state employees so that the taxpayers of Minnesota do not experience a reduction in service as a result of budget reduction or staff downsizing. This will be accomplished by continuing to involve line staff, the persons closest to the work, in work flow analysis of tasks they are responsible for performing. This will enable them to determine how those tasks can best be restructured, refined and automated so that they can be performed more efficiently, and unnecessary steps can be eliminated.

To reduce the cost of providing mandated services to the citizens of the state of Minnesota in order to meet the statutory mandates within the budgetary limits of the office's appropriation. This will be accomplished by continuing to evaluate, and where appropriate, elimination of some non-mandated services, partnering with other state agencies to deliver services, and examining the use of new technology.

The increased demand and popularity of new technology was evidenced in the 1996 election year with the insertion of a Secretary of State page on the World Wide Web, which experienced approximately 37,000 hits for the period July 1 through 11-6-96. Minnesota voters had the opportunity to access candidate lists, and primary and general election results. In addition to elections data, the Web site currently includes a listing of Open Appointment positions available and information about the Business Services and Uniform Commercial Code divisions' filings, fees and statistics.

The work processes of each section continue to be examined on an ongoing basis through section work flow analysis. Redundant tasks have been eliminated, simplified and restructured; and work loads have been redistributed without compromising the quality of service delivered to the customers of the office and within the office budget allocation.

The office budget priorities are tied to the priorities identified in our 5-year strategic plan:

- **improving the quality**, sophistication, and level of service provided to our customers;
- **increasing the productivity** of our employees by integrating technology into every aspect of the work process; and
- **reducing the cost of providing mandated services** to our customers by partnering with other agencies and units of government like Hennepin County, the Minnesota Department of Revenue, the Internal Revenue Service and the Minnesota Department of Agriculture to deliver services. The office has also taken advantage of new technology like teleconferencing, desk top publishing and in-house production of publications, and the computerization of work processes to lower the cost of training county auditors and other election officials.

REVENUE SUMMARY:

In the budget, Departmental Earnings fees contribute over \$17 million per biennium.

The Departmental Earnings fees include the following:

- **Business Services Fees:** Including statutorily set fees to file documents for domestic, foreign and nonprofit corporations; cooperatives; limited partnerships; trademarks; assumed names; limited liability companies, limited liability partnerships and related documents.
- **Public Information Fees - Voter Registration:** Fees from the sale of lists of registered voters.
- **Election - Nominating Fees:** Filing fees for individuals who run for public office.
- **Records Processing Fees:** Annual/biennial report/registration fees and reinstatements, legal newspaper registrations and renewals of assumed names.
- **Surcharge Fees:** Surcharge fee on UCC filings and farm liens.
- **Uniform Commercial Code Fees:** Filing fees for UCC documents, farm liens, state and federal tax liens, certified copies, good standing and notary certificates.

Revenues generated by the Office of the Secretary of State for the previous biennium (F.Y. 1996-97) will exceed the dollars appropriated to our agency by an estimated \$2,988,000.

The agency does not propose any fee changes for the next biennium.

SUMMARY OF BUDGET REQUEST:

An appropriation of \$97,000 is requested in F.Y. 1998 and \$12,000 in F.Y. 1999 to expand the office information and technological opportunities available through the World Wide Web.

An increase of \$140,000 is requested in F.Y. 1998 to design and implement a "Smart System." This is an automated computer system which would allow our telephone specialists to access information by entering "key words" which direct the computer to immediately pull up the information a customer requests. Implementation of this system will enable the office to serve more customers without having to add staff by increasing the speed with which information can be accessed and relayed by our telephone specialists. In addition, the increased speed to reply will increase customer satisfaction with this service.

An appropriation in the amount of \$250,000 is requested for the F.Y. 1998-99 biennium to pay contingent court costs and attorney fees that are assessed against the state as a contingent on a negative decision of the U.S. Supreme Court in *McKenna et al v. Twin Cities Area New Party*. This is an appeal of the decision of the 8th U.S. Court of Appeals from January, 1996 in which the state law that prohibited candidates from seeking the nomination of more than one political party was declared unconstitutional.

An increase of \$142,000 is requested for the F.Y. 1998-99 biennium to implement the voter information telephone line authorized by M. S. 204B.27, subd. 8. This would enable voters to obtain information on the names of candidates appearing on the ballot, voter registration, absentee voting and polling place locations. This service would be available to the voters on a toll-free basis during the period immediately before the state primary through the subsequent state general election.

1998-99 Biennial Budget

AGENCY: Secretary of State
(Continuation)

An increase of \$25,000 is requested for the F.Y. 1998-99 biennium to implement an interface between the statewide voter registration system and the US Postal Service National Change of Address system. This interface would result in more accurate voter records by incorporating address changes into voter records as they are reported to the Postal Service. This activity will protect the integrity of the voter registration system and make lists of voters used for campaign purposes more accurate, reducing the costs of conducting election campaigns.

An increase of \$17,000 is requested for the F.Y. 1998-99 biennium to upgrade the map plotting equipment and to cover increases in annual equipment licensing and maintenance costs resulting from the increased demand for election district maps and the increasing number of municipal and precinct boundary changes.

GOVERNOR'S RECOMMENDATION:

Historically, the courts, the legislature, and other constitutional officers have departed from executive branch budget guidelines and have not fully participated in the executive branch budget process. The Governor respects this separation of powers and the desire of other elected state officials to independently present their budget requests directly to the legislature. However, the Governor is required by law to submit a balanced budget to the legislature, and therefore it is necessary to identify funding for those offices as part of preparing a total, balanced budget.

The Governor is firmly committed to fiscal stability, meaning that spending cannot grow at a greater rate than resources. Therefore, the Governor recommends that the budgets of the courts, the Public Defender, constitutional officers and the legislature grow no more than the rate of growth in General Fund revenues. General Fund revenues for 1998-99 are projected to grow by 7.7% over the current biennium, and the Governor recommends funding increases equal to that growth.

For the Office of the Secretary of State, this amounts to a biennial increase of \$853,000. This increase less \$223,000 for salary inflation amounts to \$315,000 annually and has been placed in the Administration Activity for illustrative purposes only.

The Governor makes no recommendation regarding the specific initiatives put forward by the Office of the Secretary of State.

1998-1999 B I E N N I A L B U D G E T
(DOLLARS IN THOUSANDS)

AGENCY: SECRETARY OF STATE
PROGRAM: SECRETARY OF STATE

ACTIVITY RESOURCE ALLOCATION:	FY 1996	Est. FY 1997	FY 1998			FY 1999		
			Base Level	Agency Request	Governor Recomm.	Base Level	Agency Request	Governor Recomm.
ADMINISTRATION	752	892	840	1,327	1,155	861	873	1,176
OPERATIONS	5,692	5,026	4,737	4,737	4,737	4,793	4,793	4,793
ELECTIONS	418	584	474	513	474	556	701	556
TOTAL EXPENDITURES BY ACTIVITY	6,862	6,502	6,051	6,577	6,366	6,210	6,367	6,525
AGENCY REQUEST ITEMS:		FUND						
SMART SYSTEM FOR THE PHONES		GEN		140				
US POSTAL SERVICE INTERFACE		GEN		10			15	
WORLDWIDE WEB		GEN		97			12	
VOTER INFORMATION PHONE LINE		GEN		17			125	
COURT COSTS US SUPREME COURT		GEN		250				
UPGRADE MAP PLOTTING EQUIP. & ANNUAL FEE		GEN		12			5	
TOTAL AGENCY REQUEST ITEMS				526			157	
GOV'S INITIATIVES:		FUND						
(B) SUSTAINABLE GROWTH INITIATIVE		GEN			315			315
TOTAL GOV'S INITIATIVES					315			315
EXPENDITURES BY FUND:								
DIRECT APPROPRIATIONS:								
GENERAL	6,414	5,777	5,577	6,103	5,892	5,731	5,888	6,046
STATUTORY APPROPRIATIONS:								
GENERAL	2	5	5	5	5	5	5	5
SPECIAL REVENUE	441	716	465	465	465	470	470	470
AGENCY	5	4	4	4	4	4	4	4
TOTAL EXPENDITURES	6,862	6,502	6,051	6,577	6,366	6,210	6,367	6,525
FTE BY EMPLOYMENT TYPE:								
REGULAR	62.6	73.1	73.1	73.1	73.1	73.1	73.1	73.1
TEMP/SEAS/PART_TIME	1.1	.4	.4	.4	.4	.4	.4	.4

1998-1999 B I E N N I A L B U D G E T
(DOLLARS IN THOUSANDS)

AGENCY: SECRETARY OF STATE
PROGRAM: SECRETARY OF STATE

ACTIVITY RESOURCE ALLOCATION:	FY 1996	Est. FY 1997	FY 1998			FY 1999		
			Base Level	Agency Request	Governor Recomm.	Base Level	Agency Request	Governor Recomm.
OVERTIME	.6							
TOTAL FTE	64.3	73.5	73.5	73.5	73.5	73.5	73.5	73.5

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1998-99 Biennial Budget Agency Level Revenue Summary

Agency: Secretary of State

REVENUE SOURCES:

The office generates both dedicated and non-dedicated revenue from fees charged to customers for statutorily required services provided by the office.

Non-dedicated revenue is generated through fees charged by the office for services rendered to the general public, specifically attorneys, accountants, financial institutions, buyers of farm products, small business owners, corporate officers, agents and service companies, other state and federal government units and political candidates. Funds collected are deposited in the Cambridge Deposit Fund and are projected to be \$17 million for F.Y. 1996-97. These revenues are generated by the filing of documents that establish corporations and other business entities in Minnesota, by requests for the copying and authentication of documents filed in the office, through filing fees for the filing of financing statements and other documents under the Uniform Commercial Code, and fees charged for filing for political office and voter registration lists.

Direct Access, a 24-hour view only of Business Services and UCC databases, generates revenue through services provided pursuant to subscription agreements with citizens, private businesses, the Internal Revenue Service, as well as state agencies through inter-agency agreements. Revenue generated from these subscription agreements is deposited in the Special Revenue Funds and is estimated to be \$874,000 for F.Y. 1996-97.

FEE STRUCTURE:

Minnesota Statutes require the Secretary of State to collect fees before providing particular filing and recording services to customers. These fees are all set by statute.

RECENT CHANGES:

The net revenue streams generated for the state as a result of activities by the Secretary of State have been steadily increasing in recent years, especially with respect to filings establishing or updating business records as shown by the actual and projected statistics in this budget narrative. Each increase in the volume of business filings increases the revenue raised by the office.

FORECAST BASIS:

The office anticipates that the majority of non-dedicated revenues streams will continue to increase as a result of continuing increases in business filings, authentication and copy requests and UCC filings with a total net increase in non-dedicated revenue during the biennium.

1998-1999 B I E N N I A L B U D G E T
(DOLLARS IN THOUSANDS)

AGENCY: SECRETARY OF STATE

SUMMARY OF AGENCY REVENUES	FY 1996	Est. FY 1997	FY 1998			FY 1999		
			Forecast	Agency Request	Governor Recomm.	Forecast	Agency Request	Governor Recomm.
=====	=====	=====	=====	=====	=====	=====	=====	=====
NON-DEDICATED REVENUE:								

DEPARTMENTAL EARNINGS:								
CAMBRIDGE DEPOSIT FUND	8,521	8,460	8,822	8,822	8,822	9,347	9,347	9,347
TAXES:								
GENERAL	1							
=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL NON-DEDICATED RECEIPTS	8,522	8,460	8,822	8,822	8,822	9,347	9,347	9,347
DEDICATED RECEIPTS:								

DEPARTMENTAL EARNINGS:								
GENERAL	3	5	5	5	5	5	5	5
SPECIAL REVENUE	415	459	465	465	465	470	470	470
AGENCY		4	4	4	4	4	4	4
=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL DEDICATED RECEIPTS	418	468	474	474	474	479	479	479
=====	=====	=====	=====	=====	=====	=====	=====	=====
AGENCY TOTAL REVENUES	8,940	8,928	9,296	9,296	9,296	9,826	9,826	9,826

1998-99 Biennial Budget

BUDGET ACTIVITY: Administration
PROGRAM: Secretary of State
AGENCY: Secretary of State

ACTIVITY DESCRIPTION:

Administration provides centralized administrative and management support to office operating divisions by developing and directing the implementation of organizational policies providing management direction, fiscal services, human resources and training.

The Office of the Secretary of State is responsible for overall office policy and management systems development in order to insure that department resources are effectively and efficiently utilized. This office also coordinates legal activity with the Office of the Attorney General and provides support to the secretary in the areas of the State Canvassing Board, Executive Council and State Board of Investment.

- **Administrative Services** is responsible for ensuring that program roles and responsibility for accomplishing office mandates are clear, staff is adequately trained, and that accountability, productivity and program effectiveness can be accurately measured. Administrative services also provides and coordinates the office's management support services through the fiscal services section and the office of human resources.
- **Fiscal Services** is responsible for receipting and tracking all incoming revenue, handling all incoming mail, and providing the accounting, financial reporting, purchasing, payroll processing, accounts payable, and general accounting functions for the office. The section is responsible for approximately 300,000 money transactions totaling over \$16,000,000 each biennium. This unit ensures compliance with standard accounting principles, state and federal laws, rules, policies and guidelines for appropriate use of fiscal resources.
- **Human Resources** administers the office's human resources and labor relations program including recruitment, selection, classification, and compensation; benefits administration, affirmative action, training, health and safety. This office works to support management's maximum utilization of the human resources required to fulfill the mission and achieve the goals of the office.

BUDGET ISSUES:

The administration division has consistently delivered improved services. The division has computerized many fiscal processes including: customer refunds, receipting, receipt posting, deposit worksheets, account book ledgers, budget reports and annual spending plans. This has significantly restructured the way the work is done in the fiscal services and human resources sections.

- Improved access, timeliness, quality and accuracy of personnel transactions between the Department of Employee Relations and the Office of the Secretary of State after securing computer access to the personnel/payroll system.
- Computerized the many fiscal processes which were handled manually in prior years. This enables the office to better serve customers, save staff time, increase productivity and improve the work environment for the employees.

- Changed the office's programmatic budget structure to more closely align the appropriations and expenditures with the revised organizational structure. This has resulted in fewer accounts and reduced the number of transactions required by fiscal services.
- Consistently maintained the percentage of bills paid within 30 days at an average of 99% which exceeds the department of finance goal for the State of Minnesota thus reducing interest penalties for late payments and maintaining a positive relationship with vendors.
- Provided programs in the areas of: customer service phone skills training; election judge training; personal computer hardware and software training; LAN (Local Area Network) and WAN (Wide Area Network) information training; voter registration system user training; and election night reporting system training.

The following initiatives are requested:

- \$97,000 in F.Y. 1998 and \$12,000 in F.Y. 1999 to expand the office information and technological opportunities available through the World Wide Web.
- \$140,000 in F.Y. 1998 to design and implement a "Smart System." This is an automated computer system which would allow our telephone specialists to access information by entering "key words" which direct the computer to immediately pull up the information a customer requests. Implementation of this system will enable the office to serve more customers without having to add staff by increasing the speed with which information can be accessed and relayed by our telephone specialists. In addition, the increased speed to reply will increase customer satisfaction with this service.
- \$250,000 for the F.Y. 1998-99 biennium to pay contingent court costs and attorney fees that are assessed against the state as a contingent on a negative decision of the U.S. Supreme Court in *McKenna et al v. Twin Cities Area New Party*. This is an appeal of the decision of the 8th U.S. Court of Appeals from January, 1996 in which the state law that prohibited candidates from seeking the nomination of more than one political party was declared unconstitutional.

REVENUE:

None.

1998-1999 B I E N N I A L B U D G E T
(DOLLARS IN THOUSANDS)

AGENCY: SECRETARY OF STATE
PROGRAM: SECRETARY OF STATE
ACTIVITY: ADMINISTRATION

ACTIVITY SUMMARY	FY 1996	Est. FY 1997	FY 1998			FY 1999		
			Base Level	Agency Request	Governor Recomm.	Base Level	Agency Request	Governor Recomm.
EXPENDITURES:								
DETAIL BY CATEGORY:								
STATE OPERATIONS:								
PERSONAL SERVICES	658	752	779	779	779	800	800	800
OPERATING EXPENSES	94	140	61	548	376	61	73	376
SUBTOTAL STATE OPERATIONS	752	892	840	1,327	1,155	861	873	1,176
TOTAL EXPENDITURES	752	892	840	1,327	1,155	861	873	1,176
AGENCY REQUEST ITEMS:		FUND						
SMART SYSTEM FOR THE PHONES		GEN		140				
WORLDWIDE WEB		GEN		97			12	
COURT COSTS US SUPREME COURT		GEN		250				
TOTAL AGENCY REQUEST ITEMS				487			12	
GOV'S INITIATIVES:		FUND						
(B) SUSTAINABLE GROWTH INITIATIVE		GEN			315			315
TOTAL GOV'S INITIATIVES					315			315
EXPENDITURES BY FUND:								
DIRECT APPROPRIATIONS:								
GENERAL	752	892	840	1,327	1,155	861	873	1,176
TOTAL EXPENDITURES	752	892	840	1,327	1,155	861	873	1,176
FTE BY EMPLOYMENT TYPE:								
REGULAR	14.2	15.8	15.8	15.8	15.8	15.8	15.8	15.8
TEMP/SEAS/PART_TIME	.1							
OVERTIME	.3							
TOTAL FTE	14.6	15.8	15.8	15.8	15.8	15.8	15.8	15.8

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1998-99 Biennial Budget

BUDGET ACTIVITY: Operations
PROGRAM: Secretary of State.
AGENCY: Secretary of State

ACTIVITY DESCRIPTION:

The operations activities include:

1. **Uniform Commercial Code and Certification Division** manages the financing statements filed under the Uniform Commercial Code. These records contain information on collateral that has been pledged to secure loans and on state and federal tax liens. The division provides information on these records to the lending community for the purpose of determining loan agreements.

The division also provides the following services:

- certified copies and certificates of good standing for corporations, assumed names, limited partnerships, cooperatives, limited liability companies, limited liability partnerships, and trademarks;
- notary certificates and apostille certificates on Minnesota notaries public and public officials;
- the Central Notification System for Farm Product Liens, a computerized database of information on loans from lenders to farmers, was created by the 1992 Legislature. This system assists the agricultural lending community in the buying and selling of agricultural products.

The creation of the UCC statewide computer network and the upgrade of computer equipment for all 87 county recorders has enabled Minnesota to be a leader in centralized access to financing information.

BUDGET ISSUES:

The ongoing responsibility of providing photocopies and certified copies of Uniform Commercial Code and Business Services documents is a continuing challenge for this office. Nearly 300,000 copies of UCC and Business Services documents are generated each year from customer requests. The demand for information from our customers is increasing and the customer's need to have the information immediately available is becoming more difficult to achieve.

In the UCC division, there are 184 rolls of microfilm, increasing at the rate of 19.5 rolls of film each year. In the Business Services Division, there are 1,138 rolls of microfilm, increasing at a rate of 56 new rolls of film each year. In addition, approximately 280,000 microfiche are stored, increasing at the rate of over 30,000 new fiche each year.

PRODUCTIVITY MEASURES:

	<u>Act F.Y. 1996</u>	<u>Est F.Y. 1997</u>	<u>Est F.Y. 1998</u>	<u>Est F.Y. 1999</u>
UCC Records				
# of Doc. Processed	86,392	88,000	90,000	92,000
# of Days Processing Time	1	1	1	1

	<u>Act F.Y. 1996</u>	<u>Est F.Y. 1997</u>	<u>Est F.Y. 1998</u>	<u>Est F.Y. 1999</u>
UCC Searches				
# of Req. Processed	12,630	13,000	13,600	14,000
# of Copies Generated	62,922	64,000	66,000	68,000
# of Days Processing Time	3	1	1	1

Tax Liens				
# of Doc. Processed	3,573	3,625	3,700	3,775
# of Days Processing Time	1	1	1	1

Certification/Certified				
# of Req. Processed	40,746	45,000	52,000	60,000
# of Copies Generated	164,000	165,000	166,500	168,000
# of Days Processing Time	1	1	1	1

Central Notification Sys-				
# of Doc. Processed	1,298	1,250	1,200	1,190
# of Total Reg. Buyers	435	450	475	500
# of Days Processing Time	1	1	1	1

2. **Business Services Division** reviews, approves and files articles of incorporation, other organizing documents and amendments for all business, nonprofit, foreign, banking, insurance and professional corporations, cooperatives, limited partnerships, limited liability partnerships, and limited liability companies formed or doing business in the state. It also records trademarks and assumed business names. The division is the agent of substituted service of process on corporations and other business entities and holds a copy of the original land survey records of the state.

BUDGET ISSUES:

The trend in the volume of business filings continues inexorably upward, with over 100,000 filings accepted in this area during the last biennium. The accompanying table shows recent statistics for the major record series. A growing workload for the division is indicated for the biennium. Growth in the workload is not tied to overall economic fortunes, as entrepreneurial business start-ups increase during periods of downsizing by private sector employers.

F.Y. 1997 continues the growth trend in the number of transactions accepted by the division. All - time records for new business incorporations were set during each of the past 2 years. The actual number of documents accepted by the office was almost 10% greater than the projections for the 1996-97 biennium made during the last budget process. The legislature added a new record series, the limited liability partnership, to the filing duties of the division in the last biennium, adding to the growth of the established record series. Other new business types are also in development by the private sector and may be assigned to the division. The accompanying table shows only the number of filings actually accepted and does not reflect those documents presented more than once because of a need to obtain additional information from the customer before the documents could be processed. This occurs in approximately one-sixth of all filings.

The division is investigating ways to provide better customer service through the acceptance of documents via electronic transmission, fax and other automated means that would provide faster delivery to and confirmation from the division of filed documents.

1998-99 Biennial Budget

BUDGET ACTIVITY: Operations
PROGRAM: Secretary of State
AGENCY: Secretary of State
 (Continuation)

Each fiscal year the division serves over 50,000 customers, including 15,000 telephone inquiries and approximately 10,000 customers at the public counter.

PRODUCTIVITY MEASURES:

	<u>Act F.Y. 1996</u>	<u>Est F.Y. 1997</u>	<u>Est F.Y. 1998</u>	<u>Est F.Y. 1999</u>
New Business Inc.	12,392	12,750	13,000	13,250
Corp. Amendments	14,251	14,000	14,000	14,250
Nonprofit Inc.	1,695	1,725	1,750	1,775
Foreign Corporations	1,856	1,900	1,950	2,000
Foreign Corp. Amendments	1,992	1,850	1,900	1,950
New Limited Partnerships	717	750	800	800
Assumed Name Cert.	15,474	15,750	16,000	16,500
Trademarks	1,185	1,350	1,300	1,300
Service of Process	1,302	1,250	1,250	1,250
Ltd Liability Companies	1,478	1,500	1,600	1,700
Ltd Liability Partnerships	1,009	1,050	1,100	1,200
Miscellaneous	<u>7,597</u>	<u>8,000</u>	<u>8,200</u>	<u>8,400</u>
TOTAL	60,948	61,875	62,850	63,875
 Average Filings Accepted per Staff	 17,937	 18,491	 18,816	 19,075
# of Days Processing Time	1	1	1	1

3. Information Services division is responsible for the computerized information management needs of the customer base of the Office of the Secretary of State. Customers include incumbents and candidates for political office, the legal and financial communities, Minnesota's county auditors and county recorders and the general public. In addition to capturing and disseminating information, this division provides direct access to major databases.

The Information Services Division includes:

■ **Computer Services** section which provides computer programming support and manages all electronic data storage of information gathered by other divisions and sections of the Office of Secretary of State; voter registration information maintained by Minnesota county auditors and uniform commercial code system maintained by Minnesota county recorders. These databases are:

- Voter Registration System
- Election Reporting System
- Business Services System
- Uniform Commercial Code (UCC) System
- Central Notification System for Farm Product Liens

Customers include the staff of the Office of Secretary of State; state senators, state representatives, and other elected officials in the state of Minnesota; county auditors, county recorders and election officials from all 87 counties; agents of other governmental agencies, such as Department of Revenue, Bureau of Criminal Apprehension, Department of Agriculture, Department of Transportation, Iron Range Resources and Rehabilitation Board, Pollution Control Agency and Internal Revenue Service; and, through our direct computer access project, over 425 government agencies, private businesses and citizens in mid F.Y. 1997.

PRODUCTIVITY MEASURES:

- Development and installation of new computer equipment in all 87 county auditor and recorder offices.
- Implemented an electronic transfer of tax liens from the IRS to all 87 Minnesota counties.
- Mainframe upgrades to new software levels.
- Upgrade of office LANs and PCs to meet the demands of the office.
- Implemented absentee ballot module into the voter registration application.
- Maintained and enhanced existing applications software.
- Implemented an electronic file transfer system which enables the Department of Public Safety to electronically transmit voter registrations (Motor Voter).
- Partner in the Telecommunications Demonstration Project in Sibley and Clay Counties.

4. Public Information section disseminates information on businesses registered in the state of Minnesota, UCC filings, election information and registered voters. The section's information specialists use a state-of-the-art telephone system which automates routine information and enables operators to increase the number of callers served, therefore ensuring excellent customer service and satisfaction. The section provides this information over the public information telephone line system and on paper, labels, diskettes, cartridges and 9-track tapes.

The Public Information Section has a primary responsibility for:

- Dispensing accurate information maintained in the office's databases to the general public. The section has four full-time telephone specialists and receives an average of 1,000 to 1,200 requests each day.
- Providing forms by mail and fax to customers interested in registering articles of incorporation, assumed names, limited partnerships, cooperatives and trademarks.
- Providing on-line view-only access to major databases maintained by the office to over 400 Direct Access subscribers. This access is available for a fee to law firms, banks, service companies, government agencies and the general public.
- Providing information on registered voters. This information can only be used for elections, political activities or law enforcement.
- Providing election results. This information is compiled by precinct in the legislative district and county in which they appear. Offices included are president, U.S. senator, U.S. representative, state senator, state representative and constitutional amendments.
- Creating customized lists and providing daily logs created from the business records database. The section can develop manual lists from data currently available in various formats at the customer's request, or provide the entire business records databases. All information is available so that customers who desire this information can obtain it in an efficient and meaningful format. Turnaround time for business lists is 48 hours from the time the request is received. Turnaround time for voter registration information is approximately 2 to 4 days.

1998-99 Biennial Budget

BUDGET ACTIVITY: Operations
PROGRAM: Secretary of State
AGENCY: Secretary of State
 (Continuation)

BUDGET ISSUES:

The volume of telephone calls to our public information lines is steadily and significantly increasing. Calls received average between 1,000 and 1,200 per day and are expected to increase by 30% in F.Y. 1997 and by 20% each succeeding year. Callers need and expect immediate and correct information; thus, our telephone specialists require direct and immediate access to data. The implementation of a "Smart System" would enable the office to serve more customers without having to add staff by increasing the speed with which information can be accessed and relayed by our telephone specialists. This is an automated computer system which allows our telephone specialists to access information by entering "key words" which direct the computer to immediately pull up the information a customer needs. The increased speed to reply will increase customer satisfaction with this service.

PRODUCTIVITY MEASURES:

	Act F.Y. 1996	Est F.Y. 1997	Est F.Y. 1998	Est F.Y. 1999
Records/Lists Sold				
VR Lists/Labels/Tapes	491	700	500	700
Log Printouts	1,740	2,000	2,000	2,000
Business Service Tapes	20	25	25	25
Business Services	791	800	900	1,000
Lists/Labels				
Direct Access (DA)				
Paid Subscribers	404	415	425	450
Business Information				
Lines				
Incoming Calls	280,000	375,000	450,000	540,000

5. **Records Processing** section provides data entry for all business and financial documents filed in the Office of Secretary of State. The section also ensures the accuracy and integrity of the UCC/Business Service database maintained by this office.

Records Processing section has a primary responsibility for:

- Ensuring the accuracy and integrity of the databases maintained by entering accurate data on a daily basis into the computer system on domestic, foreign and nonprofit corporations, limited partnerships, assumed business names, limited liability companies, limited liability partnerships, business trusts, reservations of name, state and federal tax liens and uniform commercial code documents. The information is available to each of the 87 counties in the state.

- Filing annual registrations for foreign and domestic profit and nonprofit corporations and legal newspapers registered to do business in Minnesota. This section is also responsible for biennial registrations for all limited liability companies, both foreign and domestic.
- All statutory dissolutions of Minnesota domestic corporations that have failed to file a registration for a (3) year period, thus making more business names available to the public and providing a more accurate data base. The section also revokes certificates of authority to do business in Minnesota when a foreign corporation fails to file an annual registration.
- All administrative terminations of Minnesota domestic liability companies and all revocations of foreign limited liability companies that have failed to file the biennial registration for (2) consecutive filings periods, which also makes more business names available to the public and provides a more accurate data base.

PRODUCTIVITY MEASURES:

	Act F.Y. 1996	Est F.Y. 1997	Est F.Y. 1998	Est F.Y. 1999
Annual Registrations				
Domestic Corporations				
Filed	59,666	70,000	75,000	80,000
Rejected	12,043	7,000	7,000	7,000
Rejection Rate (%)	20%	19%	15%	15%
Statutory Dissolutions	7,357	7,000	7,500	7,700
Reinstated	461	500	550	600
Foreign Corporations				
Annual Registrations Filed	10,398	12,000	13,000	14,000
Fees in Excess of Minimum	\$683,120	\$700,000	\$725,000	\$750,000
Revocations	943	950	975	1,000
Nonprofit Corporations				
Filed	15,092	16,000	17,000	19,000
Rejected	1,299	1,500	1,575	1,600
Rejection Rate (%)	9%	9%	9%	9%
Legal Newspapers				
Filed	324	325	330	335
Rejected	10	10	10	10
Rejection Rate (%)	3%	3%	3%	3%
Renewals				
Assumed Names				
Due to Expire	9,541	9,537	9,262	10,467
Renewed	912	950	975	1,000

1998-99 Biennial Budget

This is accomplished by comparing the "Minnesota taxable net income" on the annual registration and Minnesota tax return forms.

BUDGET ACTIVITY: Operations
PROGRAM: Secretary of State
AGENCY: Secretary of State
 (Continuation)

	<u>Act F.Y. 1996</u>	<u>Est F.Y. 1997</u>	<u>Est F.Y. 1998</u>	<u>Est F.Y. 1999</u>
Trademarks				
Due to Expire	789	883	846	716
Renewed	207	220	225	230
Records - Data Entered				
Business Services	59,711	62,500	65,000	70,000
UCC	90,546	91,000	91,500	92,000
<u>Biennial Registrations</u>				
Domestic Limited Liability Companies (LLC)				
Filed	553	700	800	1,000
Rejected	104	130	150	200
Rejection Rate (%)	19%	19%	19%	19%
Admin. Terminations	n/a	100	150	200
Reinstated	n/a	5	10	20
Foreign Limited Liability Companies (LLC)				
Filed	32	35	38	50
Rejected	1	1	1	2
Rejection Rate (%)	3%	3%	3%	4%
Revocations	n/a	5	5	7
Reinstated	n/a	1	1	2

ACCOMPLISHMENTS OVER THE PAST 2 YEARS:

Changes were made to the foreign annual registration form which simplified the extension and filing process for the customer internally and externally, thus increasing customer satisfaction and staff productivity.

Forms were created to specifically outline the filing requirements for reinstating the certificate of authority to transact business in the State of Minnesota as a foreign corporation. As a result of this, corporations are filing all appropriate past and current annual registrations and fees due at the time of reinstatement.

Minnesota domestic annual registration forms and entry procedures were simplified to improve work processes and increase customer service.

Implemented a process to annually verify that the proper fees are being paid by foreign corporations.

1998-1999 B I E N N I A L B U D G E T
(DOLLARS IN THOUSANDS)

AGENCY: SECRETARY OF STATE
PROGRAM: SECRETARY OF STATE
ACTIVITY: OPERATIONS

ACTIVITY SUMMARY	FY 1996	Est. FY 1997	FY 1998			FY 1999		
			Base Level	Agency Request	Governor Recomm.	Base Level	Agency Request	Governor Recomm.
=====	=====	=====	=====	=====	=====	=====	=====	=====
EXPENDITURES:								

DETAIL BY CATEGORY:								
STATE OPERATIONS:								
PERSONAL SERVICES	1,562	1,990	1,953	1,953	1,953	1,998	1,998	1,998
OPERATING EXPENSES	4,130	3,034	2,782	2,782	2,782	2,793	2,793	2,793
=====	=====	=====	=====	=====	=====	=====	=====	=====
SUBTOTAL STATE OPERATIONS	5,692	5,024	4,735	4,735	4,735	4,791	4,791	4,791
PAYMENTS TO INDIVIDUALS		2	2	2	2	2	2	2
=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL EXPENDITURES	5,692	5,026	4,737	4,737	4,737	4,793	4,793	4,793
EXPENDITURES BY FUND:								

DIRECT APPROPRIATIONS:								
GENERAL	5,244	4,303	4,265	4,265	4,265	4,316	4,316	4,316
STATUTORY APPROPRIATIONS:								
GENERAL	2	5	5	5	5	5	5	5
SPECIAL REVENUE	441	716	465	465	465	470	470	470
AGENCY	5	2	2	2	2	2	2	2
=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL EXPENDITURES	5,692	5,026	4,737	4,737	4,737	4,793	4,793	4,793
REVENUE COLLECTED:								

DEDICATED:								
GENERAL	3	5	5	5	5	5	5	5
SPECIAL REVENUE		459	465	465	465	470	470	470
AGENCY		2	2	2	2	2	2	2
NONDEDICATED:								
CAMBRIDGE DEPOSIT FUND	8,520	8,395	8,818	8,818	8,818	9,267	9,267	9,267
=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL REVENUES COLLECTED	8,523	8,861	9,290	9,290	9,290	9,744	9,744	9,744
FTE BY EMPLOYMENT TYPE:								

REGULAR	42.5	50.3	50.3	50.3	50.3	50.3	50.3	50.3

1998-1999 B I E N N I A L B U D G E T
(DOLLARS IN THOUSANDS)

AGENCY: SECRETARY OF STATE
PROGRAM: SECRETARY OF STATE
ACTIVITY: OPERATIONS

			FY 1998			FY 1999		
ACTIVITY SUMMARY	FY 1996	Est. FY 1997	Base Level	Agency Request	Governor Recomm.	Base Level	Agency Request	Governor Recomm.
TEMP/SEAS/PART_TIME		.6						
OVERTIME		.3						
TOTAL FTE	43.4	50.3	50.3	50.3	50.3	50.3	50.3	50.3

1998-99 Biennial Budget

BUDGET ACTIVITY: Election Administration
PROGRAM: Secretary of State
AGENCY: Secretary of State

ACTIVITY DESCRIPTION:

The Election Division is responsible for the administration of the constitutional and statutory duties of the Secretary of State related to elections. The objectives of this activity are: to insure that elections are conducted honestly and fairly in conformance with the Minnesota election law; to provide Minnesota residents with an opportunity for meaningful public participation in government; to improve the efficiency of election administration; to ensure that government reflects Minnesota's population; and to facilitate community participation in government decision-making.

The division provides advice, guidance and information on election-related matters to 3,200 local election officials, 17,000 elected officials, 20,000 election judges and over 30,000 candidates for public office. The division is also responsible for supervision of elections for the Public Employees Retirement Association board of trustees and the Minnesota Indian Affairs Council. The division provides information on election-related matters to members of the legislature and legislative staff, other state agencies, the news media and the general public.

The following activities are also housed within the division:

Open Appointments is responsible for the administration of the Secretary of State's statutory responsibilities under the Open Appointments Act. The objective of this activity is to provide Minnesota residents with an opportunity for meaningful participation in government by making available to the public information on agencies seeking persons to serve on state councils, boards and commissions.

The division prepares an annual report to the governor and the legislature on the appointments made to state councils, boards and commissions under the Open Appointments Act, including those agencies voluntarily choosing to use the open appointments process. The division also prepares an annual report to the legislature on the budget and staffing of 207 state boards, councils and task forces. The division advertises vacancies on state councils, boards and commissions in the State Register once every month, inviting the public to apply for vacant positions. The division also prepares and mails a monthly listing of vacancies to over 1,100 persons. Division staff work with the governor's office and other appointing authorities in determining when vacancies will occur, processing applications and advising appointing authorities on the appointments process generally.

The division responds to questions about the open appointments process and on the status of specific appointments from appointing authorities, applicants, the news media and the general public.

Public Information is responsible for the preparation of official publications on elections and government in Minnesota for the general public. The objective of this activity is to provide the public with information about government in Minnesota and to facilitate and support public participation in government decision-making.

The division publishes the *Minnesota Legislative Manual*, which has served as the official record of state government since 1859; the *Minnesota Legislative Manual: Abridged Edition*, which is distributed for classroom use in the public schools; *Minnesota Election Results*, which records the results of the state primary and state general elections; and *Minnesota Elected Officials*, which is a compilation of all state, federal and county elected officials in Minnesota. Each is published biennially.

The division also prepares and distributes *Minnesota Voters Guides* for the precinct caucuses and the state elections, which are published and made available to the public electronically on the World Wide Web biennially. The division also makes this information available on request on audio cassettes and in Braille format for vision-impaired persons.

The division maintains a database of precinct and election district boundaries in Minnesota and prepares maps of the congressional, legislative, county commissioner and school district boundaries in the state, which are made available for sale to members of the legislature, election officials, candidates for public office and the general public.

Official Documents is responsible for the administration of the constitutional and statutory duties of the Secretary of State related to the preservation of official public documents. The objective of this activity is to facilitate public participation in government decision-making by providing free and ready access to official public documents.

The division is responsible for preservation of the following documents: bills signed into law by the governor, oaths of state elected and appointed officials, executive appointments, orders and proclamations of the governor, extradition orders, administrative rules adopted by state agencies and delegations of authority. Approvals of special laws by local governing bodies, municipal ordinances, official copies of the decennial census and other public documents are also preserved by the division.

The division responds to requests for information from government officials, the news media and from the general public concerning the status of official public documents. All official documents are made available for public inspection.

BUDGET ISSUES:

The following issues relate to the election administration activity of the division.

One of the goals in *Minnesota Milestones* is to increase the number of persons who participate in the election process. Access to information about the candidates and issues placed before the voters and about the voting process generally is critical in maintaining and increasing the number of persons who vote. It is important that this information be made available to the public in a cost-effective manner. As such, the use of computer network resources is an important strategy for the communication of election information to the voters.

An increase of \$142,000 is requested to implement the voter information telephone line authorized by M.S. 204B.27, subd. 8. This would enable voters to obtain information on the names of candidates appearing on the ballot, voter registration, absentee voting and polling place locations. This service would be available to the voters on a toll-free basis during the period immediately before the state primary through the subsequent state general election.

An increase of \$25,000 is requested to implement an interface between the statewide voter registration system and the US Postal Service National Change of Address system. This interface would result in more accurate voter records by incorporating address changes into voter records as they are reported to the Postal Service. This activity would protect the integrity of the voter registration system and make lists of voters used for campaign purposes more accurate, reducing the costs of conducting election campaigns.

The division will need to improve the quality and usefulness of official publications while recognizing that there has been and will likely continue to be declining resources available for this activity. The division will also need to prepare additional series of election district maps to meet the public demand for this information. Additional information will need to be made available to the public in a cost effective manner in electronic formats that are accessible to the public by computer networks.

1998-99 Biennial Budget

BUDGET ACTIVITY: Election Administration
PROGRAM: Secretary of State
AGENCY: Secretary of State
(Continuation)

An increase of \$17,000 is requested to upgrade the map plotting equipment and to cover increases in annual equipment licensing and maintenance costs resulting from the increased demand for election district maps and the increasing number of municipal and precinct boundary changes.

The division will need to make use of computer technology, especially optical disk storage, continue to provide ready access to an increasing number of public documents by an increasing number of people at a lower cost to the public.

1998-1999 B I E N N I A L B U D G E T
(DOLLARS IN THOUSANDS)

AGENCY: SECRETARY OF STATE
PROGRAM: SECRETARY OF STATE
ACTIVITY: ELECTIONS

ACTIVITY SUMMARY	FY 1996	Est. FY 1997	FY 1998			FY 1999		
			Base Level	Agency Request	Governor Recomm.	Base Level	Agency Request	Governor Recomm.
=====	=====	=====	=====	=====	=====	=====	=====	=====
EXPENDITURES:								

DETAIL BY CATEGORY:								
STATE OPERATIONS:								
PERSONAL SERVICES	258	309	323	323	323	330	330	330
OPERATING EXPENSES	160	273	149	188	149	224	369	224
=====	=====	=====	=====	=====	=====	=====	=====	=====
SUBTOTAL STATE OPERATIONS	418	582	472	511	472	554	699	554
LOCAL ASSISTANCE		2	2	2	2	2	2	2
=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL EXPENDITURES	418	584	474	513	474	556	701	556
=====								
AGENCY REQUEST ITEMS:		FUND						

US POSTAL SERVICE INTERFACE		GEN		10			15	
VOTER INFORMATION PHONE LINE		GEN		17			125	
UPGRADE MAP PLOTTING EQUIP. & ANNUAL FEE		GEN		12			5	
=====				=====			=====	
TOTAL AGENCY REQUEST ITEMS				39			145	
=====								
EXPENDITURES BY FUND:								

DIRECT APPROPRIATIONS:								
GENERAL	418	582	472	511	472	554	699	554
STATUTORY APPROPRIATIONS:								
AGENCY		2	2	2	2	2	2	2
=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL EXPENDITURES	418	584	474	513	474	556	701	556
=====								
REVENUE COLLECTED:								

DEDICATED:								
AGENCY		2	2	2	2	2	2	2
NONDEDICATED:								
CAMBRIDGE DEPOSIT FUND	1	65	4	4	4	80	80	80
=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL REVENUES COLLECTED	1	67	6	6	6	82	82	82

1998-1999 B I E N N I A L B U D G E T
(DOLLARS IN THOUSANDS)

AGENCY: SECRETARY OF STATE
PROGRAM: SECRETARY OF STATE
ACTIVITY: ELECTIONS

			FY 1998			FY 1999		
ACTIVITY SUMMARY	FY 1996	Est. FY 1997	Base Level	Agency Request	Governor Recomm.	Base Level	Agency Request	Governor Recomm.

FTE BY EMPLOYMENT TYPE:								

REGULAR	5.9	7.0	7.0	7.0	7.0	7.0	7.0	7.0
TEMP/SEAS/PART_TIME	.4	.4	.4	.4	.4	.4	.4	.4
=====								
TOTAL FTE	6.3	7.4	7.4	7.4	7.4	7.4	7.4	7.4

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1998-99 Biennial Budget

AGENCY: Board of Government Innovation and Cooperation

AGENCY DESCRIPTION:

The Board of Government Innovation and Cooperation facilitates improved quality and efficiency in the delivery of services by local governments. The members of the board include the state auditor, the commissioners of administration and finance, 2 administrative law judges, 3 state senators and 3 members of the house of representatives. The board's authorizing statutes are M.S. § 465.795 through M.S. § 465.88.

The board provides incentives to promote innovation and intergovernmental cooperation in the delivery of services by local governments. The board grants waivers from administrative rules, and exemptions from enforcement of procedural laws, enabling local governments to demonstrate more efficient and effective means of achieving specific service delivery outcomes. The board promotes locally-driven initiatives to consolidate local governments and provides financial assistance to help overcome fiscal barriers to consolidations that will yield long term cost savings. The board facilitates regional forums throughout the state - bringing together elected and appointed officials from counties, cities, townships and school districts to discuss opportunities for improved service delivery through intergovernmental cooperation and innovation.

The board is monitoring 67 pilot projects that have received grants from the board and 26 local initiatives that have received waivers and/or exemptions from the board. The board will actively encourage other local governments to replicate the successful pilot projects. When recipients of waivers and exemptions demonstrate that they are able to achieve desired outcomes more effectively or efficiently, the board will advocate that the rules and laws be amended to enable all local governments to take advantage of the improved process.

REVENUES:

None.

EXPLANATION OF AGENCY'S BUDGET PLAN:

For the 1996-97 biennium, the board received a \$2,000,000 appropriation (Laws of Minnesota, 1995, Ch.264, Art. 8, Sec. 25). Rider language directed that "at least 50% of the amount appropriated must be used to provide aids to cooperating and combining local government units under, M.S. sec. 465.87." In addition to the \$2,000,000 appropriation, the board received \$83,000 in funds carried forward from the 1994-95 biennium, and \$3,000 in salary supplement funds for small agencies.

Absent a change in law, \$306,000 of the Board's 1996-97 appropriation will cancel to the General Fund at the end of F.Y. 1997. While M.S. sec. 465.87 authorizes the board to approve aid to cooperating and combining local government units over a 4 year period of time, it does not specifically authorize carry forward of appropriations made to the board for this purpose.

The Board's 1998-99 budget plan includes:

- A base appropriation of \$2,000,000 for the biennium.

- \$15,000 in small agency operating expense adjustments.

With these resources, the Board will:

- Fund \$720,000 in competitive grants to local units of government.
- Use \$740,000 to fund existing Cooperation and Combination Aid grants to 5 pairs of government units that have agreed to combine. These 5 pairs of cities were awarded \$694,000 in the 1996-97 biennium.
- Award \$260,000 in new Cooperation and Combination Aid grants.
- Expend \$295,000 for the Board's salaries and operating expenditures.

The board's expenditure history and budget plan for the 1998-99 biennium is summarized in the following table.

	Dollars in Thousands			
	F.Y. 1996	F.Y. 1997	F.Y. 1998	F.Y. 1999
Salaries and Operating Expenditures	\$124	\$169	\$146	\$149
Currently Unallocated	-0-	29	-0-	-0-
Competitive Grant Awards	-0-	754	358	362
Existing Cooperation and Combination Aid Awards	273	421	421	319
Cooperation and Combination Aid to Cancel to General Fund	-0-	[306]	-0-	-0-
New Cooperation and Combination Aid Awards	-0-	-0-	81	179
Combination Planning Grants	<u>10</u> 407	<u>-0-</u> 1,373	<u>-0-</u> 1,006	<u>-0-</u> 1,009

GOVERNOR'S RECOMMENDATION:

The Governor concurs with the agency's plan.

1998-1999 B I E N N I A L B U D G E T
(DOLLARS IN THOUSANDS)

AGENCY: GOV'T INNOV & COOP BOARD
PROGRAM: GOVT INNOVATION & COOPERATION
ACTIVITY: GOVT INNOVATION & COOPERATION

ACTIVITY SUMMARY	FY 1996	Est. FY 1997	FY 1998			FY 1999		
			Base Level	Agency Plan	Governor Recomm.	Base Level	Agency Plan	Governor Recomm.
EXPENDITURES:								
DETAIL BY CATEGORY:								
STATE OPERATIONS:								
PERSONAL SERVICES	111	132	126	126	126	129	129	129
OPERATING EXPENSES	13	66	20	20	20	20	20	20
SUBTOTAL STATE OPERATIONS	124	198	146	146	146	149	149	149
LOCAL ASSISTANCE	283	1,175	860	860	860	860	860	860
TOTAL EXPENDITURES	407	1,373	1,006	1,006	1,006	1,009	1,009	1,009
EXPENDITURES BY FUND:								
DIRECT APPROPRIATIONS:								
GENERAL	407	1,373	1,006	1,006	1,006	1,009	1,009	1,009
TOTAL EXPENDITURES	407	1,373	1,006	1,006	1,006	1,009	1,009	1,009
FTE BY EMPLOYMENT TYPE:								
REGULAR	2.2	2.0	2.0	2.0	2.0	2.0	2.0	2.0
TOTAL FTE	2.2	2.0	2.0	2.0	2.0	2.0	2.0	2.0

STATE OF MINNESOTA - DEPARTMENT OF FINANCE
BIENNIAL BUDGET SYSTEM - BASE RECONCILIATION REPORT
BY SEC SEQ

AGENCY: GOV'T INNOV & COOP BOARD

	ALL FUNDS		GENERAL FUND		OTHER STATE FUNDS		FEDERAL FUNDS	
	F.Y.98	F.Y.99	F.Y.98	F.Y.99	F.Y.98	F.Y.99	F.Y.98	F.Y.99
F.Y.97 APPROPRIATIONS	1,000	1,000	1,000	1,000				
BASE ADJUSTMENTS								
1997 SALARY SUPPLEMENT TRANSF	2	2	2	2				
1998-99 COMPENSATION INFLATIO	3	6	3	6				
SMALL AGENCY S & E INFLATION	1	1	1	1				
SUBTOTAL BASE ADJ.	6	9	6	9				
BASE LEVEL	1,006	1,009	1,006	1,009				

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1998-99 Biennial Budget Agency Budget Brief (\$ in thousands)

Agency: Investment Board

Fund: General Fund

Summary of Agency Actions:

	<u>F.Y. 1998</u>	<u>F.Y. 1999</u>	<u>F.Y. 98-99</u>
<u>BASE-YEAR (F.Y. 1997)</u>			
Appropriations (F.Y. 1997)	\$2,093	\$2,093	\$4,186
<u>BASE ADJUSTMENT</u>			
1998-99 Compensation Inflation	68	150	218
Office Lease Increase	<u>2</u>	<u>4</u>	<u>6</u>
<u>BASE LEVEL (for 1998 and 1999)</u>	\$2,163	\$2,247	\$4,410
<u>AGENCY PLAN (for 1998 and 1999)</u>	\$2,163	\$2,247	\$4,410
GOVERNOR'S RECOMMENDATIONS	\$2,163	\$2,247	\$4,410

Brief Explanation of Agency Plan:

As of 6-30-96, SBI assets under management totaled \$31.4 billion. Of this total, 85% consists of retirement fund assets, all under external management. A critical piece of the Board's mission is evaluation, monitoring and selection of external managers. Approximately 15% of the assets entrusted to the Board are directly managed by SBI staff. SBI bills back the retirement and non-General Fund cash accounts through an indirect cost recovery assessment process each year.

Approximately 90% of the General Fund direct appropriation each fiscal year is recovered through this indirect cost recovery process. Hence, any appropriation increase to the Board results in a net cost increase to the General Fund of about 10%. Likewise, any reduction to the Board's direct appropriation level results in a net savings to the General Fund of 10%.

SBI met or exceeded each of its major investment benchmarks in the most recent 1, 3 and 5 year period. Post-retirement increases to statewide plan retirees exceeded 8.0% this year due to continued strong investment returns. The Board expects to continue at this high level of performance in the coming biennium.

The State Board of Investment has in the past absorbed compensation inflation costs without appropriation increases. Operating budget latitude has diminished as a result, however. The Board cannot absorb these costs in the 1998-99 biennium without serious adverse impacts on programs.

The Governor's budget includes \$18 million of new resources in the General Education Revenue program to allow restructuring of the asset allocation of the Permanent School Fund. This will enhance the long-term growth in fund principal and maximize future returns.

Revenue Summary:

- Total non-dedicated revenue for all funds (primarily retirement plans) in F.Y. 1997 is estimated at \$947 million.
- General Fund non-dedicated indirect recoveries in F.Y. 1997 are projected at \$1.8 million.

Affected Statutes:

None.

GOVERNOR'S RECOMMENDATION:

The Governor concurs with the agency's plan.

1998-99 Biennial Budget

AGENCY: State Board of Investment (SBI)

AGENCY DESCRIPTION:

The State Board of Investment (SBI) develops and implements investment policies and strategies for the state's retirement funds, trust funds and cash accounts. The statutory goal of the SBI is "to establish standards which will insure that state and pension assets...will be responsibly invested to maximize the total rate of return without incurring undue risk." (M.S. Sec. 11A.01).

The SBI, composed of 5 constitutional officers, provides investment management for the Basic Retirement Funds, the Post Retirement Fund, the Permanent School Fund, Environmental Trust Fund, Assigned Risk Plan, and the Supplemental Investment Fund. In addition, the SBI manages Invested Treasurer's Cash and approximately 50 other state cash accounts. On 6-30-96, assets managed by the board totaled \$31.4 billion.

The board retains an executive director, an internal investment management staff, and external investment managers to execute its policies. In performing its duties, the board is assisted by the Investment Advisory Council which is composed of 17 persons with investment and retirement fund expertise.

The SBI staff recommends strategic planning alternatives to the board and council and executes the board's decisions. The staff also provides internal management for the Permanent School Fund, the Environmental Trust Fund and State Cash accounts; closely monitors the performance of all external managers retained by the board; and reviews prospective investment vehicles for legislative consideration. The majority of the board's activity relates to investment of retirement funds (roughly 85%). Primary clients are the current and retired members of the three statewide retirement systems (PERA, TRA, MSRS). For cash accounts, the board's largest clients are the State Treasurer and the Department of Finance.

GOALS AND OBJECTIVES:

All activities of the board are governed by M.S. Ch.11A and Ch. 356A. To meet the goals established therein, the SBI must:

- Establish and periodically update the investment objectives, asset allocation and investment management structure for each of the funds.
- Seek and retain superior money managers to manage the assets of each fund.
- Monitor and evaluate investment performance to insure investment objectives are met.
- Assess developments in the broad financial markets and evaluate their potential impact on SBI operations and policies.
- Communicate its investment policies to clients and constituents.

Investment activity is divided into 2 major areas; externally managed and internally managed funds. Each concentration requires different strategies and investment vehicles.

External managed funds. Assets of the Basic Retirement Funds, Post Retirement Fund and the Supplemental Investment Fund (approximately 85% of the total) are under external management.

The Basic Retirement Funds invest the contributions of public employees and employers during the employees' years of public service. Approximately 255,000 public employees in 8 statewide retirement funds participate in the Basic Funds. The purpose is to function in a fiduciary capacity, investing pension contributions to provide sufficient funds to finance promised benefits at retirement.

The Post Retirement Fund contains the assets of over 82,000 retired public employees covered by the 9 statewide retirement plans. Upon retirement, money sufficient to finance fixed monthly annuities for the life of the retiree is transferred from the Basic Funds to the Post Fund. The Post Fund's main purpose is to ensure that each retiree's initially promised benefit is paid. The SBI must insure that assets transferred to the Post Retirement Fund generate sufficient returns to maintain promised benefits and to generate additional returns that will provide benefit increases to retired public employees.

F.Y. 1980 to F.Y. 1992 benefit increases were granted if investment realized earnings exceeded the statutory 5% required income. This formula, with its emphasis on current income, caused the asset allocation of the fund to be highly concentrated in fixed income securities. Since F.Y. 1993 benefit increases have been paid using a formula tied to the total rate of return of the fund. This change in formula will enable the asset allocation of the Post Retirement Fund to be more balanced and include a larger percentage of equities.

The Supplemental Investment Fund is a multi-purpose investment program that offers a range of investment options to state and local employees. It serves a wide range of participants and investment goals, and is, therefore, structured much like a family of mutual funds.

Internally managed funds. The SBI directly invests about 16% of the assets with which it is entrusted. This includes the assets of the Permanent School Fund, Environmental Trust Fund and all money in state cash accounts.

The Permanent School Fund is a trust fund created by the Minnesota State Constitution and designated as a long-term source of revenue for public schools. Income generated by the Permanent School Fund's assets is used to offset state school aid payments. The Fund's investment objectives have been influenced by the restrictive legal provisions under which its investments have been managed. Long run growth in Fund assets have been difficult to achieve without seriously reducing current spendable income and exposing the spendable income stream to unacceptable volatility. Currently the SBI maximizes current income by investing all the Fund's assets in fixed income securities.

The Environmental Trust Fund is a trust fund created by the State Constitution and designed to be a long-term source of revenue for funding environmental projects. The Fund's investment objectives are driven by the desire to generate current income which is used to finance a variety of projects proposed by the Legislative Commission on Minnesota Resources (LCMR). Currently the Environmental Trust Fund invested in a balanced portfolio of fixed income securities and a common stocks.

State Cash Accounts represent the cash balances in more than 400 separate accounts that flow through the Minnesota State Treasury. These accounts range in size from \$5,000 to over \$400 million, and are invested by SBI staff through 2 commingled short-term investment pools. The objectives of these pooled funds are to preserve capital, to provide a high level of current income and to meet the cash needs of state government without the forced sale of securities at a loss. The pools are expected to generate investment income equal to or greater than other money market-type funds.

WORKLOAD/EFFICIENCY MEASUREMENTS:

Statutes establish investment goals for the Basic and Post Retirement funds. In addition, the board has set more exacting standards for investment returns. The following pages demonstrate that long-term performance has generally exceeded both statutory requirements and the board's investment performance targets at the total fund level. Returns shown on the following pages are presented net of management fees and investment expenses.

1998-99 Biennial Budget

AGENCY: State Board of Investment (SBI)
(Continuation)

	F.Y. 1997 Earnings Est.	F.Y. 1996 Earnings	F.Y. 1995 Earnings
Permanent School	\$419	\$28.0 M	\$30.2 M
Environmental Trust	\$140	\$7.0 M	\$6.0 M
			\$31.0M
			\$4.6 M

SUMMARY OF INVESTMENT RESULTS

	6/30/96 Millions	Period Ending 6/30/96 1 Year (%)	Annualized 3 Years (%)	Annualized 5 Years (%)
Basic Funds:	\$13,146	18.8	12.0	13.0
Market composite		18.4	12.3	12.6
Median Fund		17.4	12.1	12.8
Inflation (CPI)		2.8	2.8	2.9
Actuarial assumption		8.5	8.5	8.5
Post Fund:	\$11,883	17.2	11.6	NA
Market composite		16.3	11.6	NA
Actuarial assumption		5.0	5.0	5.0
Benefit increase		6.5*	5.6	5.5
Inflation (CPI)		2.8	2.8	2.9
Supplemental Fund:				
Income Share	\$ 389	17.6	12.4	13.0
Median fund		17.4	12.1	12.8
Growth Share	\$ 157	24.6	15.6	15.6
Median pool		25.2	16.7	16.0
International Share	\$ 14	17.0	NA	NA
EAFE Index		13.4	NA	NA
Common Stock Index	\$ 96	25.5	16.8	16.2
Wilshire 5000		26.2	16.7	16.0
Bond Market	\$ 24	5.3	5.3	9.1
Lehman Aggregate		5.0	5.3	8.3
Money Market	\$ 50	5.8	4.9	4.6
91 Day T-Bills		5.4	4.7	4.4
Fixed Interest	\$ 69	6.7	NA	NA
Assigned Risk Plan	\$ 542	9.8	7.9	9.2
Market composite		9.5	7.6	8.9
State Cash Accounts				
Treasurer's Pool	\$3,704	5.7	4.8	NA
Trust Pool	\$ 131	5.9	5.0	NA
91 day T-bill		5.4	4.7	NA

* Estimate

BASIC RETIREMENT FUNDS
Market Value 6/30/96: \$ 13.146 Billion

	Period Ending 6/30/96 1 Year	Annualized 3 Years	Annualized 5 Years
Basic Funds	18.8%	12.0%	13.0%
Comparisons:			
Market Composite	18.4%	12.3%	12.6%
TUCS Median Fund	17.4%	12.1%	12.8%
Inflation (CPI)	2.8%	2.8%	2.9%
Actuarial Assumption	8.5%	8.5%	8.5%

The Basic Retirement Funds contain the assets of active employees in the 3 statewide retirement systems: MSRS, PERA, and TRA. The long term asset allocation targets of the portfolio on 6/30/96 were 60% stocks, 24% bonds, 1% cash and 15% alternative assets (real estate, venture capital and resource funds).

For F.Y. 1996 the Basic Funds exceeded their market composite index by 0.4 percentage points and surpassed the median fund in the Trust Universe Comparison Service (TUCS) by 1.4 percentage points

Performance over the longer term has been favorable as well. Over the latest 5 year period, the Basic Funds have exceeded their market index composite by nearly 0.4 % annualized, and the median fund by approximately 0.2%. The Basic Funds continue to keep well ahead of the inflation rate and have surpassed the actuarially assumed rate of return.

1998-99 Biennial Budget

AGENCY: State Board of Investment (SBI)
(Continuation)

POST RETIREMENT INVESTMENT FUND
Market Value on 6/30/96: \$ 11.797 Billion

	Period Ending 6/30/96		
	1 Year	Annualized 3 Years	Annualized 5 Years
Post Fund	17.2%	11.6%	NA
Actuarial Assumption	5.0%	5.0%	5.0%
Benefit increase	6.5*	5.6%	5.5
Inflation (CPI)	2.8%	2.8%	2.9%
Market Composite	16.3%	11.5%	NA

* Estimated

The Post Retirement investment Funds contain the assets of retired employees in the 3 statewide retirement plans: MSRS, PERA, TRA. The long term asset allocation of the portfolio on 6/30/96 was 65% stocks, 27% bonds, 5% alternative assets and 3% cash.

Through F.Y. 1992, the statutory retirement benefit increase formula required the fund to generate realized earnings (dividends, interest, and net gain or loss from the sale of securities) in order to provide benefit increases to retirees. In fact, the benefit increases granted were among the highest in the nation. However, as interest rates fell during the 1980's, the Fund was forced to invest an increasing percentage of the portfolio in fixed income securities in order to maintain high levels of realized income. This diminished the prospect for future benefit increases and reduced the long term earning power of the Fund.

Since F.Y. 1993, the statutory formula has been based on total return and actual market value of the portfolio. The new formula has 2 components:

- An inflation adjustment which will provide 100% of the CPI, capped at 3.5%. This will be provided regardless of investment performance.
- An investment adjustment which will be based on Post Fund returns over a 5-year period. This will be provided only if the Fund generates returns above the actuarial assumed rate of 5% and the cumulative value of all inflation based adjustments previously granted. The new formula, which was sought by the retirement systems and enacted by the 1992 Legislature, has allowed the Post Fund to increase its exposure to stocks and should increase the long term growth potential of its assets.

SUPPLEMENTAL INVESTMENT FUND

	Period Ending 6/30/96			
	Market Value 6/30/96	1 Year	Annualized 3 Years	Annualized 5 Years
Supplemental Fund:				
Income Share Account	\$389 M	17.6%	12.4%	13.0%
TUCS Median Fund		17.4%	12.1%	12.8%
Growth Share Account	\$157 M	24.6%	15.6%	15.6%
TUCS Median Stock Pool		25.2%	16.7%	16.0%
Common Stock Index Account	\$96 M	25.5%	16.8%	16.2%
Wilshire 5000 Stock Index		26.2%	16.7%	16.0%
International Share Account	\$14 M	17.0%	NA	NA
EAFE Index		13.4%	NA	NA
Bond Market Account	\$24 M	5.3%	5.3%	9.1%
Lehman Aggregate		5.0%	5.3%	8.3%
Money Market Account	\$50 M	5.8%	4.9%	4.6%
91 Day Treasury Bills		5.4%	4.7%	4.4%
Fixed Interest Account	\$69 M	91-94 GIC	92-95 GIC	93-96 GIC
Interest Rate Obtained		6.7%	5.280%	4.625%

The Supplemental Investment Fund is an investment vehicle available to a wide range of state and local public employee groups for retirement related purposes. The largest participants in the Fund are the Deferred Compensation Plan and the Unclassified Employees Retirement Plan.

Overall, F.Y. 1996 was a strong year for the Fund. The Income Share, International Share, Bond Market and Money Market Accounts all exceeded their performance targets for the year, while the Common Stock Index and Growth Share Accounts trailed their performance objective.

Over the last 3 and 5 year periods, the Income Share, Common Stock Index, Bond Market and Money Market Accounts have met or exceeded their targets. The small to medium capitalization stock bias in the Growth Share Account hurt performance over the same periods relative to the median stock pool.

The Fixed Interest Account utilizes investments in guaranteed investment contracts (GIC's) available through insurance companies and banks.

Permanent School Trust Fund
Market Value on 6/30/96: \$ 419 Million

The Permanent School Trust fund is a trust established for the benefit of Minnesota public schools. Income from the Trust is used to offset state expenditures for school aid payments. Due to the state's need for a high, consistent level of current income as well as restrictive statutory accounting provisions, the Trust has been invested entirely in fixed income securities. While this investment strategy maximizes current income, it will reduce the long term growth of the Trust.

The 1992 Legislature approved statutory changes, suggested by the SBI, which make common stocks a more attractive investment vehicle for the Trust. Stocks will help the Trust grow over the long term because they are a higher returning asset class. Adding common stocks to the portfolio will, however, reduce spendable income over the short-run because stocks produce lower current income than bonds.

1998-99 Biennial Budget

AGENCY: State Board of Investment (SBI)
(Continuation)

Time Period	Income Generated
F.Y. 1996	\$30.2 million
F.Y. 1995	\$31.0 million
F.Y. 1994	\$36.0 million
F.Y. 1993	\$33.5 million
F.Y. 1992	\$33.3 million

Environmental Trust Fund

Market Value on 6/30/96: \$ 140 Million.

The Environmental Trust Fund is to be used to supplement traditional sources of funding for environmental and natural resource activity. The Trust will receive a portion of the net lottery proceeds until 2001.

The SBI added stocks to the portfolio during F.Y. 1994. Currently, the asset mix of the Trust is targeted at 50% common stocks and 50% fixed income to provide for long term growth.

Time Period	Income Generated
F.Y. 1996	\$ 6,009,000
F.Y. 1995	\$ 4,006,000
F.Y. 1994	\$ 3,936,000
F.Y. 1993	\$ 3,321,000

Assigned Risk Plan

Market Value on 6/30/96: \$ 542 Million

The Minnesota Assigned Risk Plan is the insurer of last resort for Minnesota companies seeking workers compensation insurance. The plan is administered by the Department of Commerce. Investment management responsibility for the assets of the plan was transferred to the SBI by the Legislature in May 1991.

The investment goals of the plan are to match the projected liability/payment stream and to provide sufficient liquidity/cash for payment of claims and operating expenses. Due to the relatively short duration of the liability stream, the asset mix of the plan was 20% stocks and 80% bonds during F.Y. 1996. This allocation is reviewed annually upon receipt of new actuarial valuations and will be changed to reflect changes in plan liabilities.

Period Ending 6/30/96

	1 Year	3 Year	5 Year
Actual Return	9.8%	7.9%	9.2%
Comparison:			
Market Composite	9.5%	7.6%	8.9%

State Cash Accounts

The SBI invests the cash balances in more than 400 separate accounts in the Minnesota State Treasury. These accounts range in size from \$5,000 to over \$400 million. Most of these accounts are invested through 2 pooled funds.

The Trust Fund Pool holds cash balances for retirement related accounts and trust funds that are not managed by external money managers. The Treasurer's Cash Pool holds the balances in the Invested Treasurer's Cash as well as special or dedicated accounts.

Period Ending 6/30/96

	Market Value 6/30/96	1 Year	Annualized 3 Years
Treasurers Cash Pool	\$3,704 M	5.7%	4.8%
Trust Fund Cash Pool	\$131 M	5.9%	5.0%
Comparison:			
3 Month T-Bill		5.4%	4.7%

EXPLANATION OF AGENCY'S BUDGET PLAN:

By Statute, the SBI bills the statewide retirement funds and non-general fund cash accounts for approximately 90% of its General Fund appropriation. These receipts are deposited in the General Fund as non-dedicated revenue. The General Fund appropriation not recovered by the bill-back provision (approximately 10%) represents the portion of the SBI's budget that is associated with the investment of the General Fund portion of the Invested Treasurer's Cash Fund. Any reduction in spending will result in a matching reduction in revenue to the General Fund, and reduced billings to non-general fund accounts.

SBI can continue to provide same-level services within the base budget, provided compensation inflation is included in its operating appropriation.

GOVERNOR'S RECOMMENDATION:

The Governor concurs with the agency's plan.

1998-1999 B I E N N I A L B U D G E T
(DOLLARS IN THOUSANDS)

AGENCY: INVESTMENT BOARD

PROGRAM RESOURCE ALLOCATION:	FY 1996	Est. FY 1997	FY 1998			FY 1999		
			Base Level	Agency Plan	Governor Recomm.	Base Level	Agency Plan	Governor Recomm.
INVESTMENT OF FUNDS	2,059	2,126	2,163	2,163	2,163	2,247	2,247	2,247
REFUNDS/RETIRE FUNDS	37,332	41,910	41,910	41,910	41,910	41,910	41,910	41,910
TOTAL EXPENDITURES BY PROGRAM	39,391	44,036	44,073	44,073	44,073	44,157	44,157	44,157
EXPENDITURES BY FUND:								
DIRECT APPROPRIATIONS:								
GENERAL	2,059	2,126	2,163	2,163	2,163	2,247	2,247	2,247
OPEN APPROPRIATIONS:								
SUPPLMNTL INVEST INVEST INDEX	5	5	5	5	5	5	5	5
SUPPLEMENTAL INVEST SUPPL BOND	2	5	5	5	5	5	5	5
SUPPLEMENTAL INVEST INVEST GIC	75	50	50	50	50	50	50	50
SUPPLMNTL INVEST MONEYMKT	4	50	50	50	50	50	50	50
SUPPLEMENTAL INVESTMENT INCOME	26	100	100	100	100	100	100	100
SUPPLEMENTAL INVESTMENT GROWTH	10	100	100	100	100	100	100	100
POST RETIREMENT INVESTMENT	792	1,500	1,500	1,500	1,500	1,500	1,500	1,500
INVEST EXT MONEY MANAGERS#1	7,271	10,000	10,000	10,000	10,000	10,000	10,000	10,000
INVEST EXT MONEY MANAGERS #2	29,146	30,000	30,000	30,000	30,000	30,000	30,000	30,000
SUPPLEMENTAL INTL EQUITY	1	100	100	100	100	100	100	100
TOTAL EXPENDITURES	39,391	44,036	44,073	44,073	44,073	44,157	44,157	44,157
FTE BY EMPLOYMENT TYPE:								
REGULAR	23.2	25.1	25.1	25.1	25.1	25.1	25.1	25.1
TEMP/SEAS/PART TIME	.2	2.5	2.5	2.5	2.5	2.5	2.5	2.5
TOTAL FTE	23.4	27.6	27.6	27.6	27.6	27.6	27.6	27.6

1998-1999 B I E N N I A L B U D G E T
(DOLLARS IN THOUSANDS)

AGENCY: INVESTMENT BOARD

SUMMARY OF AGENCY REVENUES	FY 1996	Est. FY 1997	FY 1998			FY 1999		
			Forecast	Agency Plan	Governor Recomm.	Forecast	Agency Plan	Governor Recomm.
=====								
NON-DEDICATED REVENUE:								

OTHER REVENUES:								
GENERAL	1,981	1,884	1,884	1,884	1,884	1,884	1,884	1,884
SUPPLMNTL INVEST INVEST INDEX	278	278	278	278	278	278	278	278
SUPPLEMENTAL INVEST SUPPL BOND	246	246	246	246	246	246	246	246
SUPPLEMENTAL INVEST INVEST GIC	5,283	5,283	5,283	5,283	5,283	5,283	5,283	5,283
SUPPLMNTL INVEST MONEYMARKET	6,657	6,657	6,657	6,657	6,657	6,657	6,657	6,657
SUPPLEMENTAL INVESTMENT INCOME	1,398	1,398	1,398	1,398	1,398	1,398	1,398	1,398
SUPPLEMENTAL INVESTMENT GROWTH	451	451	451	451	451	451	451	451
POST RETIREMENT INVESTMENT	895,374	895,374	895,374	895,374	895,374	895,374	895,374	895,374
INVEST EXT MONEY MANAGERS#1	6,922	6,922	6,922	6,922	6,922	6,922	6,922	6,922
INVEST EXT MONEY MANAGERS #2	28,912	28,912	28,912	28,912	28,912	28,912	28,912	28,912
=====								
TOTAL NON-DEDICATED RECEIPTS	947,502	947,405	947,405	947,405	947,405	947,405	947,405	947,405
=====								
AGENCY TOTAL REVENUES	947,502	947,405	947,405	947,405	947,405	947,405	947,405	947,405

1998-1999 B I E N N I A L B U D G E T
(DOLLARS IN THOUSANDS)

AGENCY: INVESTMENT BOARD
PROGRAM: INVESTMENT OF FUNDS
ACTIVITY: INVESTMENT OF FUNDS

ACTIVITY SUMMARY	FY 1996	Est. FY 1997	FY 1998			FY 1999		
			Base Level	Agency Plan	Governor Recomm.	Base Level	Agency Plan	Governor Recomm.
=====	=====	=====	=====	=====	=====	=====	=====	=====
EXPENDITURES:								

DETAIL BY CATEGORY:								
STATE OPERATIONS:								
PERSONAL SERVICES	1,500	1,560	1,628	1,628	1,628	1,710	1,710	1,710
OPERATING EXPENSES	559	566	535	535	535	537	537	537
=====	=====	=====	=====	=====	=====	=====	=====	=====
SUBTOTAL STATE OPERATIONS	2,059	2,126	2,163	2,163	2,163	2,247	2,247	2,247
=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL EXPENDITURES	2,059	2,126	2,163	2,163	2,163	2,247	2,247	2,247
EXPENDITURES BY FUND:								

DIRECT APPROPRIATIONS:								
GENERAL	2,059	2,126	2,163	2,163	2,163	2,247	2,247	2,247
=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL EXPENDITURES	2,059	2,126	2,163	2,163	2,163	2,247	2,247	2,247
REVENUE COLLECTED:								

NONDEDICATED:								
GENERAL	1,981	1,884	1,884	1,884	1,884	1,884	1,884	1,884
=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL REVENUES COLLECTED	1,981	1,884	1,884	1,884	1,884	1,884	1,884	1,884
FTE BY EMPLOYMENT TYPE:								

REGULAR	23.2	25.1	25.1	25.1	25.1	25.1	25.1	25.1
TEMP/SEAS/PART_TIME	.2	2.5	2.5	2.5	2.5	2.5	2.5	2.5
=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL FTE	23.4	27.6	27.6	27.6	27.6	27.6	27.6	27.6

1998-1999 BIENNIAL BUDGET
(DOLLARS IN THOUSANDS)

AGENCY: INVESTMENT BOARD
PROGRAM: REFUNDS/RETIRE FUNDS
ACTIVITY: REFUNDS/RETIRE FUNDS

ACTIVITY SUMMARY	FY 1996	Est. FY 1997	FY 1998			FY 1999		
			Base Level	Agency Plan	Governor Recomm.	Base Level	Agency Plan	Governor Recomm.
=====	=====	=====	=====	=====	=====	=====	=====	=====
EXPENDITURES:								

DETAIL BY CATEGORY:								
STATE OPERATIONS:								
OPERATING EXPENSES	915	1,910	1,910	1,910	1,910	1,910	1,910	1,910
=====	=====	=====	=====	=====	=====	=====	=====	=====
SUBTOTAL STATE OPERATIONS	915	1,910	1,910	1,910	1,910	1,910	1,910	1,910
=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL EXPENDITURES	915	1,910	1,910	1,910	1,910	1,910	1,910	1,910
=====	=====	=====	=====	=====	=====	=====	=====	=====
EXPENDITURES BY FUND:								

OPEN APPROPRIATIONS:								
SUPPLMNTL INVEST INVEST INDEX	5	5	5	5	5	5	5	5
SUPPLEMENTAL INVEST SUPPL BOND	2	5	5	5	5	5	5	5
SUPPLEMENTAL INVEST INVEST GIC	75	50	50	50	50	50	50	50
SUPPLMNTL INVEST MONEYMARKET	4	50	50	50	50	50	50	50
SUPPLEMENTAL INVESTMENT INCOME	26	100	100	100	100	100	100	100
SUPPLEMENTAL INVESTMENT GROWTH	10	100	100	100	100	100	100	100
POST RETIREMENT INVESTMENT	792	1,500	1,500	1,500	1,500	1,500	1,500	1,500
SUPPLEMENTAL INTL EQUITY	1	100	100	100	100	100	100	100
=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL EXPENDITURES	915	1,910	1,910	1,910	1,910	1,910	1,910	1,910
=====	=====	=====	=====	=====	=====	=====	=====	=====
REVENUE COLLECTED:								

NONDEDICATED:								
SUPPLMNTL INVEST INVEST INDEX	278	278	278	278	278	278	278	278
SUPPLEMENTAL INVEST SUPPL BOND	246	246	246	246	246	246	246	246
SUPPLEMENTAL INVEST INVEST GIC	5,283	5,283	5,283	5,283	5,283	5,283	5,283	5,283
SUPPLMNTL INVEST MONEYMARKET	6,657	6,657	6,657	6,657	6,657	6,657	6,657	6,657
SUPPLEMENTAL INVESTMENT INCOME	1,398	1,398	1,398	1,398	1,398	1,398	1,398	1,398
SUPPLEMENTAL INVESTMENT GROWTH	451	451	451	451	451	451	451	451
POST RETIREMENT INVESTMENT	895,374	895,374	895,374	895,374	895,374	895,374	895,374	895,374
INVEST EXT MONEY MANAGERS#1	6,922	6,922	6,922	6,922	6,922	6,922	6,922	6,922
INVEST EXT MONEY MANAGERS #2	28,912	28,912	28,912	28,912	28,912	28,912	28,912	28,912
=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL REVENUES COLLECTED	945,521	945,521	945,521	945,521	945,521	945,521	945,521	945,521
=====	=====	=====	=====	=====	=====	=====	=====	=====

1998-1999 B I E N N I A L B U D G E T
(DOLLARS IN THOUSANDS)

AGENCY: INVESTMENT BOARD
PROGRAM: REFUNDS/RETIRE FUNDS
ACTIVITY: EXTERNAL MONEY MANAGERS

			FY 1998			FY 1999		
ACTIVITY SUMMARY	FY 1996	Est. FY 1997	Base Level	Agency Plan	Governor Recomm.	Base Level	Agency Plan	Governor Recomm.
=====	=====	=====	=====	=====	=====	=====	=====	=====
EXPENDITURES:								

DETAIL BY CATEGORY:								
STATE OPERATIONS:								
OPERATING EXPENSES	36,417	40,000	40,000	40,000	40,000	40,000	40,000	40,000
=====	=====	=====	=====	=====	=====	=====	=====	=====
SUBTOTAL STATE OPERATIONS	36,417	40,000	40,000	40,000	40,000	40,000	40,000	40,000
=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL EXPENDITURES	36,417	40,000	40,000	40,000	40,000	40,000	40,000	40,000
=====	=====	=====	=====	=====	=====	=====	=====	=====
EXPENDITURES BY FUND:								

OPEN APPROPRIATIONS:								
INVEST EXT MONEY MANAGERS#1	7,271	10,000	10,000	10,000	10,000	10,000	10,000	10,000
INVEST EXT MONEY MANAGERS #2	29,146	30,000	30,000	30,000	30,000	30,000	30,000	30,000
=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL EXPENDITURES	36,417	40,000	40,000	40,000	40,000	40,000	40,000	40,000
=====	=====	=====	=====	=====	=====	=====	=====	=====
FTE BY EMPLOYMENT TYPE:								

=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL FTE								

1998-99 Biennial Budget

AGENCY: Administrative Hearings, Office of

AGENCY DESCRIPTION:

The mission of the Office of Administrative Hearings is to conduct fair, prompt, and impartial hearings and render decisions in 4 main areas:

- Administrative Procedure Act (APA) contested cases and contested rulemaking hearings;
- local government licensing and personnel cases;
- child support establishment and enforcement hearings;
- Workers' Compensation benefit hearings.

The office is organized into the Administrative Law Division, including the Child Support Section and the Workers' Compensation Division. These units perform the functions listed above to achieve the following objectives:

- to conduct hearings and issue final decisions or recommend final action in state agency rulemaking and contested case hearings in a fair, prompt, and competent manner;
- to provide an expedited hearings process for disputes concerning establishment and enforcement of child support in Minnesota;
- to promptly and efficiently mediate and/or adjudicate contested workers' compensation cases and issue final decisions.

The Office of Administrative Hearings provides fair, prompt, and efficient hearings for both citizens and government agencies. The Administrative Law Division conducts contested case hearings for state agencies, political subdivisions, and units of local government. The Workers' Compensation Division decides claims for injured workers and their dependents, for employers, and for workers' compensation insurance carriers. The Child Support Section adjudicates child support obligations through an administrative hearing process.

AGENCY ISSUES:

The demand for the services of the Office of Administrative Hearings is increasing, particularly in the area of child support establishment and enforcement. During calendar year 1997, the Office of Administrative Hearings will be conducting child support establishment and enforcement hearings in 67 of Minnesota's 87 counties and processing over 9,000 cases. In addition to deciding and issuing written findings and orders in approximately 400 APA cases per year, beginning 1-1-97, the administrative law judges will conduct hearings regarding community notification on released sex offenders.

Currently, the Office of Administrative Hearings has 29 workers' compensation judge positions authorized. Two of workers' compensation judges are currently serving on the Workers' Compensation Court of Appeals. Those vacant positions have not been filled because those judges have the right to return to the Office of Administrative Hearings at the expiration of their terms. One other position is vacant due to a retirement. The workers' compensation caseload at the Office of

Administrative Hearings has decreased slightly during the last biennium. This may be a temporary change due to economic conditions or changes in the 1995 law. No increase in the workers' compensation budget is sought for the biennium.

AGENCY STRATEGY:

The activity plan for the APA Division and Child Support Section of the Office of Administrative Hearings is to continue to provide quality hearing services while minimizing costs.

The activity plan of the Minnesota Office of Administrative Hearings in the area of workers' compensation is to continue to reduce administrative costs within the system. The office is returning funds to the Workers' Compensation Special Fund at the conclusion of the 1996-97 biennium. If the current caseloads are part of a long-term education in workers' compensation litigation, the office budget will also follow the long-term trends.

REVENUE SUMMARY:

The administrative Procedure Act Division of the Office of Administrative Hearings conducts contested case hearings for state agencies and units of local government. The APA Division bills these governmental agencies for conducting hearings at \$89/hr. The Child Support Section bills at the same rate. Neither section seeks an increase in its hourly rate.

EXPLANATION OF AGENCY'S BUDGET PLAN:

The Office of Administrative Hearings does not use nor request any General Fund money. The agency has no budget initiatives. The base includes 2.5% inflation each year for salary compensation. The Workers' Compensation Division requests no increase in funding and will be returning funds to the Workers' Compensation Special Fund at the end of the 1996-97 biennium.

GOVERNOR'S RECOMMENDATION:

The Governor concurs with the agency's plan.

1998-1999 B I E N N I A L B U D G E T
(DOLLARS IN THOUSANDS)

AGENCY: ADMINISTRATIVE HEARINGS
PROGRAM: ADMINISTRATIVE HEARINGS

ACTIVITY RESOURCE ALLOCATION:	FY 1996	Est. FY 1997	FY 1998			FY 1999		
			Base Level	Agency Plan	Governor Recomm.	Base Level	Agency Plan	Governor Recomm.
ADMINISTRATIVE HEARINGS	2,818	3,283	3,973	3,973	3,973	4,102	4,102	4,102
WORKERS COMPENSATION	3,645	4,269	4,122	4,122	4,122	4,210	4,210	4,210
TOTAL EXPENDITURES BY ACTIVITY	6,463	7,552	8,095	8,095	8,095	8,312	8,312	8,312
EXPENDITURES BY FUND:								
DIRECT APPROPRIATIONS:								
WORKERS COMPENSATION SPEC PMNT	3,636	4,254	4,107	4,107	4,107	4,195	4,195	4,195
STATUTORY APPROPRIATIONS:								
ADMINISTRATIVE HEARINGS	2,818	3,283	3,973	3,973	3,973	4,102	4,102	4,102
WORKERS COMP TRANSCRIPT	9	15	15	15	15	15	15	15
TOTAL EXPENDITURES	6,463	7,552	8,095	8,095	8,095	8,312	8,312	8,312
FTE BY EMPLOYMENT TYPE:								
REGULAR	77.6	80.4	82.8	82.8	82.8	82.8	82.8	82.8
TEMP/SEAS/PART_TIME	4.2	5.0	5.0	5.0	5.0	5.0	5.0	5.0
TOTAL FTE	81.8	85.4	87.8	87.8	87.8	87.8	87.8	87.8

1998-1999 B I E N N I A L B U D G E T
(DOLLARS IN THOUSANDS)

AGENCY: ADMINISTRATIVE HEARINGS

			FY 1998			FY 1999		
	FY 1996	Est. FY 1997	Forecast	Agency Plan	Governor Recomm.	Forecast	Agency Plan	Governor Recomm.
SUMMARY OF AGENCY REVENUES								
DEDICATED RECEIPTS:								
DEPARTMENTAL EARNINGS:								
ADMINISTRATIVE HEARINGS	2,858	3,283	3,933	3,933	3,933	4,022	4,022	4,022
WORKERS COMP TRANSCRIPT	17	15	15	15	15	15	15	15
TOTAL DEDICATED RECEIPTS	2,875	3,298	3,948	3,948	3,948	4,037	4,037	4,037
AGENCY TOTAL REVENUES	2,875	3,298	3,948	3,948	3,948	4,037	4,037	4,037

STATE OF MINNESOTA - DEPARTMENT OF FINANCE
BIENNIAL BUDGET SYSTEM - BASE RECONCILIATION REPORT
BY SEC SEQ

AGENCY: ADMINISTRATIVE HEARINGS

	ALL FUNDS		GENERAL FUND		OTHER STATE FUNDS		FEDERAL FUNDS	
	F.Y.98	F.Y.99	F.Y.98	F.Y.99	F.Y.98	F.Y.99	F.Y.98	F.Y.99
F.Y.97 APPROPRIATIONS	7,774	7,863			7,774	7,863		
BASE ADJUSTMENTS								
1997 SALARY SUPPLEMENT TRANSF	163	163			163	163		
1998-99 COMPENSATION INFLATIO	114	231			114	231		
DOC SPACE RENT/LEASE INCR/DEC	44	55			44	55		
SUBTOTAL BASE ADJ.	321	449			321	449		
BASE LEVEL	8,095	8,312			8,095	8,312		

1998-99 Biennial Budget

BUDGET ACTIVITY: Administrative Hearings
PROGRAM: Administrative Hearings
AGENCY: Administrative Hearings, Office of

ACTIVITY DESCRIPTION:

Chapter 14 of Minnesota Statutes requires the Office of Administrative Hearings to conduct contested cases and rulemaking hearings for state agencies. Administrative law judges also conduct trial-type hearings for political subdivisions and units of local government when it is specified that an administrative law judge preside.

Due to federal mandates that states speed up the establishment and enforcement of child support, administrative law judges have been conducting an increasing number of child support hearings in Minnesota. Administrative law judges began conducting child support hearings in Minnesota in January of 1988. By 1993, administrative law judges were conducting child support hearings in 39 of Minnesota's 87 counties. By the end of calendar year 1997, it is anticipated that administrative law judges from the Office of Administrative Hearings will be conducting child support establishment and enforcement hearings in all 87 counties within Minnesota.

The APA Division administrative law judges will continue to conduct prehearing conferences, do legal research, conduct alternative dispute resolution mediations, and preside over contested case hearings. The subject areas will continue to include human rights cases, OSHA, special education, veterans employment, licensing, and beginning 1-1-97, the recently added responsibility for conducting administrative review hearings regarding levels of community notification on released sex offenders.

BUDGET ISSUES:

The APA Division of the Office of Administrative Hearings has 11.0 employee administrative law judges. The office also solicits RFPs from attorneys on a yearly basis to serve as contract administrative law judges. The employee ALJs are located in the main office in Minneapolis. Contract ALJs are spread geographically around the entire state.

Most APA cases are assigned to the employee ALJs in the main office. This core group of ALJs maintains expertise in complex areas such as public utility law. As the workload in more routine areas increases, more cases are assigned to the contract ALJs. When normal fluctuations result in temporary decreases in workload, more cases are kept in-house rather than being assigned to contract ALJs. Contract ALJs are paid @ \$55/hr. Cost savings result from keeping the majority of APA cases in house assigned to employee ALJs and farming out cases to contract ALJs only as the workload fluctuates or when a particular expertise is needed.

The Office of Administrative Hearings employs an employee ALJ to supervise the Child Support Section. As the number of child support hearings has increased, the Office of Administrative Hearings increasingly relied upon contract ALJs in the child support area. During the next biennium a decision will have to be made by the Office of Administrative Hearings as to whether to hire additional employee ALJs in the child support area or continue to rely upon contract ALJs.

REVENUE:

The Office of Administrative Hearings APA Division and Child Support Section will continue to bill the agencies for which they conduct hearings at the rate of \$89/hr. No increase in this hourly rate is sought.

The increased volume of hearings conducted by the Child Support Section described above should translate to the revolving fund increased revenue and expenses of approximately 15 to 20% over current levels for F.Y. 1998 and F.Y. 1999.

1998-1999 BIENNIAL BUDGET
(DOLLARS IN THOUSANDS)

AGENCY: ADMINISTRATIVE HEARINGS
PROGRAM: ADMINISTRATIVE HEARINGS
ACTIVITY: ADMINISTRATIVE HEARINGS

ACTIVITY SUMMARY	FY 1996	Est. FY 1997	FY 1998			FY 1999		
			Base Level	Agency Plan	Governor Recomm.	Base Level	Agency Plan	Governor Recomm.
=====	=====	=====	=====	=====	=====	=====	=====	=====
EXPENDITURES:								

DETAIL BY CATEGORY:								
STATE OPERATIONS:								
PERSONAL SERVICES	1,532	1,615	1,656	1,656	1,656	1,696	1,696	1,696
OPERATING EXPENSES	1,286	1,668	2,317	2,317	2,317	2,406	2,406	2,406
=====	=====	=====	=====	=====	=====	=====	=====	=====
SUBTOTAL STATE OPERATIONS	2,818	3,283	3,973	3,973	3,973	4,102	4,102	4,102
=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL EXPENDITURES	2,818	3,283	3,973	3,973	3,973	4,102	4,102	4,102
EXPENDITURES BY FUND:								

STATUTORY APPROPRIATIONS:								
ADMINISTRATIVE HEARINGS	2,818	3,283	3,973	3,973	3,973	4,102	4,102	4,102
=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL EXPENDITURES	2,818	3,283	3,973	3,973	3,973	4,102	4,102	4,102
REVENUE COLLECTED:								

DEDICATED:								
ADMINISTRATIVE HEARINGS	2,858	3,283	3,933	3,933	3,933	4,022	4,022	4,022
=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL REVENUES COLLECTED	2,858	3,283	3,933	3,933	3,933	4,022	4,022	4,022
FTE BY EMPLOYMENT TYPE:								

REGULAR	28.0	30.5	30.5	30.5	30.5	30.5	30.5	30.5
TEMP/SEAS/PART_TIME	.2	.5	.5	.5	.5	.5	.5	.5
=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL FTE	28.2	31.0	31.0	31.0	31.0	31.0	31.0	31.0

1998-99 Biennial Budget

BUDGET ACTIVITY: Workers' Compensation
PROGRAM: Administrative Hearings
AGENCY: Administrative Hearings, Office of

ACTIVITY DESCRIPTION:

Workers' compensation claims which are not resolved at the Department of Labor and Industry (DOLI) are certified to the Office of Administrative Hearings for trial. The Office of Administrative Hearings is required by statute to conduct all workers' compensation contested cases not settled at DOLI.

Once a contested workers' compensation case arrives at the Office of Administrative Hearings, a workers' compensation judge, with support staff, is required to decide and issue orders granting and denying motions, issue pre-trial orders, schedule and conduct pre-trial hearings and settlement conferences, review all settlement agreement and issue awards on those agreements, conduct trials and issue final decisions, award attorney fees, process all appeals and handle cases remanded from the Workers' Compensation Court of Appeals.

BUDGET ISSUES:

After rising continually for years, the number of workers' compensation cases certified to the Office of Administrative Hearings leveled off, then slightly declined during the last biennium. This may be due to the state of the economy or changes recently made in the workers' compensation law. It will take at least an additional biennium to determine if this decline is temporary or long-term.

The Workers' Compensation Division of the Office of Administrative Hearings has 3 vacant positions for workers' compensation judges out of a total of 29 positions. Two of these vacant positions are being held open for workers' compensation judges from the Office of Administrative Hearings, who are currently serving on the Workers' Compensation Court of Appeals and who have the right to return at the conclusion of their terms on the Court of Appeals. One position is vacant due to a retirement. The Office of Administrative Hearings plans to wait in order to assess long-term trends in workers' compensation in Minnesota before filling these positions. Therefore, the Office of Administrative Hearings seeks no increase in its budget from the Workers' Compensation Special Fund. There are no budget initiatives requiring funding.

REVENUE:

The Workers' Compensation revolving fund, consisting of appeal fees and copy charges will remain at current levels of approximately \$15,000 per year.

1998-1999 B I E N N I A L B U D G E T
(DOLLARS IN THOUSANDS)

AGENCY: ADMINISTRATIVE HEARINGS
PROGRAM: ADMINISTRATIVE HEARINGS
ACTIVITY: WORKERS COMPENSATION

ACTIVITY SUMMARY	FY 1996	Est. FY 1997	FY 1998			FY 1999		
			Base Level	Agency Plan	Governor Recomm.	Base Level	Agency Plan	Governor Recomm.
=====	=====	=====	=====	=====	=====	=====	=====	=====
EXPENDITURES:								

DETAIL BY CATEGORY:								
STATE OPERATIONS:								
PERSONAL SERVICES	2,945	3,042	3,255	3,255	3,255	3,336	3,336	3,336
OPERATING EXPENSES	700	1,227	867	867	867	874	874	874
=====	=====	=====	=====	=====	=====	=====	=====	=====
SUBTOTAL STATE OPERATIONS	3,645	4,269	4,122	4,122	4,122	4,210	4,210	4,210
=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL EXPENDITURES	3,645	4,269	4,122	4,122	4,122	4,210	4,210	4,210
=====	=====	=====	=====	=====	=====	=====	=====	=====
EXPENDITURES BY FUND:								

DIRECT APPROPRIATIONS:								
WORKERS COMPENSATION SPEC PMNT	3,636	4,254	4,107	4,107	4,107	4,195	4,195	4,195
STATUTORY APPROPRIATIONS:								
WORKERS COMP TRANSCRIPT	9	15	15	15	15	15	15	15
=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL EXPENDITURES	3,645	4,269	4,122	4,122	4,122	4,210	4,210	4,210
=====	=====	=====	=====	=====	=====	=====	=====	=====
REVENUE COLLECTED:								

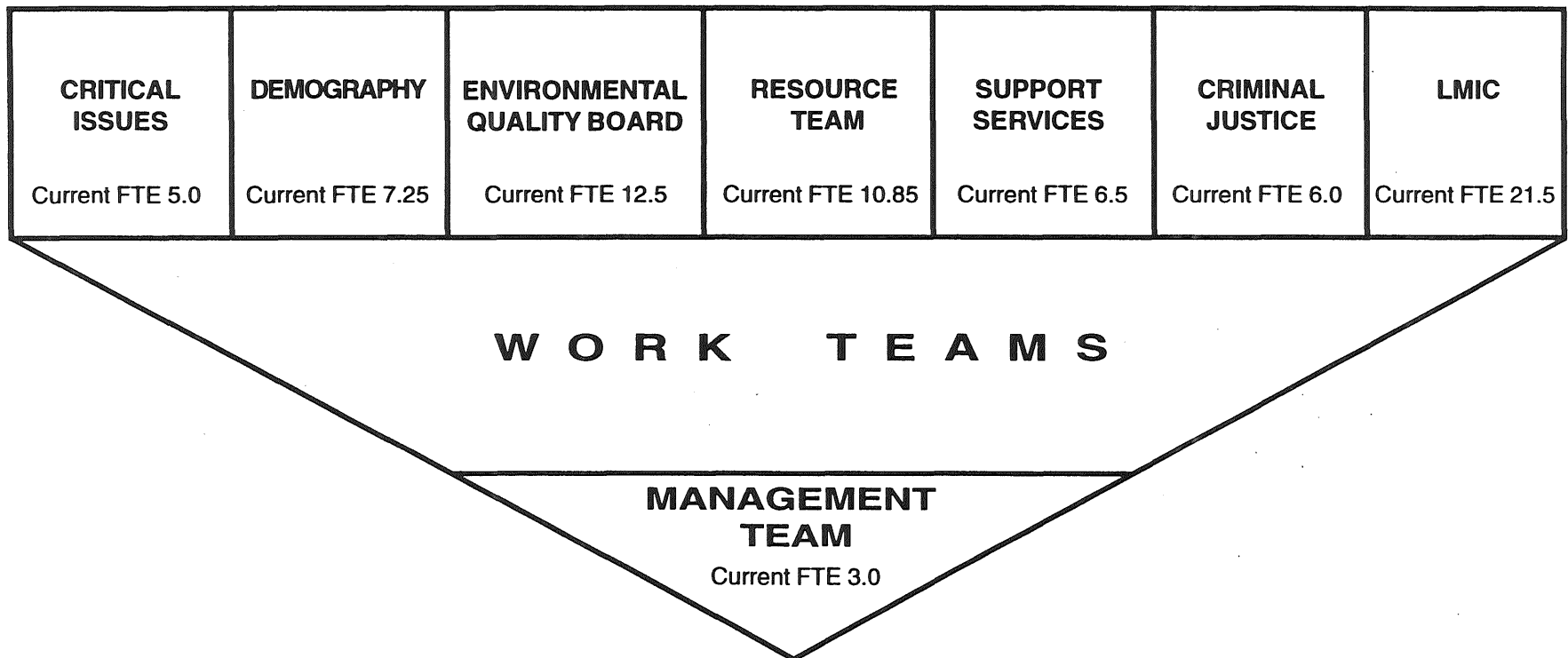
DEDICATED:								
WORKERS COMP TRANSCRIPT	17	15	15	15	15	15	15	15
=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL REVENUES COLLECTED	17	15	15	15	15	15	15	15
=====	=====	=====	=====	=====	=====	=====	=====	=====
FTE BY EMPLOYMENT TYPE:								

REGULAR	49.6	49.9	52.3	52.3	52.3	52.3	52.3	52.3
TEMP/SEAS/PART_TIME	4.0	4.5	4.5	4.5	4.5	4.5	4.5	4.5
=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL FTE	53.6	54.4	56.8	56.8	56.8	56.8	56.8	56.8
=====	=====	=====	=====	=====	=====	=====	=====	=====

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OFFICE OF STRATEGIC AND LONG RANGE PLANNING ORGANIZATION CHART

10/1/96



**1998-99 Biennial Budget
Agency Budget Brief
(\$ in thousands)**

Agency: Strategic and Long Range Planning, Office of

Fund: General

Summary of Agency Actions:

	<u>F.Y. 1998</u>	<u>F.Y. 1999</u>	<u>F.Y. 98-99</u>
<u>BASE-YEAR (F.Y. 1997)</u>			
Appropriations (F.Y. 1997)	\$4,017	\$4,017	\$8,034
<u>BASE ADJUSTMENT</u>			
Compensation Inflation	<u>80</u>	<u>161</u>	<u>241</u>
<u>BASE LEVEL (for 1998 and 1999)</u>	\$4,097	\$4,178	\$8,275
<u>AGENCY DECISION ITEMS</u>			
Wind Power	36	49	85
Environmental Review	10	-0-	10
<u>AGENCY PLAN (for 1998 and 1999)</u>	\$4,143	\$4,227	\$8,370
<u>GOVERNOR'S INITIATIVES</u>			
Teen Courts	1,500	1,500	3,000
GOVERNOR'S RECOMMENDATIONS	\$5,643	\$5,727	\$11,370

Brief Explanation of Agency Plan:

- The budget plan allows the agency to continue operations with the same level of funding through staffing efficiencies and operational changes made by the use of work teams.
- The plan calls for additional funding for:
 - windpower initiative to provide for more accurate and complete information to site windpower electric generating facilities, and
 - rulemaking costs for streamlining the environmental review process

Revenue Summary:

- Increase in the power plant siting assessment for the siting of a wind energy conversion system.

Affected Statutes:

None.

GOVERNOR'S RECOMMENDATION:

The Governor recommends the agency's plan plus a biennial increase of \$3,000,000 to implement a statewide teen court system where youthful offenders are held accountable for their illegal behavior through a sentence imposed by a jury of their peers. This item is part of the Governor's overall anti-crime initiative that totals \$58.2 million for the 1998-99 Biennium. In addition to these funds for the Office of Planning, the initiative includes funds for the Departments of Corrections, Military Affairs, Children, Families & Learning, and Public Safety.

AGENCY: Strategic and Long Range Planning

AGENCY DESCRIPTION:

The mission of the Office of Strategic and Long-Range Planning (Minnesota Planning) is to keep Minnesotans focused on the future, to provide policy-makers and the public with accurate information and analysis about emerging and critical issues, to influence policy decisions for a better future through long range planning. Under the authority of Minnesota Chapter 4A, the office must develop an integrated long-range plan for the state, coordinate activities among all levels of government, stimulate public interest and participation in the future of the state, and act in coordination with the commissioner of finance, affected state agencies, and the legislature in planning and financing major public programs.

The office has additional authority under M.S. 4A.05, through its land management information center, to provide services in computer mapping and graphics, environmental, social and economic analysis and small systems development. Through the Land Management Information Center, Minnesota Planning serves Minnesota's planning, policy analysis, and operational needs through coordination, data, project, and technology services related to geographic information.

Minnesota Planning is also charged under MS 116C.03, Sudd 4, with providing staff and consultant services to the Minnesota Environmental Quality Board. This support includes the provision of administrative services, including personnel, budget, payroll and contract administration. It is through the provision of this support that the agency is able to address the environmental component of its' statewide strategic planning responsibility.

Minnesota Planning develops strategic plans to achieve statewide outcomes outlined in Minnesota Milestones as part of its responsibility to develop an integrated long-range plan for the state. It provides leadership by identifying issues that cross agency lines and develops and supports mechanisms to address those issues in furtherance of its goal to coordinate activities among all levels of government. Minnesota Planning develops products and services that enable Minnesotans to participate in shaping their state's future. Minnesota Planning also promotes the long term interest of the state by identifying critical and emerging issues and conducting strategic planning projects related to those issues with recommendations for implementation.

The projects and services of the agency benefit all levels of government, including the governor, other departments within state government, the legislature, private firms, non-profit and for-profit organizations and Minnesota citizens.

Minnesota Planning is a leader in accomplishing the Minnesota Milestones goal, "Government in Minnesota will be cost-effective and services will be designed to meet the needs of the people who use them." In addition, efforts by the Environmental Quality Board, Land Management Information Center, and the state Demographer's Office support other Milestones goals, included below:

- Minnesotans will be healthy.
- We will improve the quality of the air, water and earth.
- Minnesota's environment will support a rich diversity of plant and animal life.
- We will welcome, respect, and value people of all cultures, races, and ethnic background.
- Our communities will be safe, friendly and caring.

AGENCY ISSUES:

Increased emphasis has been placed on environmental and economic issues related to development both in and within the state. New approaches, such as sustainable development and anticipated federal changes, together with pressures to maintain a healthy economic base in Minnesota, represent a continuing challenge.

Both state and local government have fewer resources to fund increasing spending needs, especially in programs that serve people. Developing strategies to maximize the value of dollars spent by government is a continuing challenge. Demand for geographic information and analysis services has grown dramatically as state, local and private organizations have discovered their benefits for informing policy and operations. Minnesota Planning's Land Management Information Center remains committed to quality service in response to this demand.

AGENCY STRATEGIES:

Minnesota Planning leads state government in identifying and analyzing critical policy areas that are of emerging concern to the governor and the legislature. The agency's program activity is long-range planning and its performance and results follow from this program responsibility.

Within Our Means: Tough Choices for Government Spending provided a comprehensive examination of the cost of government to 2005. Understanding the forces that drive spending in the coming years so that state and local governments could respond was an underlying principle of the project. An *Agenda for Reform* provided policy options for dealing with the barriers outlined in *Within Our Means*.

Minnesota Planning has continued to examine the cost of choices in such reports as *Paying the Price: the Rising Cost of Prison* which described the factors driving unprecedented growth in the number of inmates, the costs of incarcerating these inmates and some options for avoiding even more growth in prison population and expensive prisons.

Our budget plan calls for continued examination of spending issues.

Spending and performance of our higher education institutions has major implications for the future of our work force and of our society. The higher education project will analyze how are public dollars are invested in higher education and what return it yields. Examining Minnesota's local government system in terms of cost, size, structure, flexibility and service delivery is the focus of Minnesota Planning Boundaries Project. With devolution of federal government responsibilities to the states, understanding the changes that local governments must make is vital.

Likewise, welfare reform in light of change in federal law, is a critical issue facing policy makers. The welfare reform project will examine policy decisions that will need to be made over the next several months.

Development of an awarding winning web page, development of Minnesota Issue Watch have increased the agency's ability to get good information and data to policy makers and citizens.

Providing DATANET free to users is another strategy to provide valuable data to all Minnesotan's within our current spending levels.

1998-99 Biennial Budget

AGENCY: Strategic and Long Range Planning
(Continuation)

REVENUE SUMMARY:

- An increase in the General Fund appropriation to cover the anticipated costs associated with the rulemaking that will attend anticipated revisions to the Minnesota Environmental Policy Act.
- An increase in the assessment against the states electrical utilities to provide additional revenue to cover the costs associated with characterization of the wind resource available for generation of electrical energy in Southwest Minnesota.

SUMMARY OF BUDGET REQUEST:

The major objectives of our budget requests are to continue to provide policy makers and the public with accurate information, analysis and data regarding critical and emerging issues and to provide for coordination among all levels of government. The budget plan includes a request for:

- **Environmental Review.** The Environmental Quality Board (EQB) is proposing amendments to the Environmental Policy Act. The budget request provides funding for the rulemaking that would attend the enactment of the proposed statutory changes.
- **Wind Power/Power Plant Assessment.** The Environmental Quality Board is charged with the responsibility of assisting local governments in the adoption of ordinances and other requirements to regulate the siting, construction, and operation of small wind energy conversion systems. The budget request would give the EQB the ability to respond to a request received from the Southwest Regional Development Commission for assistance in characterizing the regions wind resources through the development of temporary and permanent wind monitoring.

LCMR RECOMMENDATION:

- **Evaluation of Urban Growth.** For an agreement with Minnesotans for an Energy Efficient Economy to evaluate the benefits, cost, and environmental impacts of alternative urban and rural growth patterns. (\$275,000 Future Resources Fund).
- **Access to Environmental Information.** For a collaborative effort among natural resource agencies to design, develop and test a solution to provide integrated electronic access to environmental and natural resource information and to make that data accessible and free to the public. (\$600,000 Future Resources Fund)
- **Economics for Lasting Progress.** For an assessment of how Minnesota's economic indicators and policies reward or discourage pollution, employment and sustainable resource use. (\$250,000 Future Resources Fund).

GOVERNOR'S RECOMMENDATION:

The Governor recommends the agency's plan plus a biennial increase of \$3,000,000 to implement a statewide teen court system where youthful offenders are held accountable for their illegal behavior through a sentence imposed by a jury of their peers. This item is part of the Governor's overall anti-crime initiative that totals \$58.2 million for the 1998-99 biennium. In addition to these funds for the Office of Planning, the initiative includes funds for the Departments of Corrections, Military Affairs, Children, Families, and Learning and Public Safety.

1998-1999 B I E N N I A L B U D G E T
(DOLLARS IN THOUSANDS)

AGENCY: PLANNING, STRATEGIC & L R
PROGRAM: STRATEGIC & L R PLANNING
ACTIVITY: STRATEGIC & L R PLANNING

ACTIVITY SUMMARY	FY 1996	Est. FY 1997	FY 1998			FY 1999		
			Base Level	Agency Plan	Governor Recomm.	Base Level	Agency Plan	Governor Recomm.
=====	=====	=====	=====	=====	=====	=====	=====	=====
EXPENDITURES:								

DETAIL BY CATEGORY:								
STATE OPERATIONS:								
PERSONAL SERVICES	3,738	4,452	4,146	4,839	4,877	4,207	4,209	4,247
OPERATING EXPENSES	1,580	2,379	1,091	1,260	1,297	1,079	1,079	1,116
=====	=====	=====	=====	=====	=====	=====	=====	=====
SUBTOTAL STATE OPERATIONS	5,318	6,831	5,237	6,099	6,174	5,286	5,288	5,363
LOCAL ASSISTANCE	1,033	674		309	1,734		47	1,472
=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL EXPENDITURES	6,351	7,505	5,237	6,408	7,908	5,286	5,335	6,835
=====								
AGENCY PLAN ITEMS:		FUND						
-----		-----						
LCMR NEW ALLOCATIONS		MNR		1,125				
WIND POWER		GEN		36			49	
ENVIRONMENTAL REVIEW		GEN		10				
=====		=====		=====			=====	
TOTAL AGENCY PLAN ITEMS				1,171			49	
=====								
GOV'S INITIATIVES:		FUND						
-----		-----						
(B) TEEN COURTS		GEN			1,500			1,500
=====		=====			=====			=====
TOTAL GOV'S INITIATIVES					1,500			1,500
=====								
EXPENDITURES BY FUND:								

DIRECT APPROPRIATIONS:								
ENVIRONMENT & NATURAL RESOURCE	62	938						
GENERAL	4,606	4,311	4,097	4,143	5,643	4,178	4,227	5,727
MINNESOTA RESOURCES	134	246		1,125	1,125			
OPEN APPROPRIATIONS:								
GIFT	21							
STATUTORY APPROPRIATIONS:								
GENERAL	201	682	295	295	295	295	295	295
SPECIAL REVENUE	813	925	763	763	763	763	763	763
FEDERAL	159	403	82	82	82	50	50	50

1998-1999 B I E N N I A L B U D G E T
(DOLLARS IN THOUSANDS)

AGENCY: PLANNING, STRATEGIC & L R
PROGRAM: STRATEGIC & L R PLANNING
ACTIVITY: STRATEGIC & L R PLANNING

ACTIVITY SUMMARY	FY 1996	Est. FY 1997	FY 1998			FY 1999		
			Base Level	Agency Plan	Governor Recomm.	Base Level	Agency Plan	Governor Recomm.
GIFT	355							
TOTAL EXPENDITURES	6,351	7,505	5,237	6,408	7,908	5,286	5,335	6,835
REVENUE COLLECTED:								
DEDICATED:								
GENERAL	210	317	295	295	295	295	295	295
SPECIAL REVENUE	829	838	763	763	763	763	763	763
FEDERAL	179	405	50	50	50	50	50	50
GIFT	403							
NONDEDICATED:								
GENERAL	15	25	42	42	42	42	42	42
CAMBRIDGE DEPOSIT FUND	223	300	300	300	300	300	300	300
TOTAL REVENUES COLLECTED	1,859	1,885	1,450	1,450	1,450	1,450	1,450	1,450
FTE BY EMPLOYMENT TYPE:								
REGULAR	77.1	74.6	70.3	76.3	76.3	70.3	70.3	70.3
TEMP/SEAS/PART_TIME	1.0	1.0	.9	4.9	4.9	.9	.9	.9
TOTAL FTE	78.1	75.6	71.2	81.2	81.2	71.2	71.2	71.2

1998-1999 B I E N N I A L B U D G E T
(DOLLARS IN THOUSANDS)

AGENCY: PLANNING, STRATEGIC & L R

SUMMARY OF AGENCY REVENUES	FY 1996	Est. FY 1997	FY 1998			FY 1999		
			Forecast	Agency Plan	Governor Recomm.	Forecast	Agency Plan	Governor Recomm.
NON-DEDICATED REVENUE:								
DEPARTMENTAL EARNINGS:								
GENERAL	15	25	42	42	42	42	42	42
CAMBRIDGE DEPOSIT FUND	223	300	300	300	300	300	300	300
TOTAL NON-DEDICATED RECEIPTS	238	325	342	342	342	342	342	342
DEDICATED RECEIPTS:								
DEPARTMENTAL EARNINGS:								
SPECIAL REVENUE	808	806	763	763	763	763	763	763
GRANTS:								
GENERAL	48							
FEDERAL	179	405	50	50	50	50	50	50
OTHER REVENUES:								
GIFT	383							
OTHER SOURCES:								
GENERAL	162	317	295	295	295	295	295	295
SPECIAL REVENUE	21	32						
GIFT	20							
TOTAL DEDICATED RECEIPTS	1,621	1,560	1,108	1,108	1,108	1,108	1,108	1,108
AGENCY TOTAL REVENUES	1,859	1,885	1,450	1,450	1,450	1,450	1,450	1,450

F.Y. 1998-99 BUDGET INITIATIVE

AGENCY: Strategic and Long Range Planning, Office of
PROGRAM: Strategic and Long Range Planning
ACTIVITY: Strategic and Long Range Planning

ITEM TITLE: Teen Courts

	<u>1998-99 Biennium</u>		<u>2000-01 Biennium</u>	
	<u>F.Y. 1998</u>	<u>F.Y. 1999</u>	<u>F.Y. 2000</u>	<u>F.Y. 2001</u>
Expenditures: (\$000s)				
General Fund				
-State Operations	\$75	\$75	\$75	\$75
- Local Grants	\$1,425	\$1,425	\$1,425	\$1,425
Revenues: (\$000s)				
General Fund	\$-0-	\$-0-	\$-0-	\$-0-

Statutory Change? Yes ____ No X

If yes, statutes(s) affected:

GOVERNOR'S RECOMMENDATION:

The Governor recommends a \$3,000,000 biennial increase to provide for a teen court system where youthful offenders are held accountable for their illegal behavior through a sentence imposed by a jury of their peers. It is part of the Governor's overall anti-crime initiative that totals \$58.2 million for the 1998-99 Biennium. In addition to these funds for Minnesota Planning, the initiative includes funds for the Departments of Corrections, Military Affairs, Children Families & Learning, and Public Safety.

RATIONALE:

Teen courts are effective diversionary programs that deter youthful offenders from future illegal behavior. With the increase in violent crimes committed by juveniles, the juvenile justice system and law enforcement have been forced to focus most of their efforts and resources on the most serious juvenile offenders. This shift leaves the courts and law enforcement with very little time to effectively address the needs of youth experiencing their first brush with the law, a group of youth for whom early intervention is especially effective.

A statewide teen court program offers Minnesota communities the chance to provide immediate and appropriate consequences to youth who have committed nonviolent misdemeanor and petty misdemeanor offenses. At the same time, the programs offer youth in the community an opportunity to actively participate in a meaningful way in their community by volunteering as members of the program.

Grants to the judicial branch is the most effective way to establish a statewide system within an existing structure that lends authority to the program. The Supreme Court will adopt rules and procedures for the operation of teen courts to provide local judicial districts with basic guidelines for

the programs.

PROGRAM OUTCOMES:

- Teen court programs developed and implemented in each judicial district
- Reduced recidivism rates for teens statewide and within each judicial district
- Community outcomes developed and measured by each teen court
- Increased hours of community service by teens
- Completion of sentences by teen offenders
- Increased understanding of the criminal and juvenile justice systems and statutes by youth volunteers and offenders

LONG-TERM IMPACT:

Teen courts will:

- provide an effective preventative, community-based alternative to formal processing through the juvenile justice system and reduce the backlog in juvenile courts;
- underscore the state's commitment to restorative justice principles by requiring accountability through accepting responsibility for actions and repairing the harm caused to the victim and community;
- use teen peer pressure in a positive way and engage youth as key decision makers in their communities;
- invest state financial resources efficiently and effectively in a program that provides an educational forum for youth to learn about the criminal justice system in addition to observing or experiencing its deterrent effect on young offenders;
- hold youthful offenders accountable earlier in the process through swift consequences for acts;
- provide education and hands-on experience with the justice system to youth volunteers; and
- build on state and community efforts to develop community outcomes, collect data and evaluate program effectiveness in a uniform manner.

1998-99 BIENNIAL BUDGET

PROGRAM STRUCTURE

AGENCY: Administration, Department of

PROGRAM

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Risk Management

Materials Management

Travel Management

Communications Media

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INTERTECHNOLOGIES GROUP

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InterTech

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FACILITIES MANAGEMENT

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Real Estate Management

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Building Codes and Standards

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Fiscal and Human Resources

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Developmental Disabilities Council (DDC)

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State Employee Assistance Program (EAP)

LCMR Grants

State Archaeologist

INFORMATION POLICY OFFICE

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Information Strategies and Planning (ISPD)

Government Information Access Council

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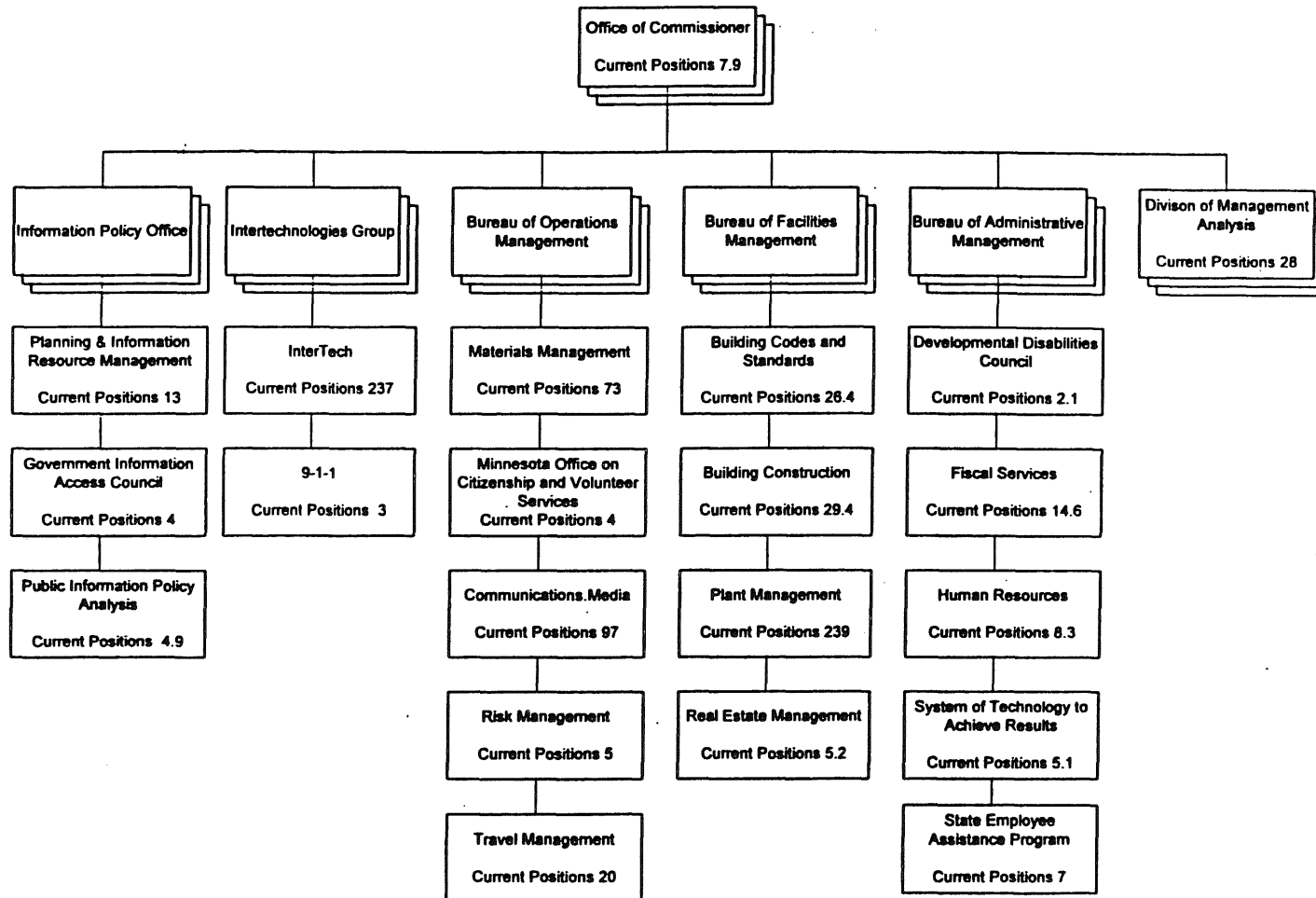
Public Information Policy Analysis (PIPA)

MANAGEMENT ANALYSIS

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DEPARTMENT OF ADMINISTRATION

ORGANIZATIONAL CHART 7/1/96



**1998-99 Biennial Budget
Agency Budget Brief
(\$ in thousands)**

Agency: Administration, Department of

Fund: General

Summary of Agency Actions:

	<u>F.Y. 1998</u>	<u>F.Y. 1999</u>	<u>F.Y. 98-99</u>
<u>BASE-YEAR (F.Y. 1997)</u>			
Appropriations (F.Y. 1997)	\$13,759	\$13,759	\$27,518
<u>BASE ADJUSTMENT</u>			
One-time Appropriations	(1,540)	(1,479)	(3,019)
Program/Agency Sunsets	(503)	(514)	(1,017)
Transfers Between Agencies	41	41	82
1997 Salary Supplement Transfers	5	5	10
1998-99 Compensation Inflation	242	492	734
DOC Space Rent/Lease Incr/Decreases	<u>87</u>	<u>110</u>	<u>197</u>
<u>BASE LEVEL (for 1998 and 1999)</u>	\$12,091	\$12,414	\$24,505
<u>AGENCY DECISION ITEMS</u>			
State Bldg. Construction	165	140	305
Direct Care Worker Training	<u>25</u>	<u>25</u>	<u>50</u>
<u>AGENCY PLAN (for 1998 and 1999)</u>	\$12,281	\$12,579	\$24,860
<u>GOVERNOR'S INITIATIVES</u>			
Disaster Recovery	150	175	325
Network/Telecommunications	724	936	1,660
Year 2000 Project	12,500	12,500	25,000
Children's Museum Grant	135	135	270
Business Customer Service	<u>2,500</u>	<u>2,500</u>	<u>5,000</u>
<u>GOVERNOR'S RECOMMENDATIONS</u>	\$28,290	\$28,825	\$57,115

Brief Explanation of Agency Plan:

The F.Y. 1998-99 agency budget plan calls for same-level funding for its core programs and activities with the following exceptions:

- The plan calls for additional biennial funding of \$305,000 for the Division of State Building Construction to provide increased services to further meet customer needs.
- It provides \$50,000 to the Developmental Disabilities Council for direct care worker training.

Revenue Summary:

There are no impacts on revenue.

Affected Statutes:

None.

GOVERNOR'S RECOMMENDATIONS:

The Governor recommends a General Fund level of \$57,115,000 for the biennium, which incorporates initiatives for the following: \$325,000 for Statewide Disaster Recovery Planning; \$1,660,000 for Network/Telecommunications; \$25,000,000 for the Minnesota Year 2000 Project; \$270,000 for a grant to the Minnesota Children's Museum, and \$5 million for a Business Customer Service initiative.

**1998-99 Biennial Budget
Agency Budget Brief
(\$ in thousands)**

Agency: Administration, Department of

Fund: State Government Special Revenue

Summary of Agency Actions:

	<u>F.Y. 1998</u>	<u>F.Y. 1999</u>	<u>F.Y. 98-99</u>
<u>BASE-YEAR (F.Y. 1997)</u>			
Appropriations (F.Y. 1997)	\$9,724	\$9,848	\$19,572
<u>BASE ADJUSTMENT</u>			
1997 Salary Supplement Transfers	8	8	16
Projects Funded by LCMR	<u>(821)</u>	<u>-0-</u>	<u>(821)</u>
<u>BASE LEVEL (for 1998 and 1999)</u>	\$8,911	\$9,856	\$18,767
<u>AGENCY DECISION ITEMS</u>			
<u>AGENCY PLAN (for 1998 and 1999)</u>	\$8,911	\$9,856	\$18,767
<u>GOVERNOR'S INITIATIVES</u>			
	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
GOVERNOR'S RECOMMENDATIONS	\$8,911	\$9,856	\$18,767

Brief Explanation of Agency Plan:

The budget plan calls for same-level funding.

Revenue Summary:

There are no impacts on revenue.

Affected Statutes:

None.

GOVERNOR'S RECOMMENDATION:

The Governor concurs with the agency's plan.

AGENCY: Administration, Department of

AGENCY DESCRIPTION:

The mission of the Minnesota Department of Administration (Admin) is to provide business management and administrative services that improve the quality and productivity of Minnesota government.

Admin serves both state and local government agencies. Its primary clientele is state agencies. In 1994, the department received broad statutory authorization to serve local government, and services to them are expanding. The department's primary statutory duties are detailed in M.S. 16B.

The department is organized into 6 programmatic areas:

- **Operations Management:** contracting and purchasing services, sale of office supplies, sale of surplus property, printing services, sale of state documents, mailing services, micrographic and records storage services, risk management, and travel management services.
- **InterTechnologies:** data processing, telecommunications, and 9-1-1 emergency telephone service.
- **Facilities Management:** building construction; building, maintenance, and grounds services; energy management; resource recycling/recovery services; parking services; leasing; and building codes and standards.
- **Administrative Management:** statewide employee assistance services, fiscal and personnel services for the department, grants administration, and administrative support to several small agencies and programs.
- **Information Policy Office:** data and technology policies, standards, and guidelines; information planning; review of information systems budget requests; data practices.
- **Management Analysis:** management consulting services.

Seventy-two percent of the department's budget is comprised of self supporting, fee-based operations such as data processing, printing, and vehicle rental. Ten percent of Admin's budget is federal funds, gift monies, and agency clearing accounts. Special revenue fees generate 9% of the agency budget, including 9-1-1 and Building Codes and Standards. General Fund appropriations for department operations comprise 9% (see Figure A).

AGENCY ISSUES:

- **Growing demand for Admin services.** Demand for Admin's core services continues to grow. While Admin's fee-based operations can respond to increased demand by using increased revenues to add staff and other required resources, Admin's general fund operations cannot. There is intense competition for scarce general fund monies. Low-demand services have already been cut or curtailed, and many cost reduction measures have already been implemented. It is difficult to find funds internally to reallocate to meet increasing demand or to invest in new services, technology, and productivity and quality improvements with long-term paybacks.
- **Rapidly changing Information Technology environment.** During the past biennium, Minnesota government agencies have continued to invest in the state's telecommunications and data processing capabilities. Increasingly, the business of government is transacted electronically. Information is processed, archived, accessed or delivered by means of technological systems and networks. Meetings are conducted using interactive video networks. The usefulness of this infrastructure relies on dependability, ease of access and low cost.

Compatibility among its various components is key to leveraging usefulness. To demonstrate this concept, several agencies recently collaborated on a pilot project to achieve network connectivity between state and county government offices in two counties. This pilot project is only one illustration of the many opportunities available to combine business needs and jointly leverage the capabilities of technology in a cost-effective manner.

- **Year 2000.** Computer programs used to support agency programs are in danger of failing in the year 2000. Dates are typically indicated with two digits to represent the year; for example, "96" for 1996. This means that the year 2000 would be represented with "00" and the computer program would interpret it as 1900, not 2000. The result will be problems for any date-related computations such as insurance, licensing or welfare benefits. This is a problem that affects all of state government. Administration is currently working with agencies to assess the extent of the problem and to select appropriate strategies for resolving the problem. Finding the funds to "fix" this problem will be a challenge for the legislature as well as agencies.
- **Statewide Information Resource Issues.** The demand for greater access to and sharing of information and services and the rapidly changing technology landscape raise many issues that cross organizational boundaries. Statewide strategies must be developed for addressing state information infrastructure issues such as disaster recovery, networks, electronic commerce, public access and geographic information systems. Finding new ways to identify and manage these activities as well as developing new funding structures are critical challenges facing the legislature and state agencies.
- **Emerging Electronic Enterprise Environment.** Minnesota state agencies are using electronic tools to conduct business and deliver service and information to customers. Public expectations and business necessity are driving this trend. Businesses that provide services to state agencies are doing business electronically and expect the state to have electronic capabilities. Companies doing business in the state expect that an electronic infrastructure will be available. A statewide electronic enterprise environment is emerging in Minnesota.

This environment will eventually provide statewide electronic access for citizens to government services and information, a statewide electronic network infrastructure; services to support government agencies to do business electronically; electronic commerce capabilities for all government agencies; and statewide "management" of the electronic enterprise. The challenge facing the legislature and state agencies is two-fold: 1) to resolve issues such as security and privacy that have become very complex in the electronic environment; and 2) to provide ongoing statewide funding and management for this electronic environment--a dramatic change from the current uncoordinated piece-by-piece or agency-by-agency approach.

- **Deferred maintenance and repair of state buildings.** The state has long deferred the adequate maintenance and repair of many of its buildings, reducing their useful life, increasing operating costs, and creating a large backlog of critical repairs. The state's capital reform efforts are beginning to address the problem in the capital budget, but long-term solutions are needed in agency operating budgets.
- **Over-reliance on leasing state office facilities.** The state owns only 30% of the office space it needs for state agency operations in the Twin Cities. The state leases over 2 million square feet of office space scattered throughout the Twin Cities; it has not built a central office facility since 1967. The department's long-range strategic plan for locating state agencies calls for increased state ownership, consolidation and co-location to significantly reduce costs. Implementation of the plan began in 1994.

1998-99 Biennial Budget

AGENCY: Administration, Department of
(Continuation)

- **State Procurement System.** The department, working in conjunction with a 13-agency steering committee, has developed a comprehensive procurement reform initiative with the intent of dramatically changing the way the state purchases goods and services. Much of the reform requires legislative approval. A major challenge over the biennium will be the implementation of a procurement system that meets the following objectives: 1) to assure the best value for the state's dollars; 2) to maintain the highest ethical standards; 3) to simplify, streamline and modernize the statute and process; 4) to increase flexibility for agencies; 5) to shift the department's focus so that its resources are directed at the larger, more complex, higher-risk acquisitions; 6) to provide a reasonable balance of service and control on day-to-day purchasing as the central purchasing authority; 7) to redefine procurement law addressing social issues; 8) to allow for more purchasing in the local community and from small businesses; and 9) to eliminate barriers to electronic commerce.
- **Impact of the Higher Education merger.** The impact of the merger on Admin and the other staff agencies is not as yet fully known. The impact depends on the extent to which the merged systems will develop their own administrative services unit. If they do not create their own unit, Admin will need to expand its services to include all of the state colleges and universities.

AGENCY STRATEGIES:

The agency's budget plan is constructed to achieve the following:

- Provide quality products and services needed by state and local agencies at the lowest cost by leveraging economies of scale;
- Expand state and local government use of information and telecommunications technology to deliver services, provide information, and equalize electronic access to government services and information in urban and rural Minnesota;
- Maximize the state's investments in its information assets;
- Maximize the state's investments in its capital assets;
- Improve state government's management and business practices.

See the agency's Performance Report, dated November 1996, for agency goals, objectives, and outcomes.

REVENUE SUMMARY:

Admin's dedicated revenues, such as parking funds, 9-1-1 funds, and membership funds are expected to remain stable over the next biennium. Dedicated federal funds are expected to decrease. Non-dedicated receipts are collected for the building codes and standards activity.

SUMMARY OF BUDGET REQUEST:

The FY 1998-99 agency budget plan calls for same-level funding for its core programs and activities with the following exceptions:

- Additional biennial funding of \$305,000 for the Division of State Building Construction to provide increased services to further meet customer needs.
- \$50,000 in biennial funding to the Developmental Disabilities Council for continuation of the

program of education and training of direct care workers.

- Total revenue (surcharge and fees) collected by the Building Codes and Standards Division to be deposited to the dedicated special revenue fund and appropriated to the Commissioner of Administration to meet the statutory responsibilities of administering and enforcing the state building code.
- Funding for 2 LCMR grants.

GOVERNOR'S RECOMMENDATIONS:

The Governor recommends a funding level of \$116,701,000 for the biennium, which incorporates initiatives for the following: \$325,000 for Statewide Disaster Recovery Planning; \$1,660,000 for the Network/Telecommunications Collaboration effort; \$25,000,000 for the Minnesota Year 2000 project; \$270,000 for a grant to the Minnesota Children's Museum; \$5,000,000 for a Business Customer service initiative; and \$1,000,000 for Plant Management Facility Repair and Maintenance.

1998-1999 B I E N N I A L B U D G E T
(DOLLARS IN THOUSANDS)

AGENCY: ADMINISTRATION DEPT

PROGRAM RESOURCE ALLOCATION:	FY 1996	Est. FY 1997	FY 1998			FY 1999		
			Base Level	Agency Plan	Governor Recomm.	Base Level	Agency Plan	Governor Recomm.
=====	=====	=====	=====	=====	=====	=====	=====	=====
OPERATIONS MANAGEMENT	13,090	15,100	14,703	14,703	14,703	14,776	14,776	14,776
INTERTECHNOLOGIES GROUP	7,670	10,343	9,548	9,548	10,422	10,504	10,504	11,615
FACILITIES MANAGEMENT	9,767	9,826	9,458	10,571	11,071	9,531	10,619	11,119
ADMINISTRATIVE MANAGEMENT	5,170	5,853	3,854	4,329	4,464	3,835	3,860	3,995
INFORMATION POLICY OFFICE	1,908	3,756	1,632	1,632	16,632	1,662	1,662	16,662
MANAGEMENT ANALYSIS	555	794	584	584	584	658	658	658
=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL EXPENDITURES BY PROGRAM	38,160	45,672	39,779	41,367	57,876	40,966	42,079	58,825
=====	=====	=====	=====	=====	=====	=====	=====	=====
EXPENDITURES BY FUND:								

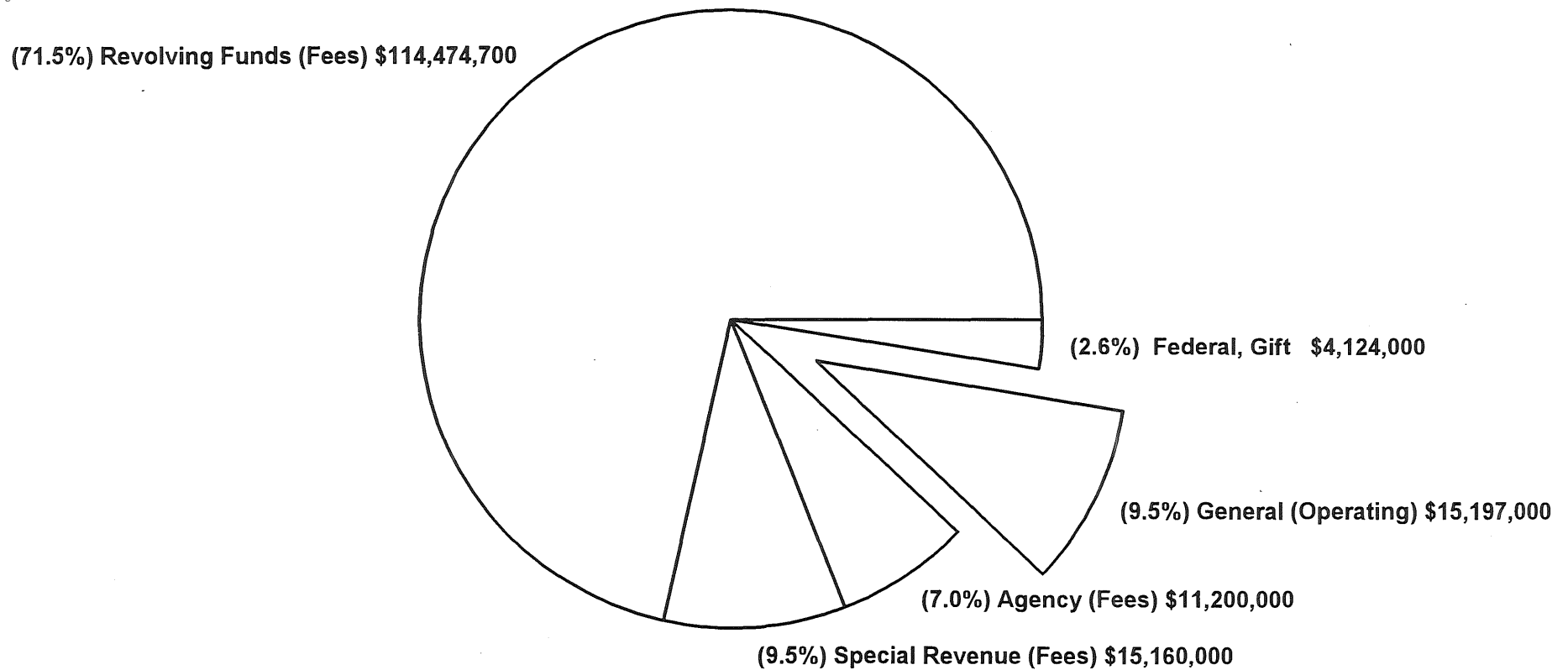
DIRECT APPROPRIATIONS:								
GENERAL	12,167	15,197	12,091	12,281	28,290	12,414	12,579	28,825
MINNESOTA RESOURCES				450	450			
STATE GOVERNMENT SPECIAL REVENUE	10,385	12,968	8,911	8,911	8,911	9,856	9,856	9,856
STATUTORY APPROPRIATIONS:								
STATE GOVERNMENT SPECIAL REVENUE	87	530	2,402	3,350	3,350	2,402	3,350	3,350
SPECIAL REVENUE	1,835	1,653	1,584	1,584	2,084	1,576	1,576	2,076
FEDERAL	1,774	2,654	2,127	2,127	2,127	2,053	2,053	2,053
AGENCY	9,743	11,200	11,200	11,200	11,200	11,200	11,200	11,200
GIFT	2,169	1,470	1,464	1,464	1,464	1,465	1,465	1,465
=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL EXPENDITURES	38,160	45,672	39,779	41,367	57,876	40,966	42,079	58,825
=====	=====	=====	=====	=====	=====	=====	=====	=====
FTE BY EMPLOYMENT TYPE:								

REGULAR	239.6	253.3	245.1	262.1	280.1	245.1	262.1	280.1
TEMP/SEAS/PART_TIME	1.8	1.5	1.5	1.5	1.5	1.5	1.5	1.5
OVERTIME	.7	.6	.6	.6	.6	.6	.6	.6
=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL FTE	242.1	255.4	247.2	264.2	282.2	247.2	264.2	282.2

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DEPARTMENT OF ADMINISTRATION

FISCAL YEAR 1997 BUDGET (\$160,155,700)



1998-99 Biennial Budget Agency Level Revenue Summary

Agency: Administration, Department of

REVENUE SOURCES:

The Department generates both non-dedicated revenue and dedicated revenue. Most of the non-dedicated revenue is currently generated through fees charged for plan reviews, permits, and surcharges by the Building Codes and Standards Division and deposited in the state government special revenue fund. It is estimated that \$2.9 million will be generated in F.Y. 1997. An estimated \$250,000 in non-dedicated revenue will be deposited in the general fund from the Resource Recovery Program.

A variety of dedicated revenue is generated by the Department. An estimated \$7.8 million will be deposited to the state government special revenue fund in F.Y. 1997 for 9-1-1 Emergency Services and Building Codes and Standards fees, permits, and surcharges. In addition, \$1.7 million is estimated to be deposited to the special revenue fund for parking fees charged to state employees and users of state-operated parking facilities.

The Department is expected to receive LCMR grant funds totaling \$875,000 in F.Y. 1997 that are deposited to the state government special revenue fund. Federal grants totaling \$1.8 million are received for the Division of State Building Construction (Veterans Homes Projects), the Developmental Disability Council, and for the System of Technology to Achieve Results (STAR) Program.

Dedicated agency funds are generated by postage fees for metering and processing federal mail. This activity is expected to generate \$11 million in F.Y. 1997.

Dedicated gift funds are estimated at \$1.5 million in F.Y. 1997. Gifts in excess of \$1.4 million are expected as matching funds for federal dollars used in Veterans Homes Projects.

FEE STRUCTURE:

Supported by various state statutes, Administration provides effective enforcement of the State Building Code for plan reviews, inspections, and consumer complaints of buildings, state-licensed facilities, elevators, manufactured structures, and modular buildings. The State Building Code provides basic and uniform performance standards, establishes reasonable safeguards for health, safety, welfare, and comfort and security of residents of this state, and provides for the use of modern construction methods, devices, materials, and techniques. Fees are established to recover the cost of providing these services. These business and industrial regulatory charges are categorized into four fee structures: 1) HUD sales; 2) mobile home permits and licenses; 3) plan reviews, plant inspections, and licenses; and 4) building permit surcharges.

The Department is granted the statutory responsibility of coordinating the implementation of 9-1-1 emergency telephone services. The 9-1-1 emergency number system is designed to provide the public with immediate access to emergency services. 9-1-1 saves time for the caller and reduces overall response time for all emergency service providers. Enhanced 9-1-1 systems provide vital location and/or telephone number information to emergency service providers. This service is provided through fees generated by special taxes and assessments to telephone users.

There are 3 federal programs where the Department of Administration is required to be the recipient agency or has been designated the recipient agency by executive order. Federal statutes, rules, regulations, and guidelines are followed in the use of these funds. Discretion is provided to the state in the use of these grants based on applications submitted by the Department, which are established to recover the cost of providing the services.

RECENT CHANGES:

Revenue flow has remained relatively constant during the past two fiscal years. Some increases have occurred due to demand/user changes. A 9-1-1 fee increase is anticipated at some point in F.Y. 1999 to cover program costs related to actions of the Metropolitan Radio Board. Any increase will be within the statutorily set fee range of not less than 8 cents nor more than 30 cents per month on each telephone line. The current rate is set at 22 cents.

FORECAST BASIS:

LCMR grants for the Oil Overcharge Program have been reduced in F.Y. 1997 and are expected to end in F.Y. 1998. With the changes taking place in federal allocations, funding decreases are anticipated over the next biennium.

DECISION ITEMS:

The Department is proposing that the total revenue (surcharge and fees) collected by the Building Codes and Standards Division be deposited to the dedicated special revenue fund and appropriated to the commissioner of administration to meet the statutory responsibilities of administering and enforcing the state building code.

1998-1999 B I E N N I A L B U D G E T
(DOLLARS IN THOUSANDS)

AGENCY: ADMINISTRATION DEPT

SUMMARY OF AGENCY REVENUES	FY 1996	Est. FY 1997	FY 1998			FY 1999		
			Forecast	Agency Plan	Governor Recomm.	Forecast	Agency Plan	Governor Recomm.
=====	=====	=====	=====	=====	=====	=====	=====	=====
NON-DEDICATED REVENUE:								

DEPARTMENTAL EARNINGS:								
STATE GOVERNMENT SPECIAL REVENUE	2,901	2,900						
DEPARTMENTAL EARNINGS (INTER-AGENC								
GENERAL	250	250	127	127	127	244	244	244
OTHER SOURCES:								
GENERAL	4	8	3	3	3	3	3	3
TAXES:								
GENERAL	179							
=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL NON-DEDICATED RECEIPTS	3,334	3,158	130	130	130	247	247	247

DEDICATED RECEIPTS:								

DEPARTMENTAL EARNINGS:								
STATE GOVERNMENT SPECIAL REVENUE	7,421	7,778	11,536	11,536	11,536	11,781	11,781	11,781
DEPARTMENTAL EARNINGS (INTER-AGENC								
SPECIAL REVENUE	1,489	1,765	1,692	1,692	1,692	1,738	1,738	1,738
AGENCY	175	200	200	200	200	200	200	200
GRANTS:								
STATE GOVERNMENT SPECIAL REVENUE	2,044	875	821	821	821			
FEDERAL	2,485	1,810	2,127	2,127	2,127	2,053	2,053	2,053
OTHER REVENUES:								
STATE GOVERNMENT SPECIAL REVENUE	136	149						
SPECIAL REVENUE	409	330	194	194	194	195	195	195
AGENCY	9,620	11,001	11,000	11,000	11,000	11,000	11,000	11,000
GIFT	1,465	1,481	1,414	1,414	1,414	1,415	1,415	1,415
=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL DEDICATED RECEIPTS	25,244	25,389	28,984	28,984	28,984	28,382	28,382	28,382
=====	=====	=====	=====	=====	=====	=====	=====	=====
AGENCY TOTAL REVENUES	28,578	28,547	29,114	29,114	29,114	28,629	28,629	28,629

**F.Y. 1998-99 Biennial Budget
Federal Funds Summary
Administration, Department of**

Federal Program	Related State Spending	Primary Purpose	SFY 96 Revenues	SFY 97 Revenues	Estimated SFY 98 Revenues	Estimated SFY 99 Revenues
Veterans Home Administration	Yes	State operations	916	18	662	662
Developmental Disabilities Assistance	Yes	Grants - Individuals	621	1,015	964	964
National Institute on Disability and Rehabilitation Research	No	State Operations	948	777	501	427
Agency Total	n/a	n/a	2,485	1,810	2,127	2,053

FEDERAL FUNDS SUMMARY:

The Department of Administration is the recipient of three federal grants. Overall, federal funds fell 27 % from F.Y. 1996 to F.Y. 1997, are expected to increase by 18% in F.Y. 1998 and again will fall by an estimated 3% in F.Y. 1999.

The Veterans Home Administration grants federal funds to the Department to build and repair Veterans Homes. These funds involve a 65/35 match requirement. The most recent matches have been from local units of government (cities and counties). These matching funds are deposited to the gift fund. Previously, the match has been from a capital budget request. Construction projects eligible for federal funding are identified during the capital budget process.

The Developmental Disabilities Council (DDC) receives an annual federal budget of approximately \$1 million. The 75/25 match requirement is satisfied by a \$46,000 general fund appropriation, with the balance being met by grant recipients. This activity integrates children and adults with developmental disabilities into the natural life of the community. It builds a comprehensive consumer-and-family-centered system through training, advocacy, and services. Not less than 65% of the federal grant award must be allocated to individuals for projects that are designed to promote and achieve previously determined DDC goals and objectives. Delays in settling the federal 1996 budget and proposed funding reductions caused staff reductions, delays in preparing work and administrative spending plans, and reductions in administrative spending. This was done in an effort to avoid disruptions in grant activities, to continue to meet contractual obligations, and to continue to carry out mandated duties and responsibilities. Federal awards are expected to remain fairly level over the next biennium. Staffing and other administrative expenses are projected to increase accordingly.

STAR (A System of Technology to Achieve Results) is funded through a grant by the National Institute of Disability and Rehabilitation Research. The federal mandate is to develop and implement a statewide, comprehensive consumer-responsive program of technology-related assistance to individuals of all ages with disabilities through advocacy and systems change. Decreased federal funding in F.Y. 1997 and statutorily mandated decreases of 25% in F.Y. 1998 and 50% in F.Y. 1999, with sunset on September 30, 1999, will reduce the ability to meet systems change and service delivery activities of technology-related assistance. Decreased funding will limit outreach to individuals who are poor, live in rural areas, or have limited English-speaking proficiency.

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1998-99 Biennial Budget

PROGRAM: Operations Management
AGENCY: Administration, Department of

PROGRAM DESCRIPTION:

The Operations Management Bureau (OMB) provides a range of operating support services to state government. These services are provided as cost-effective alternatives to decentralized administrative services and allow agencies to focus more of their limited resources on mission-specific activities.

By statute, the OMB is responsible for the following:

- Operating a central motor pool.
- Operating an employee commuter van program.
- Offering centralized travel services.
- Operating a mailing system within the city of St. Paul.
- Providing centralized printing and duplicating services.
- Overseeing publication of official documents and providing for their sale.
- Publishing and distributing certain state documents, including the *State Register* and agency guidebook.
- Providing micrographic services and products.
- Purchasing supplies, materials and equipment for state agencies.
- Supervising and approving all state contracts and purchasing.
- Operating a cooperative purchasing program for other government entities within the state.
- Administering a small business procurement program.
- Coordinating federal and state surplus property disposal.
- Providing supplies and equipment through a central store.
- Offering insurance programs and providing related risk management services.
- Operating a state information, technical assistance and promotion center for volunteer programs.
- Facilitating citizen participation in local governance and public problem solving.

PROGRAM STATUS:

The OMB strives to honor the department mission by providing "services of such high quality and value that they are sought after by our customers." Bureau activities intended to meet this objective during the 1996-97 biennium included the following:

- In partnership with the Department of Finance, conversion to the state's new accounting and procurement system and facilitation of a user advisory group to direct future improvements.
- Conversion to a new payroll system that involves the mailing of employee paychecks and advices.
- Development of new charge card options for fuel and general state purchases.
- Initial use of EDI (electronic data interchange) technology in purchasing.
- Reorganization of one division (materials management) and one function (micrographic and records storage services) to better meet evolving customer needs.
- Significant expansion of available insurance option.
- Expansion of volunteer services into the citizenship arena.

Additionally, beginning in July 1996, the OMB formed a partnership with 12 other agencies to conduct a comprehensive review of the state's procurement laws and policies. Numerous recommendations that are within the commissioner of administration's discretion are already being implemented. Ultimately, the degree to which this initiative is successful will be largely determined by the legislature's response to reform recommendations requiring amendment to existing law.

The OMB was unsuccessful in its effort--in cooperation with the Departments of Health and Human Services--to implement the 1995 legislation creating a senior drug discount program. The legislation depended on voluntary participation from the pharmaceuticals industry and it was not forthcoming.

PLANNED RESULTS:

Because the OMB operations are largely funded through fees paid by customers, it must exercise strict business discipline to provide services that match other options in price, quality and convenience.

Key specific performance objectives for the 1998-99 biennium include the following:

- Maintain monthly vehicle rental rates at least 50% below private sector pricing for comparable vehicles and services.
- Maintain pricing for printing jobs at least 5% below the average private sector price for comparable products and services.
- Generate savings to state and local government in excess of \$50 million annually as a result of centralized acquisition services.
- Maintain an annual operating expense ratio within our risk management division that is at least 15 % less than the insurance industry average.

BUDGET AND REVENUE SUMMARY:

This program generates dedicated revenue through its Travel Management and Minnesota Office of Citizenship and Volunteer Services activities. Those revenues are expected to remain stable through the 1998-99 biennium.

GOVERNOR'S RECOMMENDATIONS:

The Governor concurs with the agency's plan.

1998-1999 BIENNIAL BUDGET
(DOLLARS IN THOUSANDS)

AGENCY: ADMINISTRATION DEPT
PROGRAM: OPERATIONS MANAGEMENT

			FY 1998			FY 1999		
		Est.						
ACTIVITY RESOURCE ALLOCATION:	FY 1996	FY 1997	Base Level	Agency Plan	Governor Recomm.	Base Level	Agency Plan	Governor Recomm.
MATERIALS MANAGEMENT	2,500	2,985	2,590	2,590	2,590	2,646	2,646	2,646
TRAVEL MANAGEMENT	158	258	255	255	255	255	255	255
COMMUNICATIONS MEDIA	10,120	11,505	11,518	11,518	11,518	11,528	11,528	11,528
MN OFF CITIZEN VOLUNTEER SERV	312	352	340	340	340	347	347	347
TOTAL EXPENDITURES BY ACTIVITY	13,090	15,100	14,703	14,703	14,703	14,776	14,776	14,776
EXPENDITURES BY FUND:								
DIRECT APPROPRIATIONS:								
GENERAL	3,305	3,811	3,424	3,424	3,424	3,496	3,496	3,496
STATUTORY APPROPRIATIONS:								
SPECIAL REVENUE	32	74	70	70	70	70	70	70
AGENCY	9,743	11,200	11,200	11,200	11,200	11,200	11,200	11,200
GIFT	10	15	9	9	9	10	10	10
TOTAL EXPENDITURES	13,090	15,100	14,703	14,703	14,703	14,776	14,776	14,776
FTE BY EMPLOYMENT TYPE:								
REGULAR	60.1	58.5	59.3	59.3	59.3	59.3	59.3	59.3
TEMP/SEAS/PART_TIME	.3							
OVERTIME	.2							
TOTAL FTE	60.6	58.5	59.3	59.3	59.3	59.3	59.3	59.3

1998-99 Biennial Budget

BUDGET ACTIVITY: Risk Management
PROGRAM: Operations Management
AGENCY: Administration, Department of

ACTIVITY DESCRIPTION:

The Risk Management Division provides 4 major services to the state agencies:

- Manage and underwrite the risk management fund including the following four major lines of coverage; automobile liability, automobile comprehensive and collision, general liability and property;
- Supervise, monitor and adjust losses using a loss adjusting company for the investigation and settlement of claims. In conjunction with the attorney general's office, select legal counsel to defend claims that enter into litigation and manage the litigation process;
- Provide risk/insurance management consulting services to state agencies on a variety of issues; and,
- Assist the agencies through evaluation of insurance needs and negotiating the purchase price of insurance.

The division receives its funding from premiums charged to agencies for risks that are underwritten by the risk management fund and from service charges assessed to premiums negotiated by the division on behalf of the agencies. The division has special legislative authority under M.S. 16B.85. The division has an advisory committee made up of representatives of state agencies, the private sector and academia. The division operates solely on the funds generated by premium income and service charges.

BUDGET ISSUES:

None.

REVENUE:

This activity generates revolving fund revenue (see financial page).

BUDGET ACTIVITY: Risk Management
PROGRAM: Operations Management
AGENCY: Administration, Department of

1998-99 BIENNIAL BUDGET
(DOLLARS IN THOUSANDS)

REVOLVING FUND ACTIVITY: Risk Management
TYPE OF FUND: Internal Service Fund
FUND NUMBER: 410

* OPERATIONS DATA *						* FINANCIAL DATA *		
	ACTUAL FY 1995	ACTUAL FY 1996	ESTIMATED FY 1997	PROJECTED FY 1998	PROJECTED FY 1999	ACTUAL FY 1995	ACTUAL FY 1996	ESTIMATED FY 1997
OPERATING REVENUES:						ASSETS:		
NET SALES	3,396.5	5,653.0	6,059.2	6,362.2	6,680.3	CURRENT ASSETS:		
LESS: COST OF SALES						CASH	3,974.9	6,034.7
GROSS PROFIT ON SALES	3,396.5	5,653.0	6,059.2	6,362.2	6,680.3	OTHER CURRENT ASSETS	254.8	212.5
OTHER REVENUE						TOTAL CURRENT ASSETS	4,229.6	6,247.2
NET REVENUES	3,396.5	5,653.0	6,059.2	6,362.2	6,680.3	NON-CURRENT ASSETS:	15.1	10.5
LESS: OPERATING EXPENSES:						TOTAL ASSETS	4,244.7	6,257.7
CLAIMS	2,084.0	2,206.6	2,215.0	2,768.8	3,322.5	LIABILITIES & FUND EQUITY:		
SALARIES	188.4	274.6	286.2	294.8	303.6	LIABILITIES:		
SUPPLIES & EXPENSES	1,001.8	2,098.1	2,465.2	2,835.0	2,976.7	CURRENT LIABILITIES:		
INDIRECT COSTS	27.4	24.1	51.3	52.8	54.4	DUE GENERAL FUND - CURRENT		
AMORTIZATION & DEPRECIATION	5.6	4.5	4.5	4.6	4.8	MASTER LEASE - CURRENT		
TOTAL OPERATING EXPENSES	3,307.1	4,608.0	5,022.2	5,956.0	6,662.0	OTHER CURRENT LIABILITIES	3,569.1	5,695.9
OPERATING INCOME (LOSS)	89.4	1,045.0	1,037.0	406.2	18.3	TOTAL CURRENT LIABILITIES	3,569.1	5,695.9
NON-OPERATING REVENUES (EXPENSES)	254.4	204.6	210.0	231.0	254.1	NON-CURRENT LIABILITIES:		
NET INCOME (LOSS)	343.8	1,249.6	1,247.0	637.2	272.4	DUE GENERAL FUND - NON-CURRENT		
BEGINNING RETAINED EARNINGS	243.2	659.9	542.7	889.7	876.9	MASTER LEASE - NON-CURRENT	15.7	19.1
PRIOR PERIOD ADJUSTMENT	72.9	(1,366.8)	(900.0)	(650.0)	(400.0)	OTHER NON-CURRENT LIABILITIES	15.7	19.1
ENDING RETAINED EARNINGS	659.9	542.7	889.7	876.9	749.3	TOTAL NON-CURRENT LIABILITIES	15.7	19.1
FOOTNOTES TO STATEMENTS:						TOTAL LIABILITIES	3,584.8	5,715.0
June 30, 1996, FTE Employees: 5						FUND EQUITY:		
Prior period adjustments reflect incurred but not recorded (IBNR) losses. This is necessary to accurately reflect future claim payments.						CONTRIBUTED CAPITAL		
						RETAINED EARNINGS	659.9	542.7
						TOTAL FUND EQUITY	659.9	542.7
						TOTAL LIABILITIES & FUND EQUITY	4,244.7	6,257.7
RATE INCREASE/(DECREASE):	15.98%	63.51%	9.10%	5.00%	5.00%			
Rate increases reflected by sales growth are due to additional agency's (MnSCU) participation in the Risk Management Fund for property and liability self-insurance. The actual rates did not increase by these percentages. The property and general liability programs were added in 1996 causing sales to increase 63%								
FIVE YEAR AVERAGE INCREASE/(DECREASE)	19.72%							

1998-99 Biennial Budget

BUDGET ACTIVITY: Materials Management
PROGRAM: Operations Management
AGENCY: Administration, Department of

ACTIVITY DESCRIPTION:

Materials Management Division

The Materials Management Division is responsible for purchasing, contracts, surplus property acquisition, warehousing and disposal, and all other aspects of buying goods and services for state agencies, including overall environmental stewardship in the use of surplus property and purchasing products and services that are environmentally responsible.

Purchasing and Contracts

The division is responsible for the operation and oversight of purchasing activity of more than \$1 billion annually, including negotiating standard requirement price contracts, as well as directly purchasing goods and services not on contract. It also administers the Cooperative Purchasing Venture for local units of government and the Minnesota Multi-State Governmental Contracting Alliance in Pharmaceuticals. The division also has oversight responsibility for professional and technical contracts.

Customer Assistance

The division's customers include both vendors and state agencies. Its vendor management section registers all businesses wishing to sell goods and services to the state of Minnesota. This section also recruits and certifies targeted group and economically disadvantaged businesses that are eligible for the Small Business Procurement Program. The division operates a Helpline, which provides a prompt response to inquiries directly or by referring questions to the proper area.

Stores and Surplus Services

The division provides centralized services related to the acquisition, merchandising, distribution and disposal of federal and state personal property to state agencies, local units of government, and eligible private, nonprofit agencies. It also sells office supplies and products to state agencies and other units of government.

Business Management

The division manages the procurement-related business functions of the Minnesota Accounting and Procurement Systems (MAPS). This is the system agencies use to communicate purchase needs and which the division uses for bid awards and generation of purchase orders.

BUDGET ISSUES:

A procurement reform project initiated by the materials management organization will enable the division to redirect resources in order to improve its services and provide more authority to its customers.

REVENUE:

This activity generates revolving fund revenue (see financial page).

1998-1999 B I E N N I A L B U D G E T
(DOLLARS IN THOUSANDS)

AGENCY: ADMINISTRATION DEPT
PROGRAM: OPERATIONS MANAGEMENT
ACTIVITY: MATERIALS MANAGEMENT

ACTIVITY SUMMARY	FY 1996	Est. FY 1997	FY 1998			FY 1999		
			Base Level	Agency Plan	Governor Recomm.	Base Level	Agency Plan	Governor Recomm.
EXPENDITURES:								
DETAIL BY CATEGORY:								
STATE OPERATIONS:								
PERSONAL SERVICES	1,990	2,017	2,067	2,067	2,067	2,119	2,119	2,119
OPERATING EXPENSES	510	968	523	523	523	527	527	527
SUBTOTAL STATE OPERATIONS	2,500	2,985	2,590	2,590	2,590	2,646	2,646	2,646
TOTAL EXPENDITURES	2,500	2,985	2,590	2,590	2,590	2,646	2,646	2,646
EXPENDITURES BY FUND:								
DIRECT APPROPRIATIONS:								
GENERAL	2,500	2,985	2,590	2,590	2,590	2,646	2,646	2,646
TOTAL EXPENDITURES	2,500	2,985	2,590	2,590	2,590	2,646	2,646	2,646
FTE BY EMPLOYMENT TYPE:								
REGULAR	46.9	45.5	46.3	46.3	46.3	46.3	46.3	46.3
TEMP/SEAS/PART_TIME	.3							
TOTAL FTE	47.2	45.5	46.3	46.3	46.3	46.3	46.3	46.3

BUDGET ACTIVITY: Materials Management
PROGRAM: Operations Management
AGENCY: Administration, Department of

1998-99 BIENNIAL BUDGET
(DOLLARS IN THOUSANDS)

REVOLVING FUND ACTIVITY: Central Stores
TYPE OF FUND: Internal Service Fund
FUND NUMBER: 930

* OPERATIONS DATA *						* FINANCIAL DATA *		
	ACTUAL FY 1995	ACTUAL FY 1996	ESTIMATED FY 1997	PROJECTED FY 1998	PROJECTED FY 1999	ACTUAL FY 1995	ACTUAL FY 1996	ESTIMATED FY 1997
OPERATING REVENUES:						ASSETS:		
NET SALES	7,112.2	7,025.2	7,340.9	7,708.0	8,093.4	CURRENT ASSETS:		
LESS: COST OF SALES	5,906.2	5,777.7	6,163.2	6,320.6	6,636.6	CASH	215.5	309.3
GROSS PROFIT ON SALES	1,206.0	1,247.5	1,177.7	1,387.4	1,456.8	OTHER CURRENT ASSETS	1,577.3	1,510.0
OTHER REVENUE	0.0	0.0	0.0	0.0	0.0	TOTAL CURRENT ASSETS	1,792.8	1,819.3
NET REVENUES	1,206.0	1,247.5	1,177.7	1,387.4	1,456.8	NON-CURRENT ASSETS:	40.9	26.4
LESS: OPERATING EXPENSES:						TOTAL ASSETS	1,833.7	1,845.7
SALARIES	552.0	506.9	547.5	563.9	580.8	LIABILITIES & FUND EQUITY:		
SUPPLIES & EXPENSES	368.9	381.8	407.3	419.5	432.1	LIABILITIES:		
INDIRECT COSTS	113.5	195.8	294.9	303.8	312.9	CURRENT LIABILITIES:		
AMORTIZATION & DEPRECIATION	35.9	21.6	20.2	20.2	20.2	DUE GENERAL FUND - CURRENT	0.0	49.0
TOTAL OPERATING EXPENSES	1,070.3	1,106.1	1,269.9	1,307.4	1,346.0	MASTER LEASE - CURRENT	0.0	0.0
OPERATING INCOME (LOSS)	135.7	141.4	(92.2)	80.0	110.8	OTHER CURRENT LIABILITIES	760.0	584.1
NON-OPERATING REVENUES (EXPENSES)	0.0	0.0	0.0	0.0	0.0	TOTAL CURRENT LIABILITIES	760.0	633.1
NET INCOME (LOSS)	135.7	141.4	(92.2)	80.0	110.8	NON-CURRENT LIABILITIES:		
BEGINNING RETAINED EARNINGS	214.6	350.3	491.7	399.5	479.5	DUE GENERAL FUND - NON-CURRENT	0.0	0.0
PRIOR PERIOD ADJUSTMENT	0.0	0.0	0.0	0.0	0.0	MASTER LEASE - NON-CURRENT	0.0	0.0
ENDING RETAINED EARNINGS	350.3	491.7	399.5	479.5	590.3	OTHER NON-CURRENT LIABILITIES	32.4	29.9
FOOTNOTES TO STATEMENTS:						TOTAL NON-CURRENT LIABILITIES	32.4	29.9
June 30, 1996, FTE Employees: 11.7						TOTAL LIABILITIES	792.4	663.0
						FUND EQUITY:		
						CONTRIBUTED CAPITAL	691.0	691.0
						RETAINED EARNINGS	350.3	491.7
						TOTAL FUND EQUITY	1,041.3	1,182.7
						TOTAL LIABILITIES & FUND EQUITY	1,833.7	1,845.7
RATE INCREASE/(DECREASE):	-3.51%	0.00%	0.00%	0.00%	0.00%			
FIVE YEAR AVERAGE INCREASE/(DECREASE)	-0.70%							

BUDGET ACTIVITY: Materials Management
PROGRAM: Operations Management
AGENCY: Administration, Department of

1998-99 BIENNIAL BUDGET
(DOLLARS IN THOUSANDS)

REVOLVING FUND ACTIVITY: Surplus Services
TYPE OF FUND: Internal Service Fund
FUND NUMBER: 940

* OPERATIONS DATA *

* FINANCIAL DATA *

	ACTUAL FY 1995	ACTUAL FY 1996	ESTIMATED FY 1997	PROJECTED FY 1998	PROJECTED FY 1999		ACTUAL FY 1995	ACTUAL FY 1996	ESTIMATED FY 1997
OPERATING REVENUES:						ASSETS:			
NET SALES	685.9	641.6	660.0	665.0	670.0	CURRENT ASSETS:			
LESS: COST OF SALES	4.5	4.6	5.0	5.0	5.0	CASH	873.8	767.9	650.0
GROSS PROFIT ON SALES	681.4	637.0	655.0	660.0	665.0	OTHER CURRENT ASSETS	88.8	358.2	360.8
OTHER REVENUE	0.0	0.0	0.0	0.0	0.0	TOTAL CURRENT ASSETS	962.6	1,126.1	1,010.8
NET REVENUES	681.4	637.0	655.0	660.0	665.0	NON-CURRENT ASSETS:	222.7	212.0	189.2
LESS: OPERATING EXPENSES:						TOTAL ASSETS	1,185.3	1,338.1	1,200.0
SALARIES	293.0	339.2	332.0	342.0	352.3	LIABILITIES & FUND EQUITY:			
SUPPLIES & EXPENSES	246.5	215.5	394.0	250.0	257.5	LIABILITIES:			
INDIRECT COSTS	11.1	21.5	28.5	29.3	30.2	CURRENT LIABILITIES:			
AMORTIZATION & DEPRECIATION	21.2	18.7	22.0	22.0	24.0	DUE GENERAL FUND - CURRENT	0.0	0.0	0.0
TOTAL OPERATING EXPENSES	571.8	594.9	776.5	643.3	664.0	MASTER LEASE - CURRENT	0.0	0.0	0.0
OPERATING INCOME (LOSS)	109.6	42.1	(121.5)	16.7	1.0	OTHER CURRENT LIABILITIES	352.9	460.4	443.5
NON-OPERATING REVENUES (EXPENSES)	0.0	0.0	0.0	0.0	0.0	TOTAL CURRENT LIABILITIES	352.9	460.4	443.5
NET INCOME (LOSS)	109.6	42.1	(121.5)	16.7	1.0	NON-CURRENT LIABILITIES:			
BEGINNING RETAINED EARNINGS	432.1	541.7	583.8	462.3	479.0	DUE GENERAL FUND - NON-CURRENT	0.0	0.0	0.0
PRIOR PERIOD ADJUSTMENT	0.0	0.0	0.0			MASTER LEASE - NON-CURRENT	0.0	0.0	0.0
ENDING RETAINED EARNINGS	541.7	583.8	462.3	479.0	480.0	OTHER NON-CURRENT LIABILITIES	16.5	19.7	20.0
FOOTNOTES TO STATEMENTS:						TOTAL NON-CURRENT LIABILITIES	16.5	19.7	20.0
June 30, 1996, FTE Employees: 8.2						TOTAL LIABILITIES	369.4	480.1	463.5
RATE INCREASE/(DECREASE):	0.00%	0.00%	11.11%	0.00%	0.00%	FUND EQUITY:			
						CONTRIBUTED CAPITAL	274.2	274.2	274.2
FIVE YEAR AVERAGE INCREASE/(DECREASE)	2.22%					RETAINED EARNINGS	541.7	583.8	462.3
NOTE: Rates are charged on warehousing of other agencies materials which represent only 8% of total Sales.						TOTAL FUND EQUITY	815.9	858.0	736.5
						TOTAL LIABILITIES & FUND EQUITY	1,185.3	1,338.1	1,200.0

BUDGET ACTIVITY: Materials Management
PROGRAM: Operations Management
AGENCY: Administration, Department of

1998-99 BIENNIAL BUDGET
(DOLLARS IN THOUSANDS)

REVOLVING FUND ACTIVITY: Cooperative Purchasing
TYPE OF FUND: Enterprise Fund
FUND NUMBER: 940

* OPERATIONS DATA *						* FINANCIAL DATA *				
	ACTUAL FY 1995	ACTUAL FY 1996	ESTIMATED FY 1997	PROJECTED FY 1998	PROJECTED FY 1999		ACTUAL FY 1995	ACTUAL FY 1996	ESTIMATED FY 1997	
OPERATING REVENUES:						ASSETS:				
NET SALES	440.6	544.1	556.3	566.9	577.9	CURRENT ASSETS:				
LESS: COST OF SALES	0.0	0.0	0.0	0.0	0.0	CASH	666.2	1,048.8	505.7	
GROSS PROFIT ON SALES	440.6	544.1	556.3	566.9	577.9	OTHER CURRENT ASSETS	0.0	0.0	0.0	
OTHER REVENUE	0.0	0.0	0.0	0.0	0.0	TOTAL CURRENT ASSETS	666.2	1,048.8	505.7	
NET REVENUES	440.6	544.1	556.3	566.9	577.9	NON-CURRENT ASSETS:	1.2	18.3	16.5	
LESS: OPERATING EXPENSES:						TOTAL ASSETS	667.4	1,067.1	522.2	
SALARIES	192.9	441.2	400.6	413.6	427.1	LIABILITIES & FUND EQUITY:				
SUPPLIES & EXPENSES	85.6	236.6	165.2	184.8	206.8	LIABILITIES:				
INDIRECT COSTS	2.4	15.9	15.8	16.8	16.8	CURRENT LIABILITIES:				
AMORTIZATION & DEPRECIATION	0.0	1.7	1.8	1.8	1.9	DUE GENERAL FUND - CURRENT	0.0	0.0	0.0	
TOTAL OPERATING EXPENSES	280.9	695.4	583.4	617.0	652.6	MASTER LEASE - CURRENT	0.0	0.0	0.0	
OPERATING INCOME (LOSS)	159.7	(151.3)	(27.1)	(50.1)	(74.7)	OTHER CURRENT LIABILITIES	94.2	642.6	125.0	
NON-OPERATING REVENUES (EXPENSES)	0.0	0.0	0.0	0.0	0.0	TOTAL CURRENT LIABILITIES	94.2	642.6	125.0	
NET INCOME (LOSS)	159.7	(151.3)	(27.1)	(50.1)	(74.7)	NON-CURRENT LIABILITIES:				
BEGINNING RETAINED EARNINGS	402.9	562.6	411.3	384.2	334.1	DUE GENERAL FUND - NON-CURRENT	0.0	0.0	0.0	
PRIOR PERIOD ADJUSTMENT	0.0	0.0	0.0	0.0	0.0	MASTER LEASE - NON-CURRENT	0.0	0.0	0.0	
ENDING RETAINED EARNINGS	562.6	411.3	384.2	334.1	259.4	OTHER NON-CURRENT LIABILITIES	10.6	13.2	13.0	
FOOTNOTES TO STATEMENTS:						TOTAL NON-CURRENT LIABILITIES	10.6	13.2	13.0	
June 30, 1996, FTE Employees: 5.9						TOTAL LIABILITIES	104.8	655.8	138.0	
RATE INCREASE/(DECREASE):						0.00%	0.00%	0.00%	0.00%	0.00%
FIVE YEAR AVERAGE INCREASE/(DECREASE)						0.00%				
						FUND EQUITY:				
						CONTRIBUTED CAPITAL	0.0	0.0	0.0	
						RETAINED EARNINGS	562.6	411.3	384.2	
						TOTAL FUND EQUITY	562.6	411.3	384.2	
						TOTAL LIABILITIES & FUND EQUITY	667.4	1,067.1	522.2	

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1998-99 Biennial Budget

BUDGET ACTIVITY: Travel Management Division
PROGRAM: Operations Management
AGENCY: Administration, Department of

REVENUE:

This activity generates dedicated and revolving fund revenue (see financial page for revolving fund revenue).

ACTIVITY DESCRIPTION:

The Travel Management Division (TMD) provides a variety of transportation and travel-related services to state agencies. Services are provided directly through the TMD fleet operations, management processes or consultant and informational activities. The objective of this activity is to provide safe, efficient and cost-effective transportation and travel services to state agencies and employees.

- The central motor pool consists of a fleet of passenger and light duty cargo vehicles available for daily rental and long-term leases. Rental and lease rates are reviewed annually and calculated at a break-even point to recover fleet operating expenses. The rental and lease rates include fuel, maintenance and liability and comprehensive/collision insurance coverage. A 24-hour emergency "800" number is provided to drivers for roadside assistance and vehicle maintenance or repair authorization. Maintenance, fueling and cleaning services are available for any government agency vehicle at the motor pool facilities at 610 North Robert Street, St. Paul, Monday through Friday, 7:30 a.m. to 4:30 p.m.
- The division's travel services include a corporate credit card program and a preferred travel agency program. The division assists with vendor negotiations regarding rates and customer service for air travel, hotel, car rental and ground transportation. These programs simplify employee travel arrangements and enable the state to leverage purchasing power and take advantage of economies of scale.
- The commuter van program provides a fleet of 24 passenger vans for 230 state employees and passengers commuting to and from the Capitol complex area and the metropolitan suburbs. The program's objective is not only to provide cost-effective service but also to be environmentally responsible by reducing the number of single passenger vehicles on the road and limiting the need for parking spaces.
- The division administers an MCTO bus card program through payroll deduction providing discounted bus cards for 250 state employees.

BUDGET ISSUES:

Fuel and new vehicle price increases substantially impact the Travel Management Division's fleet operating expenses.

In F.Y. 1996 fuel costs increased as follows:

Gasoline, unleaded with 10% ethanol base	12.0% price increase
Gasoline, unleaded with 85% ethanol base	40.6% price increase

Federal regulations require annual increases in the percentages of alternative fuel vehicles (such as those using 85% ethanol fuel) purchased.

1998-1999 B I E N N I A L B U D G E T
(DOLLARS IN THOUSANDS)

AGENCY: ADMINISTRATION DEPT
PROGRAM: OPERATIONS MANAGEMENT
ACTIVITY: TRAVEL MANAGEMENT

ACTIVITY SUMMARY	FY 1996	Est. FY 1997	FY 1998			FY 1999		
			Base Level	Agency Plan	Governor Recomm.	Base Level	Agency Plan	Governor Recomm.
EXPENDITURES:								
DETAIL BY CATEGORY:								
STATE OPERATIONS:								
PERSONAL SERVICES		3						
OPERATING EXPENSES	158	255	255	255	255	255	255	255
SUBTOTAL STATE OPERATIONS	158	258	255	255	255	255	255	255
TOTAL EXPENDITURES	158	258	255	255	255	255	255	255
EXPENDITURES BY FUND:								
STATUTORY APPROPRIATIONS:								
SPECIAL REVENUE	16	58	55	55	55	55	55	55
AGENCY	142	200	200	200	200	200	200	200
TOTAL EXPENDITURES	158	258	255	255	255	255	255	255
REVENUE COLLECTED:								
DEDICATED:								
SPECIAL REVENUE	174	175	175	175	175	175	175	175
AGENCY	175	200	200	200	200	200	200	200
TOTAL REVENUES COLLECTED	349	375	375	375	375	375	375	375
FTE BY EMPLOYMENT TYPE:								
TOTAL FTE								

BUDGET ACTIVITY: Travel Management
PROGRAM: Operations Management
AGENCY: Administration, Department of

1998-99 BIENNIAL BUDGET
(DOLLARS IN THOUSANDS)

REVOLVING FUND ACTIVITY: Travel Management
TYPE OF FUND: Internal Service Fund
FUND NUMBER: 910

* OPERATIONS DATA *						* FINANCIAL DATA *		
	ACTUAL FY 1995	ACTUAL FY 1996	ESTIMATED FY 1997	PROJECTED FY 1998	PROJECTED FY 1999	ACTUAL FY 1995	ACTUAL FY 1996	ESTIMATED FY 1997
OPERATING REVENUES:						ASSETS:		
NET SALES	6,123.2	6,602.7	7,194.4	7,443.0	7,805.7	CURRENT ASSETS:		
LESS: COST OF SALES						CASH	506.6	668.0
						OTHER CURRENT ASSETS	1,193.9	1,717.6
GROSS PROFIT ON SALES	6,123.2	6,602.7	7,194.4	7,443.0	7,805.7	TOTAL CURRENT ASSETS	1,700.5	2,385.7
OTHER REVENUE	95.2	94.1	84.3	60.0	60.0	NON-CURRENT ASSETS:	12,357.4	12,512.6
NET REVENUES	6,218.4	6,696.8	7,278.7	7,503.0	7,865.7	TOTAL ASSETS	14,057.9	14,898.3
LESS: OPERATING EXPENSES:						LIABILITIES & FUND EQUITY:		
SALARIES	630.6	727.9	769.6	834.9	855.6	LIABILITIES:		
SUPPLIES & EXPENSES	2,131.8	2,291.1	2,499.0	2,783.2	3,010.7	CURRENT LIABILITIES:		
INDIRECT COSTS	125.1	168.5	266.2	274.2	282.5	DUE GENERAL FUND - CURRENT	1,500.0	2,487.9
AMORTIZATION & DEPRECIATION	3,009.1	3,404.8	3,737.2	3,282.7	3,559.6	MASTER LEASE - CURRENT	4,221.0	4,732.3
TOTAL OPERATING EXPENSES	5,896.6	6,592.4	7,272.1	7,175.0	7,708.4	OTHER CURRENT LIABILITIES	720.3	398.5
OPERATING INCOME (LOSS)	321.8	104.4	6.6	328.0	157.3	TOTAL CURRENT LIABILITIES	6,441.3	7,618.7
NON-OPERATING REVENUES (EXPENSES)	182.2	210.9	100.0	100.0	100.0	NON-CURRENT LIABILITIES:		
NET INCOME (LOSS)	504.0	315.3	106.6	428.0	257.3	DUE GENERAL FUND - NON-CURRENT		
BEGINNING RETAINED EARNINGS	447.1	951.1	1,266.4	1,373.0	1,801.0	MASTER LEASE - NON-CURRENT	6,115.1	5,492.5
PRIOR PERIOD ADJUSTMENT	0.0	0.0	0.0	0.0	0.0	OTHER NON-CURRENT LIABILITIES	15.5	18.8
ENDING RETAINED EARNINGS	951.1	1,266.4	1,373.0	1,801.0	2,058.4	TOTAL NON-CURRENT LIABILITIES	6,130.6	5,511.2
FOOTNOTES TO STATEMENTS:						TOTAL LIABILITIES	12,571.9	13,129.9
June 30, 1996, FTE Employees: 19.4						FUND EQUITY:		
						RESERVED FOR TRANSFER OUT	32.9	0.0
						CONTRIBUTED CAPITAL	502.0	502.0
						RETAINED EARNINGS	951.1	1,266.4
						TOTAL FUND EQUITY	1,486.0	1,768.4
						TOTAL LIABILITIES & FUND EQUITY	14,057.9	14,898.3
RATE INCREASE/(DECREASE):	5.28%	1.00%	-2.49%	3.08%	4.83%			
FIVE YEAR AVERAGE INCREASE/(DECREASE)	2.34%							

BUDGET ACTIVITY: Travel Management
PROGRAM: Operations Management
AGENCY: Administration, Department of

1998-99 BIENNIAL BUDGET
(DOLLARS IN THOUSANDS)

REVOLVING FUND ACTIVITY: Commuter Van
TYPE OF FUND: Enterprise Fund
FUND NUMBER: 960

* OPERATIONS DATA *						* FINANCIAL DATA *		
	ACTUAL FY 1995	ACTUAL FY 1996	ESTIMATED FY 1997	PROJECTED FY 1998	PROJECTED FY 1999	ACTUAL FY 1995	ACTUAL FY 1996	ESTIMATED FY 1997
OPERATING REVENUES:						ASSETS:		
NET SALES	129.4	124.8	140.2	162.6	175.6	CURRENT ASSETS:		
LESS: COST OF SALES						CASH	88.0	15.8
						OTHER CURRENT ASSETS	0.4	32.9
GROSS PROFIT ON SALES	129.4	124.8	140.2	162.6	175.6	TOTAL CURRENT ASSETS	88.4	48.7
OTHER REVENUE						NON-CURRENT ASSETS:	159.3	248.1
NET REVENUES	129.4	124.8	140.2	162.6	175.6	TOTAL ASSETS	247.7	296.8
LESS: OPERATING EXPENSES:						LIABILITIES & FUND EQUITY:		
SALARIES	24.4	24.1	23.1	24.9	25.3	LIABILITIES:		
SUPPLIES & EXPENSES	63.4	69.8	75.4	77.7	80.0	CURRENT LIABILITIES:		
INDIRECT COSTS	3.1	11.1	13.5	13.9	14.3	DUE GENERAL FUND - CURRENT		
AMORTIZATION & DEPRECIATION	41.3	29.5	47.7	42.7	44.1	MASTER LEASE - CURRENT		
TOTAL OPERATING EXPENSES	132.2	134.5	159.7	159.2	163.7	OTHER CURRENT LIABILITIES		
OPERATING INCOME (LOSS)	(2.8)	(9.7)	(19.5)	3.5	11.9		8.6	18.1
NON-OPERATING REVENUES (EXPENSES)	8.9	8.2	0.0	0.0	0.0	TOTAL CURRENT LIABILITIES	8.6	18.1
NET INCOME (LOSS)	6.1	(1.5)	(19.5)	3.5	11.9	NON-CURRENT LIABILITIES:		
BEGINNING RETAINED EARNINGS	21.2	27.3	25.8	6.3	9.7	DUE GENERAL FUND - NON-CURRENT		
PRIOR PERIOD ADJUSTMENT	0.0	0.0	0.0	0.0	0.0	MASTER LEASE - NON-CURRENT		
ENDING RETAINED EARNINGS	27.3	25.8	6.3	9.7	21.6	OTHER NON-CURRENT LIABILITIES		
FOOTNOTES TO STATEMENTS:							1.7	2.0
June 30, 1996, FTE Employees: 0.6						TOTAL NON-CURRENT LIABILITIES	1.7	2.0
						TOTAL LIABILITIES	10.3	20.1
						FUND EQUITY:		
						CONTRIBUTED CAPITAL	210.1	250.9
						RETAINED EARNINGS	27.3	25.8
						TOTAL FUND EQUITY	237.4	276.7
						TOTAL LIABILITIES & FUND EQUITY	247.7	296.8
RATE INCREASE/(DECREASE):	0.00%	0.00%	0.00%	16.00%	8.00%			
FIVE YEAR AVERAGE INCREASE/(DECREASE)	4.80%							

1998-99 Biennial Budget

BUDGET ACTIVITY: Communications Media
PROGRAM: Operations Management
AGENCY: Administration, Department of

REVENUE:

This activity generates dedicated and revolving fund revenue (see financial page for revolving fund revenue).

ACTIVITY DESCRIPTION:

MailComm

MailComm is a full service operation available to all state agencies. This unit provides the following services:

- Mailing service (General Fund) includes metering and processing of outgoing federal mail, and expert consulting on cost-saving postal programs.
- Addressing, inserting, pre-sorting, and bulk mail service (revolving fund) provide a centralized service that results in reduced postage costs to state agencies.

PrintComm

PrintComm is a full service in-house printer. PrintComm assigns a customer service representative to each customer to provide assistance regarding job specifications, binding and distribution options, statutory requirements, job status reports and cost estimates. PrintComm offers graphic design and extensive electronic publishing services available on both MAC and PC platforms. PrintComm can provide color printing with a wide variety of finishing options. Copying services are available at 3 locations with 24-hour turnaround in most cases. Production operates a three shift shop with customer service accessible 7 a.m. to 7 p.m., weekdays.

ReComm: Retail and Editorial Services

This activity provides 3 services to state agencies and the public:

- Minnesota's Bookstore operates as a centralized publishing house for state agency produced products which are sold to the public.
- The Mailing List Service operates as a centralized production and distribution outlet for the sale of selected state licensing data to the public.
- The *State Register* is the official weekly publication of the state of Minnesota. The Monday edition of the *State Register* contains rulemaking activity, official notices, executive orders of the governor, requests for proposal, and commissioners' orders. The *Contract Supplement* (published on Tuesday, Wednesday, and Friday) contains contract and bid information.

DocuComm

Document Communications provides document management services to state and local government. Services include conversion of documents to microfilm or compact disk, systems consulting, and secure warehouse storage of files or electronic back-ups. Services also include on-site consultations and cost estimates.

BUDGET ISSUES:

MailComm

Funding for the General Fund portion of the operation has not kept pace with the increased costs for salaries and pick-up/delivery services. The division will attempt to manage this shortfall by increasing its pre-sort services to maximize postal savings now available through new federal rates for pre-sorted mail.

1998-1999 BIENNIAL BUDGET
(DOLLARS IN THOUSANDS)

AGENCY: ADMINISTRATION DEPT
PROGRAM: OPERATIONS MANAGEMENT
ACTIVITY: COMMUNICATIONS.MEDIA

ACTIVITY SUMMARY	FY 1996	Est. FY 1997	FY 1998			FY 1999		
			Base Level	Agency Plan	Governor Recomm.	Base Level	Agency Plan	Governor Recomm.
=====	=====	=====	=====	=====	=====	=====	=====	=====
EXPENDITURES:								

DETAIL BY CATEGORY:								
STATE OPERATIONS:								
PERSONAL SERVICES	335	330	344	344	344	352	352	352
OPERATING EXPENSES	9,785	11,175	11,174	11,174	11,174	11,176	11,176	11,176
=====	=====	=====	=====	=====	=====	=====	=====	=====
SUBTOTAL STATE OPERATIONS	10,120	11,505	11,518	11,518	11,518	11,528	11,528	11,528
=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL EXPENDITURES	10,120	11,505	11,518	11,518	11,518	11,528	11,528	11,528
EXPENDITURES BY FUND:								

DIRECT APPROPRIATIONS:								
GENERAL	519	505	518	518	518	528	528	528
STATUTORY APPROPRIATIONS:								
AGENCY	9,601	11,000	11,000	11,000	11,000	11,000	11,000	11,000
=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL EXPENDITURES	10,120	11,505	11,518	11,518	11,518	11,528	11,528	11,528
REVENUE COLLECTED:								

DEDICATED:								
AGENCY	9,620	11,000	11,000	11,000	11,000	11,000	11,000	11,000
NONDEDICATED:								
GENERAL	59							
=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL REVENUES COLLECTED	9,679	11,000	11,000	11,000	11,000	11,000	11,000	11,000
FTE BY EMPLOYMENT TYPE:								

REGULAR	9.2	9.0	9.0	9.0	9.0	9.0	9.0	9.0
OVERTIME	.2							
=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL FTE	9.4	9.0	9.0	9.0	9.0	9.0	9.0	9.0

BUDGET ACTIVITY: Communications Media
PROGRAM: Operations Management
AGENCY: Administration, Department of

1998-99 BIENNIAL BUDGET
(DOLLARS IN THOUSANDS)

REVOLVING FUND ACTIVITY: Print Communications
TYPE OF FUND: Internal Service Fund
FUND NUMBER: 920

* OPERATIONS DATA *						* FINANCIAL DATA *			
	ACTUAL FY 1995	ACTUAL FY 1996	ESTIMATED FY 1997	PROJECTED FY 1998	PROJECTED FY 1999		ACTUAL FY 1995	ACTUAL FY 1996	ESTIMATED FY 1997
OPERATING REVENUES:						ASSETS:			
NET SALES	5,616.2	4,935.0	5,700.8	6,042.8	6,203.2	CURRENT ASSETS:			
LESS: COST OF SALES	4,703.0	4,341.6	4,873.6	5,019.8	5,170.4	CASH	1,175.4	724.4	723.9
GROSS PROFIT ON SALES	913.2	593.4	827.2	1,023.0	1,032.8	OTHER CURRENT ASSETS	1,133.8	1,029.4	1,035.1
OTHER REVENUE						TOTAL CURRENT ASSETS	2,309.2	1,753.8	1,759.0
NET REVENUES	913.2	593.4	827.2	1,023.0	1,032.8	NON-CURRENT ASSETS:	335.2	604.0	643.1
LESS: OPERATING EXPENSES:						TOTAL ASSETS	2,644.4	2,357.8	2,402.1
SALARIES	217.0	340.1	364.2	375.1	386.4	LIABILITIES & FUND EQUITY:			
SUPPLIES & EXPENSES	252.2	233.8	248.4	255.9	263.6	LIABILITIES:			
INDIRECT COSTS	160.4	107.8	182.4	187.9	193.5	CURRENT LIABILITIES:			
AMORTIZATION & DEPRECIATION	11.7	21.6	17.2	16.0	15.0	DUE GENERAL FUND - CURRENT	0.0	0.0	0.0
TOTAL OPERATING EXPENSES	641.3	703.3	812.2	834.9	858.5	MASTER LEASE - CURRENT	0.0	0.0	0.0
OPERATING INCOME (LOSS)	271.9	(109.9)	15.0	188.1	174.3	OTHER CURRENT LIABILITIES	600.5	423.8	450.0
NON-OPERATING REVENUES (EXPENSES)	(0.2)	0.0	0.0	0.0	0.0	TOTAL CURRENT LIABILITIES	600.5	423.8	450.0
NET INCOME (LOSS)	271.7	(109.9)	15.0	188.1	174.3	NON-CURRENT LIABILITIES:			
BEGINNING RETAINED EARNINGS	332.3	604.0	494.1	509.1	697.2	DUE GENERAL FUND - NON-CURRENT	0.0	0.0	0.0
PRIOR PERIOD ADJUSTMENT	0.0					MASTER LEASE - NON-CURRENT	0.0	0.0	0.0
ENDING RETAINED EARNINGS	604.0	494.1	509.1	697.2	871.5	OTHER NON-CURRENT LIABILITIES	74.9	74.9	78.0
FOOTNOTES TO STATEMENTS:						TOTAL NON-CURRENT LIABILITIES	74.9	74.9	78.0
June 30, 1996, FTE Employees: 47.9						TOTAL LIABILITIES	675.4	498.7	528.0
						FUND EQUITY:			
						CONTRIBUTED CAPITAL	1,365.0	1,365.0	1,365.0
						RETAINED EARNINGS	604.0	494.1	509.1
						TOTAL FUND EQUITY	1,969.0	1,859.1	1,874.1
						TOTAL LIABILITIES & FUND EQUITY	2,644.4	2,357.8	2,402.1
RATE INCREASE/(DECREASE):									
	-0.20%	-3.00%	0.80%	3.00%	3.00%				
FIVE YEAR AVERAGE INCREASE/(DECREASE)									
	0.72%								

BUDGET ACTIVITY: Communications Media
PROGRAM: Operations Management
AGENCY: Administration, Department of

1998-99 BIENNIAL BUDGET
(DOLLARS IN THOUSANDS)

REVOLVING FUND ACTIVITY: Retail and Editorial Communications
TYPE OF FUND: Enterprise Fund
FUND NUMBER: 840

* OPERATIONS DATA *						* FINANCIAL DATA *		
	ACTUAL FY 1995	ACTUAL FY 1996	ESTIMATED FY 1997	PROJECTED FY 1998	PROJECTED FY 1999	ACTUAL FY 1995	ACTUAL FY 1996	ESTIMATED FY 1997
OPERATING REVENUES:						ASSETS:		
NET SALES	2,226.3	2,682.4	2,463.5	2,537.4	2,613.6	CURRENT ASSETS:		
LESS: COST OF SALES	785.1	1,015.3	833.9	858.9	884.7	CASH	867.6	941.2
						OTHER CURRENT ASSETS	495.3	1,073.5
GROSS PROFIT ON SALES	1,441.2	1,667.1	1,629.6	1,678.5	1,728.9			
OTHER REVENUE	0.0	0.0	0.0	0.0	0.0	TOTAL CURRENT ASSETS	1,362.9	1,645.8
NET REVENUES	1,441.2	1,667.1	1,629.6	1,678.5	1,728.9			1,801.0
LESS: OPERATING EXPENSES:						NON-CURRENT ASSETS:	60.7	113.3
SALARIES	702.2	741.8	782.1	805.6	829.8	TOTAL ASSETS	1,423.6	1,759.1
SUPPLIES & EXPENSES	453.9	479.5	556.8	573.5	590.7			1,983.0
INDIRECT COSTS	47.5	61.7	79.6	82.0	84.5	LIABILITIES & FUND EQUITY:		
AMORTIZATION & DEPRECIATION	37.2	36.7	26.5	27.3	28.1	LIABILITIES:		
TOTAL OPERATING EXPENSES	1,240.8	1,319.7	1,445.0	1,488.4	1,533.1	CURRENT LIABILITIES:		
OPERATING INCOME (LOSS)	200.4	347.4	184.6	190.1	195.8	DUE GENERAL FUND - CURRENT	0.0	0.0
						MASTER LEASE - CURRENT	0.0	0.0
NON-OPERATING REVENUES (EXPENSES)	0.0	0.0	0.0	0.0	0.0	OTHER CURRENT LIABILITIES	402.0	435.0
NET INCOME (LOSS)	200.4	347.4	184.6	190.1	195.8	TOTAL CURRENT LIABILITIES	402.0	435.0
BEGINNING RETAINED EARNINGS	292.6	493.0	840.4	1,025.0	1,215.1	NON-CURRENT LIABILITIES:		
PRIOR PERIOD ADJUSTMENT	0.0	0.0	0.0	0.0	0.0	DUE GENERAL FUND - NON-CURRENT	0.0	0.0
ENDING RETAINED EARNINGS	493.0	840.4	1,025.0	1,215.1	1,410.9	MASTER LEASE - NON-CURRENT	0.0	0.0
						OTHER NON-CURRENT LIABILITIES	33.6	28.0
FOOTNOTES TO STATEMENTS:						TOTAL NON-CURRENT LIABILITIES	33.6	28.0
June 30, 1996, FTE Employees: 19.5						TOTAL LIABILITIES	435.6	463.0
Statements include both the Bookstore and the State Register.						FUND EQUITY:		
Rate change percentages are for the State Register only.						CONTRIBUTED CAPITAL	495.0	495.0
						RETAINED EARNINGS	493.0	1,025.0
RATE INCREASE/(DECREASE):	0.00%	0.00%	0.00%	3.00%	3.00%	TOTAL FUND EQUITY	988.0	1,520.0
						TOTAL LIABILITIES & FUND EQUITY	1,423.6	1,759.1
								1,983.0
FIVE YEAR AVERAGE INCREASE/(DECREASE)	1.20%							

BUDGET ACTIVITY: Communications Media
PROGRAM: Operations Management
AGENCY: Administration, Department of

1998-99 BIENNIAL BUDGET
(DOLLARS IN THOUSANDS)

REVOLVING FUND ACTIVITY: DocumentCommunications
TYPE OF FUND: Internal Service Fund
FUND NUMBER: 870

* OPERATIONS DATA *						* FINANCIAL DATA *		
	ACTUAL FY 1995	ACTUAL FY 1996	ESTIMATED FY 1997	PROJECTED FY 1998	PROJECTED FY 1999	ACTUAL FY 1995	ACTUAL FY 1996	ESTIMATED FY 1997
OPERATING REVENUES:						ASSETS:		
NET SALES	1,010.4	909.3	1,173.8	1,236.2	1,279.4	CURRENT ASSETS:		
LESS: COST OF SALES	52.9	49.1	53.5	55.1	56.8	CASH	78.9	149.1
GROSS PROFIT ON SALES						OTHER CURRENT ASSETS	141.1	150.7
OTHER REVENUE	957.5	860.2	1,120.3	1,181.1	1,222.6	TOTAL CURRENT ASSETS	220.0	261.3
NET REVENUES	957.5	860.2	1,120.3	1,181.1	1,222.6	NON-CURRENT ASSETS:	32.5	35.1
LESS: OPERATING EXPENSES:						TOTAL ASSETS	252.5	334.9
SALARIES	643.7	517.6	662.8	682.7	703.2	LIABILITIES & FUND EQUITY:		
SUPPLIES & EXPENSES	287.4	312.3	345.9	356.3	367.0	LIABILITIES:		
INDIRECT COSTS	63.2	64.4	58.9	60.7	62.5	CURRENT LIABILITIES:		
AMORTIZATION & DEPRECIATION	25.8	17.2	21.7	21.0	19.0	DUE GENERAL FUND - CURRENT	0.0	0.0
TOTAL OPERATING EXPENSES	1,020.1	911.5	1,089.3	1,120.7	1,151.7	MASTER LEASE - CURRENT	15.1	8.2
OPERATING INCOME (LOSS)	(62.6)	(51.3)	31.0	60.4	70.9	OTHER CURRENT LIABILITIES	206.4	226.6
NON-OPERATING REVENUES (EXPENSES)	0.3	(0.7)				TOTAL CURRENT LIABILITIES	221.5	234.8
NET INCOME (LOSS)	(62.3)	(52.0)	31.0	60.4	70.9	NON-CURRENT LIABILITIES:		
BEGINNING RETAINED EARNINGS	(48.6)	(110.9)	(162.1)	(131.1)	(70.7)	DUE GENERAL FUND - NON-CURRENT	0.0	0.0
PRIOR PERIOD ADJUSTMENT		0.8				MASTER LEASE - NON-CURRENT	8.2	0.0
ENDING RETAINED EARNINGS	(110.9)	(162.1)	(131.1)	(70.7)	0.2	OTHER NON-CURRENT LIABILITIES	22.5	17.2
FOOTNOTES TO STATEMENTS:						TOTAL NON-CURRENT LIABILITIES	30.7	17.2
June 30, 1996, FTE Employees: 14.8						TOTAL LIABILITIES	252.2	252.0
RATE INCREASE/(DECREASE):	5.80%	5.95%	2.98%	6.00%	5.00%	FUND EQUITY:		
						CONTRIBUTED CAPITAL	111.2	245.0
FIVE YEAR AVERAGE INCREASE/(DECREASE)	5.15%					RETAINED EARNINGS	(110.9)	(162.1)
						TOTAL FUND EQUITY	0.3	82.9
						TOTAL LIABILITIES & FUND EQUITY	252.5	334.9

BUDGET ACTIVITY: Communications Media
PROGRAM: Operations Management
AGENCY: Administration, Department of

1998-99 BIENNIAL BUDGET
(DOLLARS IN THOUSANDS)

REVOLVING FUND ACTIVITY: Mail Communications
TYPE OF FUND: Internal Service Fund
FUND NUMBER: 980

* OPERATIONS DATA *						* FINANCIAL DATA *		
	ACTUAL FY 1995	ACTUAL FY 1996	ESTIMATED FY 1997	PROJECTED FY 1998	PROJECTED FY 1999	ACTUAL FY 1995	ACTUAL FY 1996	ESTIMATED FY 1997
OPERATING REVENUES:						ASSETS:		
NET SALES	270.4	290.7	304.1	328.1	338.3	CURRENT ASSETS:		
LESS: COST OF SALES	0.0	0.0	0.0	0.0		CASH	137.7	139.9
						OTHER CURRENT ASSETS	32.3	42.2
GROSS PROFIT ON SALES	270.4	290.7	304.1	328.1	338.3	TOTAL CURRENT ASSETS	170.0	165.7
OTHER REVENUE						NON-CURRENT ASSETS:	12.4	3.6
NET REVENUES	270.4	290.7	304.1	328.1	340.9	TOTAL ASSETS	182.4	169.3
LESS: OPERATING EXPENSES:						LIABILITIES & FUND EQUITY:		
SALARIES	205.0	193.9	233.5	240.5	247.7	LIABILITIES:		
SUPPLIES & EXPENSES	45.2	54.8	63.3	65.2	67.2	CURRENT LIABILITIES:		
INDIRECT COSTS	21.1	34.7	21.2	21.8	22.5	DUE GENERAL FUND - CURRENT	0.0	0.0
AMORTIZATION & DEPRECIATION	9.4	5.1	3.7	3.0	2.0	MASTER LEASE - CURRENT	0.0	0.0
TOTAL OPERATING EXPENSES	280.7	288.5	321.7	330.5	339.4	OTHER CURRENT LIABILITIES	33.4	32.0
OPERATING INCOME (LOSS)	(10.3)	2.2	(17.6)	(2.4)	1.5	TOTAL CURRENT LIABILITIES	33.4	32.0
NON-OPERATING REVENUES (EXPENSES)	0.0	2.5	0.0	0.0		NON-CURRENT LIABILITIES:		
NET INCOME (LOSS)	(10.3)	4.7	(17.6)	(2.4)	1.5	DUE GENERAL FUND - NON-CURRENT	0.0	0.0
BEGINNING RETAINED EARNINGS	80.3	70.0	74.7	57.1	54.7	MASTER LEASE - NON-CURRENT	0.0	0.0
PRIOR PERIOD ADJUSTMENT	0.0	0.0	0.0	0.0	0.0	OTHER NON-CURRENT LIABILITIES	11.7	13.0
ENDING RETAINED EARNINGS	70.0	74.7	57.1	54.7	56.2	TOTAL NON-CURRENT LIABILITIES	11.8	13.0
FOOTNOTES TO STATEMENTS:						TOTAL LIABILITIES	45.2	45.0
June 30, 1996, FTE Employees: 5.4						FUND EQUITY:		
						CONTRIBUTED CAPITAL	67.2	67.2
						RETAINED EARNINGS	70.0	57.1
						TOTAL FUND EQUITY	137.2	124.3
						TOTAL LIABILITIES & FUND EQUITY	182.4	169.3
RATE INCREASE/(DECREASE):	9.40%	5.90%	3.50%	7.90%	3.90%			
FIVE YEAR AVERAGE INCREASE/(DECREASE)	6.12%							

1998-99 Biennial Budget

BUDGET ACTIVITY: Minnesota Office of Citizenship and Volunteer Services
PROGRAM: Operations Management
AGENCY: Administration, Department of

ACTIVITY DESCRIPTION:

The Minnesota Office of Citizenship and Volunteer Services (MOCVS) is an information clearinghouse and resource center for materials about managing volunteer programs and engaging citizens in the public policy process. The mission of MOCVS is to stimulate volunteerism and increase the impact of volunteer programs, citizen participation efforts and public/private partnerships in Minnesota.

This activity provides services to public, private and nonprofit volunteer programs and organizations through:

- **Leadership** - acting on issues that affect volunteerism in Minnesota and building the capacity of citizens to solve problems affecting their communities: conducting research, publishing reports, identifying trends, and convening community meetings or other events.
- **Promotion** - bringing visibility and public recognition to the values and accomplishments of volunteerism in Minnesota through events, public speaking, publications and media features.
- **Support** - strengthening the effectiveness of volunteer programs and citizen initiatives in Minnesota by providing information, technical assistance, training and resource materials on volunteerism and citizen participation that help individuals and organizations to achieve their goals.

MOCVS (formerly the Minnesota Office on Volunteerism) supports the mission of the Department of Administration, "To improve the quality and productivity of Minnesota government." A strong volunteer community brings efficiency and effectiveness to state government through the resources, perspective, and service of volunteers both within state and local government, and throughout communities, solving problems through citizen action rather than government intervention.

BUDGET ISSUES:

None.

REVENUE:

This activity will generate dedicated revenue of \$47,000 in F.Y. 1998 and \$49,000 in F.Y. 1999.

1998-1999 B I E N N I A L B U D G E T
(DOLLARS IN THOUSANDS)

AGENCY: ADMINISTRATION DEPT
PROGRAM: OPERATIONS MANAGEMENT
ACTIVITY: MN OFF CITIZEN VOLUNTEER SERV

ACTIVITY SUMMARY	FY 1996	Est. FY 1997	FY 1998			FY 1999		
			Base Level	Agency Plan	Governor Recomm.	Base Level	Agency Plan	Governor Recomm.
EXPENDITURES:								
DETAIL BY CATEGORY:								
STATE OPERATIONS:								
PERSONAL SERVICES	197	200	207	207	207	213	213	213
OPERATING EXPENSES	115	152	133	133	133	134	134	134
SUBTOTAL STATE OPERATIONS	312	352	340	340	340	347	347	347
TOTAL EXPENDITURES	312	352	340	340	340	347	347	347
EXPENDITURES BY FUND:								
DIRECT APPROPRIATIONS:								
GENERAL	286	321	316	316	316	322	322	322
STATUTORY APPROPRIATIONS:								
SPECIAL REVENUE	16	16	15	15	15	15	15	15
GIFT	10	15	9	9	9	10	10	10
TOTAL EXPENDITURES	312	352	340	340	340	347	347	347
REVENUE COLLECTED:								
DEDICATED:								
SPECIAL REVENUE	37	38	38	38	38	39	39	39
GIFT	6	23	9	9	9	10	10	10
TOTAL REVENUES COLLECTED	43	61	47	47	47	49	49	49
FTE BY EMPLOYMENT TYPE:								
REGULAR	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0
TOTAL FTE	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0

1998-99 Biennial Budget

PROGRAM: InterTechnologies Group
AGENCY: Administration, Department of

PROGRAM DESCRIPTION:

Minnesota Statutes describe the responsibilities of the InterTechnologies Group as follows:

- Integrate and operate the state's computer facilities to serve the needs of state government.
- Supervise and control all state telecommunication facilities.
- Plan, develop and operate a statewide telecommunications access routing system to provide cost-effective telecommunications transmission services to system users.

InterTech delivers data processing, telecommunications (voice, data and video) and 9-1-1 services. More than 90% of these services are provided for a fee, collected through the revolving fund. The 9-1-1 activity is supported through a special revenue fund. The telephone communications center, which serves Minnesota government and citizens as a whole, receives General Fund appropriations.

InterTech's customers are primarily from the public sector: state agencies, the legislature, K-12 education, higher education, cities, counties, the courts and libraries.

Among the issues that will impact InterTech and its customers in the next biennium are:

- Continued, cooperative development of the telecommunications infrastructure. During the past biennium, agencies' requirements for data and video services grew at an extremely rapid pace. Significant savings were achieved by combining their requirements and seeking the economies of scale. Coordinated management of the infrastructure's growth resulted in increased interoperability among agencies' systems. In turn, agencies more efficiently and effectively provide services to citizens. Growth trends are expected to accelerate, and as the complexity of the network infrastructure increases, the need for cooperation and collaboration among agencies will become imperative to success.
- InterTech will aggressively pursue strategies to become an even more cost-effective service provider. Management of revolving fund services demands acute sensitivity to the business needs of customers, and the impacts of budget and technology challenges on rates.

PROGRAM STATUS:

InterTech's strategic plan identifies the following goals and objectives as the entire organization's focus:

- turning over activities that do not serve shared or aggregate needs to those they do serve, or discontinuing them altogether;
- being the competitive provider of "processing, storage and transport" services;
- demonstrating the ability to provide citizens with reliable electronic access to public information and/or services;
- creating effective partnerships with customers and developing clearly defined roles for the entire information community;
- developing a product portfolio that meets customer needs, is technically current and financially viable;

- developing management systems and practices that help InterTech maintain a flexible, technically current workforce in which employees respond quickly and effectively to changing customer needs, allowing InterTech to add value beyond that supplied by other sources;
- positioning InterTech to be a state leader in information technology by fully utilizing technology to help solve agencies' business problems.

Major impacts on InterTech's business in the past biennium included installation of new applications for MN-ASSIST - the new human resource/payroll system (SEMA4) and the procurement/accounting system (MAPS). In addition, there was significant expansion of business activity in the following service areas:

- network: due to increased collaboration to combine agency video and data traffic;
- long distance voice service: reduced the price-per-minute when public sector agencies committed to a single provider;
- voice mail: allows agencies to supply basic information to citizens, without dedicating human resources to the task;
- computer processing and data storage: agencies leverage technology to accomplish their business goals; and
- network operations center: successfully managed network resources to increase availability and deliver mission-critical applications for customer agencies.

PLANNED RESULTS:

As illustrated in the 1996 Annual Performance Report, InterTech measures its success based on how effectively resources are used to deliver service to customers. For example, despite increased workload, more complex technology and additions to its portfolio of services, InterTech's staffing has remained constant and staffing expense levels have increased only moderately in the past few years.

State priorities, such as increasing government efficiency, will motivate government agencies to leverage technology to accomplish program goals. For example:

- State agencies will seek to automate both new and existing business processes, prompting InterTech to provide more technical resources.
- There will be an increase in pressure to provide greater public access to state data.

In the coming biennium, changes in the structure and funding of federal programs are expected to impact first InterTech's customers and then InterTech.

BUDGET AND REVENUE SUMMARY:

Having achieved rate reductions in each of the past, consecutive 6 years, InterTech has forecast a continuation of that trend for the 1998-99 biennium. Overall rate reductions of 2% in F.Y. 1998, and 3% in F.Y. 1999 are anticipated.

The impact of reduced rates will be offset by increased work volume. Most customer agencies will see an overall increase in InterTech costs (combined data center and telecommunications) of up to 5% per year.

GOVERNOR'S RECOMMENDATION:

The Governor concurs with the agency's plan, and recommends additional biennial funding of \$325,000 for Statewide Disaster Recovery Planning and \$1,660,000 for the Network/Telecommunications Collaboration Project.

1998-1999 B I E N N I A L B U D G E T
(DOLLARS IN THOUSANDS)

AGENCY: ADMINISTRATION DEPT
PROGRAM: INTERTECHNOLOGIES GROUP

ACTIVITY RESOURCE ALLOCATION:	FY 1996	Est. FY 1997	FY 1998			FY 1999		
			Base Level	Agency Plan	Governor Recomm.	Base Level	Agency Plan	Governor Recomm.
INTERTECHNOLOGIES	571	684	637	637	1,511	648	648	1,759
911 EMERGENCY SERVICES	7,099	9,659	8,911	8,911	8,911	9,856	9,856	9,856
TOTAL EXPENDITURES BY ACTIVITY	7,670	10,343	9,548	9,548	10,422	10,504	10,504	11,615
GOV'S INITIATIVES:		FUND						
(B) DISASTER RECOVERY		GEN			150			175
(B) NETWORK / TELECOMMUNICATIONS		GEN			724			936
TOTAL GOV'S INITIATIVES					874			1,111
EXPENDITURES BY FUND:								
DIRECT APPROPRIATIONS:								
GENERAL	570	684	637	637	1,511	648	648	1,759
STATE GOVERNMENT SPECIAL REVENUE	7,099	9,659	8,911	8,911	8,911	9,856	9,856	9,856
STATUTORY APPROPRIATIONS:								
GIFT	1							
TOTAL EXPENDITURES	7,670	10,343	9,548	9,548	10,422	10,504	10,504	11,615
FTE BY EMPLOYMENT TYPE:								
REGULAR	16.4	14.0	14.0	14.0	17.0	14.0	14.0	17.0
TEMP/SEAS/PART_TIME	.1							
TOTAL FTE	16.5	14.0	14.0	14.0	17.0	14.0	14.0	17.0

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1998-99 Biennial Budget

BUDGET ACTIVITY: InterTech
PROGRAM: InterTechnologies Group
AGENCY: Administration, Department of

ACTIVITY DESCRIPTION:

The mission of the InterTechnologies Group (InterTech) is "to provide service in managing and operating information technology resources to help improve the quality and productivity of Minnesota government." A revolving fund operation, InterTech measures its success based on how effectively resources are used to deliver service to customers.

Public sector entities use a broad range of data processing and telecommunications services, all of which are supplied by InterTech. These services include: data/telecommunications network management, electronic mail, long distance voice network service, local voice service, interactive video service, data transmission, data storage, disaster recovery, data security, data entry, computer-output-to-microfilm, and data processing. The workload for each service is accomplished using equipment and other resources shared by the government community.

The computers at InterTech (often termed "enterprise servers" to indicate their community use) are accessed by over 25,000 customers in various state and local government agencies throughout Minnesota. The largest concentrations of customers are in the departments of Human Services (including county Human Services workers), Revenue, Public Safety (including county and local law enforcement employees), Transportation, Finance and Employee Relations.

MNet is the statewide, digital, telecommunications network operated and managed by InterTech. MNet delivers data and video services to state agencies, education, local government, federal agencies and private colleges. Unlike other service providers, InterTech leases its transmission lines from local and long distance telephone companies. Customer agencies connect to this "backbone" network through "hubs" located strategically in the following cities: Duluth, Rochester, St. Cloud, Hibbing, Marshall, Mankato, Willmar, Moorhead, Bemidji, Brainerd and Thief River Falls.

InterTech also manages Centron/Centrex, the voice communications network providing local voice (dial tone) service. Serving over 40,000 customers throughout Minnesota, Centron is the third-largest carrier of voice traffic in the state (behind AT&T and MCI). The primary customers of InterTech's long distance voice services are MnSCU and the departments of Natural Resources, Human Services, Public Safety and Transportation.

Interactive video conference service has been deployed to improve communications between rural and urban parts of the state, reduce travel costs and improve productivity. In F.Y. 1995, 22 interactive video sites were operational on the network. In F.Y. 1997, the number has grown to over 80.

GENERAL FUND:

A small portion of InterTech's funding is derived from the General Fund. The activity supported by this source is the communications center--the staff and resources used to answer, respond to, and/or direct calls received on the state's general telephone number.

BUDGET ISSUES:

As pressures intensify on government budgets at all levels, state public sector entities will increasingly evaluate alternatives to meet their information technology needs. Significant savings will be achieved when similar needs can be combined, common resources can be shared, or acquisition of "generic" services can be aggregated. In F.Y. 1996-97, the Telecommunications Collaboration Project illustrated these savings. Endorsed by the Information Policy Council and managed by InterTech, the project brought together state agencies to share network connections to communities, improve the use of the network infrastructure and reduce costs while increasing telecommunications capacity. Due to organizational and financing structures, this sort of project is rare in state government. However, combining efforts across agencies opens opportunities to:

- share technical staff skill sets that are scarce in today's highly competitive human resource market;
- realize greater overall returns on smaller individual (agency) investments;
- leverage the purchasing power of the state as a whole and buy a commonly used, generic service "in bulk"; and
- leverage federal funding received by some agencies to support the operation of their programs.

In a related example, by leveraging buying power and consolidating the volume of long distance voice services, InterTech has reduced long distance rates from 20 cents per minute in F.Y. 1992 to 10 cents per minute in F.Y. 1997. Several county and local government entities - as well as state agencies - have taken advantage of this service offering because of the very favorable rates.

Historically, InterTech's rates have decreased as volume has increased, a typical outcome of managing the economies of scale. An associated budget issue is the difficulty of making accurate and timely volume forecasts, particularly for a 34-month time frame (September 1996 through the end of the biennial budget period). Volume forecasts are key drivers of InterTech's resource levels. When agencies are required to respond to unexpected business challenges with unplanned technological solutions, the revolving fund must absorb the impact on direct and overhead costs, as well as revenues:

- Direct costs are impacted when additional resources, equipment and/or personnel are required to accommodate increased volumes or unplanned technologies.
- Overhead costs increase as a result of implementing and operating a more complex computing environment to solve customers' business problems.
- Since rates are based on initial forecasts, unexpected changes can cause revenues to exceed projections.

Both costs must be carefully managed to minimize the impact on InterTech's rates and, because of scale, rates may need to be reduced in order to meet the break-even objective.

Rapidly changing technology also creates a budgetary challenge. It is critical to maintain a balance between the cost of newer technology (price/performance improvements are significant), and the inefficiency, potential obsolescence, but sunk cost of older technology. For example, the computer industry is currently replacing its technology in large scale processors, which will significantly improve the price/performance. Existing equipment, while performing satisfactorily and generating revenue to pay down the purchase loan, will eventually be declared obsolete by the vendor and will no longer be supported. In addition, with the average life of technology being about 24 months, the market will experience nearly 1½ changes in technology between now and the end of the biennium. While it is neither necessary nor a good business practice to keep absolutely current, it is necessary to operate technology that is serviceable and supported by vendors, especially considering the mission-critical nature of applications operating in InterTech's technological environment.

1998-99 Biennial Budget

BUDGET ACTIVITY: InterTech
PROGRAM: InterTechnologies Group
AGENCY: Administration, Department of
(Continuation)

As technology changes, sophistication and complexity intensify and, correspondingly, staffing becomes a budget issue. Demands for scarce skills create salary pressures, which produce an inability to attract needed staff within the state's current salary/classification structure. Through effective management, InterTech's staffing has remained constant and staffing expense levels have increased only moderately in the past few years. This was achieved in spite of increasing workload, additional and more complex technology and additional services offered.

Customer agencies project increased usage of InterTech's services in the next biennium. In preparing the 1998-99 biennial budget, InterTech consulted with key customers (agencies which account for about 75% of the revolving fund's business) and used this information to validate utilization and cost estimates. Findings indicate:

- Data Center (data processing and data storage) will see a modest to moderate increase in usage. Per-unit costs are projected to decline slightly. Increased usage will cause aggregate costs to increase moderately.
- Telecommunications services will see a moderate to strong increase in usage. Per-unit costs will decline slightly. Increased usage will cause aggregate costs to increase moderately.

InterTech is currently experiencing working capital problems that have required borrowing from the General Fund. The decline in working capital is primarily due to the federal regulations which apply to InterTech because federal funds are used, in part, by DHS to pay for InterTech's services. Federal regulations differ from GAAP (Generally Accepted Accounting Policies adopted by the Accounting Standards Board and used by state government). Calculations based on federal regulations result in higher retained earnings balances than would result under GAAP rules. Consequently, the federal government requires a cash payment for the "excess" under their rules. InterTech is working with the Department of Finance and the federal government to obtain more favorable calculations of working capital. Two other factors negatively impact working capital: the timing of loan payments versus depreciation, and late customer payments.

REVENUE:

This activity generates revolving fund revenue. (See financial page.)

1998-1999 BIENNIAL BUDGET
(DOLLARS IN THOUSANDS)

AGENCY: ADMINISTRATION DEPT
PROGRAM: INTERTECHNOLOGIES GROUP
ACTIVITY: INTERTECHNOLOGIES

ACTIVITY SUMMARY	FY 1996	Est. FY 1997	FY 1998			FY 1999		
			Base Level	Agency Plan	Governor Recomm.	Base Level	Agency Plan	Governor Recomm.
EXPENDITURES:								
DETAIL BY CATEGORY:								
STATE OPERATIONS:								
PERSONAL SERVICES	506	419	430	430	630	440	440	640
OPERATING EXPENSES	65	265	207	207	881	208	208	1,119
SUBTOTAL STATE OPERATIONS	571	684	637	637	1,511	648	648	1,759
TOTAL EXPENDITURES	571	684	637	637	1,511	648	648	1,759
GOV'S INITIATIVES:		FUND						
(B) DISASTER RECOVERY		GEN			150			175
(B) NETWORK / TELECOMMUNICATIONS		GEN			724			936
TOTAL GOV'S INITIATIVES					874			1,111
EXPENDITURES BY FUND:								
DIRECT APPROPRIATIONS:								
GENERAL	570	684	637	637	1,511	648	648	1,759
STATUTORY APPROPRIATIONS:								
GIFT	1							
TOTAL EXPENDITURES	571	684	637	637	1,511	648	648	1,759
REVENUE COLLECTED:								
DEDICATED:								
GIFT	1							
TOTAL REVENUES COLLECTED	1							
FTE BY EMPLOYMENT TYPE:								
REGULAR	13.4	11.0	11.0	11.0	14.0	11.0	11.0	14.0
TEMP/SEAS/PART_TIME	.1							
TOTAL FTE	13.5	11.0	11.0	11.0	14.0	11.0	11.0	14.0

F.Y. 1998-99 BUDGET INITIATIVE

AGENCY: Administration, Department of
PROGRAM: InterTechnologies Group
ACTIVITY: InterTechnologies

ITEM TITLE: Disaster Recovery Initiative

	<u>1998-99 Biennium</u>		<u>2000-01 Biennium</u>	
	<u>F.Y. 1998</u>	<u>F.Y. 1999</u>	<u>F.Y. 2000</u>	<u>F.Y. 2001</u>
Expenditures: (\$000s)				
General Fund	\$150	\$175	\$175	\$175
Revenues: (\$000s)				
General Fund	\$-0-	\$-0-	\$-0-	\$-0-

Statutory Change? Yes ____ No X

If yes, statutes(s) affected:

GOVERNOR'S RECOMMENDATION:

The Governor recommends \$325,000 for the biennium to fund Disaster Recovery Planning for state agencies.

RATIONALE:

In August 1996, Governor Carlson signed Executive Order 96-16, which assigned specific emergency responsibilities to major state agencies. Although disasters in Minnesota communities are not unknown, disaster recovery planning for state agencies has not achieved sufficient attention or funding. Disaster recovery planning requires significant investments of money and people.

The risks of inadequate disaster recovery planning are increasingly compelling. Acts of violence against government facilities are occurring in great numbers. Technology enables government to process more business transactions with speed and accuracy and creates a greater dependency on availability of automated technology. State agencies need to prepare in advance for the possibility that one or more of the state's data centers would become inoperable due to a normal or man-made disaster.

Several years ago, the Department of Administration stepped up disaster recovery planning for the data center it operates on behalf of other state agencies. A vendor is under contract, an emergency facility has been leased, and several staff have been dedicated to the formation of a disaster recovery program. This initiative would fund additional staff and facilities to launch the planning process statewide. By consolidating requirements and sharing resources, the state as a whole can accomplish disaster recovery planning for a considerably smaller investment.

PROGRAM OUTCOMES:

At the conclusion of this effort, all agencies will have developed viable disaster recovery plans for their offices, systems, and networks. These plans will ensure recovery from a natural or man-made disaster in a reasonable period of time, with minimal impact on Minnesota citizens and customers.

LONG-TERM IMPACT:

In the event of a natural or man-made disaster, agencies would follow their plans to ensure:

- Protection of personnel, public records, equipment, and supplies.
- Prompt resumption of essential functions and services.
- Return to normal operations with a minimum of time and effort.

F.Y. 1998-99 BUDGET INITIATIVE

AGENCY: Administration, Department of
PROGRAM: InterTechnologies Group
ACTIVITY: InterTechnologies

ITEM TITLE: Network/Telecommunications Initiative

	<u>1998-99 Biennium</u>		<u>2000-01 Biennium</u>	
	<u>F.Y. 1998</u>	<u>F.Y. 1999</u>	<u>F.Y. 2000</u>	<u>F.Y. 2001</u>
Expenditures: (\$000s)				
General Fund	\$724	\$936	\$1,076	\$1,184
Revenues: (\$000s)				
General Fund	\$-0-	\$-0-	\$-0-	\$-0-

Statutory Change? Yes ____ No X

If yes, statutes(s) affected:

GOVERNOR'S RECOMMENDATION:

The Governor recommends \$1,660,000 for the biennium to fund the Network/Telecommunications Initiative.

RATIONALE:

This initiative proposes to provide telecommunications financing for extending the MNet digital backbone statewide to all 87 county seats by installing a high-speed telecommunications circuit (T1) at each site. Agencies, together with county government partners, have conclusively demonstrated that costs for state and local government users are decreased and available bandwidth is increased through sharing-collaboration. The model that has been tested saves \$1,000,000 per year in projected costs.

The Telecommunications Collaboration Project was formed in October 1995 by state agencies to demonstrate that sharing of MNet circuits (bandwidth) and network equipment by agencies would result in access to increased capacity at lower cost per unit of service. The InterTechnologies Group has provided staff support and project management. Two counties, Clay and Sibley, were chosen for the demonstration, which is now completed.

Project participants (Supreme Court, Human Services, Transportation, Public Safety, Secretary of State, Health, Economic Security, and Revenue) have demonstrated that unit costs decrease and capacity increases when agencies collaborate by sharing telecommunications costs and technology. Agency costs for connectivity to counties decrease an average of 26% under this proposal. Projections assure that allocated costs will not increase but could decrease if more partners join the collaboration.

PROGRAM OUTCOMES:

By extending the MNet digital backbone statewide to all 87 county seats, government (state, local, K-12, higher education, and private schools and colleges) will realize increased savings and the cost-effectiveness of this collaborative-telecommunications effort.

LONG-TERM IMPACT:

The long-term impact of this Network/Telecommunications Initiative:

- Lowers ongoing future unit costs.
- Saves \$1 million per year in projected agency telecommunications expenditures.
- Significantly improves affordability and access to information technology for local governments and school districts.
- Facilitates local government development of Local Area Networks (LANs) and local uses of electronic technology.
- As an "anchor tenant" for local telephone companies, MNet's network utilization and requirements increase local telephone companies' revenues and ensure technology development, technology which is also available for private economic development.
- Leverages the existing investment in proven and effective technology infrastructure.
- Positions the state for future technology development and planned agency applications.

1998-99 BIENNIAL BUDGET
(DOLLARS IN THOUSANDS)

*** OPERATIONS DATA ***

* FINANCIAL DATA *

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1998-99 Biennial Budget

BUDGET ACTIVITY: 9-1-1 Special Revenue Fund
PROGRAM: InterTechnologies Group
AGENCY: Administration, Department of

ACTIVITY DESCRIPTION:

The 9-1-1 Emergency Number System is designed to provide immediate access to emergency services. 9-1-1 saves time for the caller, and consequently reduces overall response time for all emergency service providers. Additional time is saved with enhanced 9-1-1 systems, which provide vital location identification information to the 9-1-1 center. InterTech's primary 9-1-1 customers are the 112 Public Safety answering points operated by local government. In a broader sense, however, the telephone subscribers who dial 9-1-1 are also customers of the 9-1-1 program.

InterTech provides technical assistance to the cities and counties implementing, maintaining, and improving 9-1-1 systems, enforces rules which set system standards, and pays the state share of 9-1-1 costs from funds collected through monthly statewide telephone and wireless telephone surcharges (currently 22 cents and 12 cents).

Initially, 9-1-1 was funded from the General Fund. After the State Mandate deadline date (9-1-1 in every county by the end of 1986), funding was shifted to the current method — a telephone subscriber fee. Currently, most efforts are directed toward administering processes for the collection of funds, verification and payment of invoices, distributing grant funds, and helping interested counties modernize their 9-1-1 systems.

Historical Information:

End of CY	1977	1982	1986	1994	1995	1996
Event	9-1-1 Law in Effect	Metro Mandate	State Mandate	mid FY95	mid FY96	(projected) mid FY97
Coverage	14%	61%	86.8%	100%	100%	100%
Enhanced	0%	51%	60.9%	75%	81%	85%
Fund Source	General	General	Fee	Fee	Fee	Fee

BUDGET ISSUES:

Costs to maintain the 9-1-1 system will remain stable because decreased costs for some telephone companies will be offset by increased costs for other telephone companies and for redesigning the 9-1-1 network to meet Federal Communications requirements to accommodate enhanced 9-1-1 for wireless services. Increases in the number of people paying the 9-1-1 fee will cause nominal increases in funding for State Patrol (2 cents of the 12-cent fee on wireless subscribers) and for Enhanced 9-1-1 (10 cents of the 22-cent fee on telephone lines). Still, a major increase in the 9-1-1 budget is needed to cover a \$1.2 million dollar per year increase for the Metropolitan Public Safety Radio system from 9-1-1 funds. The Metro Radio Board has adopted a budget which calls for increasing its \$93,000 1997 budget to \$1,200,000 in 1998, and \$1,248,000 in 1999. M. S. 473.901 requires that up to 4 cents of the 9-1-1 fee be dedicated to

pay for debt service on Metro Radio Board bonds and for the elements of the first phase Metro Radio system which support mutual aid communications and emergency medical services.

The implementing statute, M. S. 403, dedicates 9-1-1 receipts to be used to maintain and improve the 9-1-1 systems. Because we collect the 9-1-1 surcharge to the even penny, a relatively small over-collection is often encountered. The funds carry forward to subsequent years, creating a carry-forward balance. Because the carry-forward balance is available in later years, the 9-1-1 fee can stay at a lower rate until prior year balances are depleted.

REVENUE:

Funds are collected through a monthly statewide telephone fee which has been set by statute at not less than 8 cents nor more than 30 cents per month on each telephone line. The fee amount (currently 22 cents) is set by the commissioner of administration with the approval of the commissioner of finance.

Recent Revenue levels (\$000)

F.Y.	1990	1991	1992	1993	1994	1995	1996	1997
Collections	\$4,567	\$4,581	\$4,911	\$4,937	\$3,949	\$4,596	\$6,685	\$7,328 (ant)
% Inc/Dec		0.31%	7.20%	0.53%	(20%)	16.38%	45.45%	9.62%

The decrease in revenues in F.Y. 1994 was due to a reduction in the 9-1-1 fee to 14 cents, but was offset by other receipts (mostly the rebate of telephone overcharges) of \$760,000. There was a further decrease in F.Y. 1995 revenues, but that decrease was partly offset by the addition of wireless cellular subscribers who started paying the 9-1-1 fee at the beginning of F.Y. 1995. The enhanced 9-1-1 fund (the 10-cent E 9-1-1 component of the fee) increased our costs in F.Y. 1995 and F.Y. 1996, but the fee was not increased to 22 cents until October of 1995 because carryover funds were available in the 9-1-1 Special Revenue Fund. Likewise, The large increase in F.Y. 1998 costs caused by the Metro Radio System will not cause an immediate increase in the 9-1-1 fee, until carryover funds are drawn down. A slight increase in the fee will be necessary in F.Y. 1999.

1998-1999 BIENNIAL BUDGET
(DOLLARS IN THOUSANDS)

AGENCY: ADMINISTRATION DEPT
PROGRAM: INTERTECHNOLOGIES GROUP
ACTIVITY: 911 EMERGENCY SERVICES

ACTIVITY SUMMARY	FY 1996	Est. FY 1997	FY 1998			FY 1999		
			Base Level	Agency Plan	Governor Recomm.	Base Level	Agency Plan	Governor Recomm.
=====	=====	=====	=====	=====	=====	=====	=====	=====
EXPENDITURES:								

DETAIL BY CATEGORY:								
STATE OPERATIONS:								
PERSONAL SERVICES	147	151	155	155	155	159	159	159
OPERATING EXPENSES	6,952	9,508	8,756	8,756	8,756	9,697	9,697	9,697
=====	=====	=====	=====	=====	=====	=====	=====	=====
SUBTOTAL STATE OPERATIONS	7,099	9,659	8,911	8,911	8,911	9,856	9,856	9,856
=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL EXPENDITURES	7,099	9,659	8,911	8,911	8,911	9,856	9,856	9,856
=====	=====	=====	=====	=====	=====	=====	=====	=====
EXPENDITURES BY FUND:								

DIRECT APPROPRIATIONS:								
STATE GOVERNMENT SPECIAL REVENUE	7,099	9,659	8,911	8,911	8,911	9,856	9,856	9,856
=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL EXPENDITURES	7,099	9,659	8,911	8,911	8,911	9,856	9,856	9,856
=====	=====	=====	=====	=====	=====	=====	=====	=====
REVENUE COLLECTED:								

DEDICATED:								
STATE GOVERNMENT SPECIAL REVENUE	6,685	7,328	8,186	8,186	8,186	8,431	8,431	8,431
=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL REVENUES COLLECTED	6,685	7,328	8,186	8,186	8,186	8,431	8,431	8,431
=====	=====	=====	=====	=====	=====	=====	=====	=====
FTE BY EMPLOYMENT TYPE:								

REGULAR	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0
=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL FTE	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0
=====	=====	=====	=====	=====	=====	=====	=====	=====

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1998-99 biennial budget

PROGRAM: Facilities Management
AGENCY: Administration, Department of

PROGRAM DESCRIPTION:

The Facilities Management Bureau manages the land and buildings owned or leased by the state (except certain department of Natural Resources, Department of Transportation, and Minnesota State Colleges and University System properties) by planning, designing, constructing, operating, maintaining, leasing, renovating, and preserving state buildings and grounds, and administers and enforces the Minnesota State Building Code. Activities of this program are building construction, building codes and standards, real estate management, and plant management.

The primary objectives are:

- To provide decision makers with information on capital project requests by continuing implementation of capital budget reform begun in the 1994-95 biennium. This is a 6-year planning process for greater project accountability through identification of long-term capital needs and baseline information on each capital project from inception to occupancy.
- To meet agency construction project needs and space needs that are timely and cost effective.
- To guide state agencies in the reduction of pollution of the environment and a decreased dependence on natural resources will require diligent leadership in the areas of energy management, resource recovery, and transportation.

PROGRAM STATUS:

The overall goals are to provide high quality, cost-effective, safe and healthy facilities and to continue implementing capital budget reform and the long-range *Strategic Plan for Locating State Agencies*.

Capital improvement projects will continue to go through the predesign stage introduced in 1994 whereby the basic elements of scope, cost, and time schedule of a project are established. In the past, capital budget requests have not been well defined at the time of funding so that projects were scaled back, delayed, or phased over a number of years, resulting in project cost increases. The development and management of data bases for cost history and asset preservation will assist agencies and the legislature in providing and reviewing key project information.

New capital budget reform initiatives including statewide building access, hazardous materials abatement, underground storage tank removal, CAPRA, indoor air quality, and services to the Designer Selection Board have been absorbed internally with existing staff. Other architectural, engineering, and professional services have been provided without increasing staff by contracting out for needed services. Significantly-sized bonding bills were adopted in 1994 and 1996, and will most likely continue to be adopted in even-numbered legislative sessions; yet departmental staff have not increased with the growing workloads. The proposed addition of 3 new staff will address the need to meet continued customer and legislative expectations for quality, timely, and cost-effective results.

This program administers and enforces the state building code and performs elevator inspections to ensure building codes and standards are uniformly adopted and administered and buildings comply with minimum health and safety standards. Although more cities and counties are adopting the building code, 70 out of 87 counties and 475 out of 854 cities are non-code enforcement jurisdictions.

A proposed legislative initiative will give townships the capability to adopt and enforce the building code. The current model code system in the United States is in the process of major unification change. In order for the entire construction industry to keep up with these changes, a continuous widespread training and education program is critical. Successful code administration will depend on the application of rules and standards by architects, engineers, building officials, contractors, and the general public.

State agencies are located in space that is the most economical yet meets agency program needs. Whenever possible, fragmented agencies are consolidated and co-located to conserve resources through the sharing of space, equipment, and staff and to improve public access to government services. Within the city of St. Paul, leasing has significantly increased to the current level of 2.2 million square feet while state ownership has remained relatively constant at 1.2 million square feet. The negotiating of leases has become increasingly more complex and time consuming, but neither staffing nor funding of the real estate operation has increased, so that it has been necessary to supplement the operation from other program activities in order to maintain the minimum level of services demanded. Providing services to MnSCU would put additional demand on limited resources.

Plant Management provides and maintains quality building environments that meet code requirements and customer needs and provides leadership in the areas of energy management, resource recovery, and transportation. Plant Management (except for its energy management and resource recovery) operates as a revolving fund which needs to efficiently manage its operations to meet customer requirements while controlling operating costs and lease rates. This activity reorganized its operation in 1995 for improved delivery of services.

PLANNED RESULTS:

The budget plan will permit the performance measures contained in the 1996 Agency Performance Report be attained to:

- Provide in-house services for construction projects of 30-50% less than the cost of purchasing consultant services from the private sector.
- Improve administration and enforcement of codes and standards by assisting 50 municipalities in adoption of the State Building Code and 75 municipalities in adoption of the accessibility code by the end of F.Y. 1998, complete 80% of plan reviews within 30 days of submittal, and reduce response time for elevator inspections from 6 weeks to 3 weeks or less by the end of F.Y. 1998. This will help produce safer buildings, reduce loss of life and personal injury and property value loss, improve accessibility and usability by the disabled community, and reduce public and user complaints.
- Maintain a 4% annual savings in negotiated rent as compared to market rental rates and maintain an 80% or better customer satisfaction rating in meeting state agency space needs.
- Increase recycling recovery rate from 66% to 69% of material recovered in the Capitol Complex and from 57% to 61% of materials recovered in facilities housing state government in the metropolitan area.
- Improve the use of energy by retrofitting 7 million square feet of state-owned buildings for a total of 21 million square feet by the end of F.Y. 1998 and installing a cogeneration plant for an estimated \$4.2 million annual state energy cost savings. This will be accomplished with existing staff through zero interest loans from utility companies.
- Increase the number of car pool participants in the Capitol Complex by 4% annually through promotion of alternative forms of transportation to reduce the number of single occupant vehicles, decrease the demand on existing parking facilities, and decrease pollution of the environment.

PROGRAM: Facilities Management
AGENCY: Administration, Department of
(Continuation)

BUDGET AND REVENUE SUMMARY:

Current revenue sources:

- Dedicated revenues are generated by Building Construction, Plant Management, and Building Code and Standards.
- Non-dedicated revenues are generated by Real Estate Management, Plant Management, and Building Codes and Standards.
- Revolving fund revenues are generated by Plant Management.

Proposed changes:

- Increase the special revenue dedicated fund for Building Codes and Standards to add 14 staff, increase training, and education programs, and increase inspections.
- Increase staff by 3 for Building Construction with a General Fund appropriation to manage increased workload and provide cost-effective services.

GOVERNOR'S RECOMMENDATION:

The Governor concurs with the agency's plan and further recommends funding of \$500,000 each year for a Plant Management Facility Repair and Maintenance account in the Special Revenue Fund for facilities under the custodial control of Plant Management. This is part of a multi-agency initiative to reduce statewide deferred maintenance needs and protect the public investment in these existing facilities.

1998-1999 B I E N N I A L B U D G E T
(DOLLARS IN THOUSANDS)

AGENCY: ADMINISTRATION DEPT
PROGRAM: FACILITIES MANAGEMENT

ACTIVITY RESOURCE ALLOCATION:	FY 1996	Est. FY 1997	FY 1998			FY 1999		
			Base Level	Agency Plan	Governor Recomm.	Base Level	Agency Plan	Governor Recomm.
REAL ESTATE MANAGEMENT	386	400	339	339	339	347	347	347
PLANT MANAGEMENT	2,839	2,584	2,541	2,541	3,041	2,564	2,564	3,064
BUILDING CODE & STANDARDS	1,956	2,495	2,402	3,350	3,350	2,402	3,350	3,350
BUILDING CONSTRUCTION	4,586	4,347	4,176	4,341	4,341	4,218	4,358	4,358
TOTAL EXPENDITURES BY ACTIVITY	9,767	9,826	9,458	10,571	11,071	9,531	10,619	11,119
AGENCY PLAN ITEMS:		FUND						
STATE BLDG CONSTRUCTION		GEN		165			140	
BUILDING CODES & STANDARDS		SGS		948			948	
TOTAL AGENCY PLAN ITEMS				1,113			1,088	
GOV'S INITIATIVES:		FUND						
(B) PLANT MANAGEMENT FACILITY REPAIR		SR			500			500
TOTAL GOV'S INITIATIVES					500			500
EXPENDITURES BY FUND:								
DIRECT APPROPRIATIONS:								
GENERAL	3,627	3,548	3,482	3,647	3,647	3,563	3,703	3,703
STATE GOVERNMENT SPECIAL REVENUE	1,891	1,974						
STATUTORY APPROPRIATIONS:								
STATE GOVERNMENT SPECIAL REVENUE	87	530	2,402	3,350	3,350	2,402	3,350	3,350
SPECIAL REVENUE	1,801	1,512	1,512	1,512	2,012	1,504	1,504	2,004
FEDERAL	276	862	662	662	662	662	662	662
GIFT	2,085	1,400	1,400	1,400	1,400	1,400	1,400	1,400
TOTAL EXPENDITURES	9,767	9,826	9,458	10,571	11,071	9,531	10,619	11,119
FTE BY EMPLOYMENT TYPE:								
REGULAR	87.3	92.3	92.3	109.3	109.3	92.3	109.3	109.3
TEMP/SEAS/PART_TIME	.8	.8	.8	.8	.8	.8	.8	.8
OVERTIME	.5	.6	.6	.6	.6	.6	.6	.6
TOTAL FTE	88.6	93.7	93.7	110.7	110.7	93.7	110.7	110.7

1998-99 Biennial Budget

REVENUE:

BUDGET ACTIVITY: Real Estate Management
PROGRAM: Facilities Management
AGENCY: Administration, Department of

This activity is anticipated to generate non-dedicated revenues of \$4,000 in the F.Y. 1998-99 biennium.

ACTIVITY DESCRIPTION:

Key activities of this division are:

- To provide, allocate, and lease state-owned and nonstate-owned real property to house state agencies in quality spaces at the most economical rent.
- To generate revenue by leasing state-owned property temporarily not needed for state use.
- To provide space programming and monitor leasehold improvement construction for compliance with terms and conditions of leases.
- To assist agencies in acquiring and disposing of real property, issue utility easements and permits, and transfer custodial control of property between agencies.
- To manage the Capitol Child Care Center vendor contract.

BUDGET ISSUES:

The division maintains 1,000 leases of nonstate owned and state owned real property. The state leases approximately 3.6 million square feet of nonstate owned space and other real property statewide at an annual cost of \$44 million. The Department of Administration leases out 1.2 million square feet of state owned space under its custodial control to other agencies. Of the total 4.8 million square feet occupied, approximately 75% is nonstate owned.

Life cycle cost analyses on owning and leasing real estate have shown that it is more economical to own than lease facilities. Case by case life cycle cost analyses of owning and leasing facilities will continue to be used to determine the most economic manner of providing space for state agencies.

Real estate transactions have become more complex due to issues involving accessibility, code compliance, indoor air quality, hazardous materials and risk management. Addressing these issues thoroughly sometimes makes it difficult to complete transactions in a timely manner. The division resolves these issues while also meeting space needs so agencies can effectively deliver their products and services to customers.

Consolidation and co-location of agencies continues to be a priority. The anticipated results of this effort are to conserve resources by sharing space, equipment, and staff. Consolidation and co-location also offer the public the ability to obtain products and services and to conduct more than 1 transaction at a visible, accessible, easily identifiable location. Consolidation and co-location also facilitate transportation pools that lead to conserving resources, better accessibility, reducing pollution and controlling parking development costs.

1998-1999 B I E N N I A L B U D G E T
(DOLLARS IN THOUSANDS)

AGENCY: ADMINISTRATION DEPT
PROGRAM: FACILITIES MANAGEMENT
ACTIVITY: REAL ESTATE MANAGEMENT

ACTIVITY SUMMARY	FY 1996	Est. FY 1997	FY 1998			FY 1999		
			Base Level	Agency Plan	Governor Recomm.	Base Level	Agency Plan	Governor Recomm.
=====	=====	=====	=====	=====	=====	=====	=====	=====
EXPENDITURES:								

DETAIL BY CATEGORY:								
STATE OPERATIONS:								
PERSONAL SERVICES	254	254	263	263	263	269	269	269
OPERATING EXPENSES	132	146	76	76	76	78	78	78
=====	=====	=====	=====	=====	=====	=====	=====	=====
SUBTOTAL STATE OPERATIONS	386	400	339	339	339	347	347	347
=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL EXPENDITURES	386	400	339	339	339	347	347	347
EXPENDITURES BY FUND:								

DIRECT APPROPRIATIONS:								
GENERAL	386	400	339	339	339	347	347	347
=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL EXPENDITURES	386	400	339	339	339	347	347	347
REVENUE COLLECTED:								

NONDEDICATED:								
GENERAL	42	100	2	2	2	2	2	2
=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL REVENUES COLLECTED	42	100	2	2	2	2	2	2
FTE BY EMPLOYMENT TYPE:								

REGULAR	5.2	5.4	5.4	5.4	5.4	5.4	5.4	5.4
=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL FTE	5.2	5.4	5.4	5.4	5.4	5.4	5.4	5.4

1998-99 Biennial Budget

BUDGET ACTIVITY: Plant Management
PROGRAM: Facilities Management
AGENCY: Administration, Department of

ACTIVITY DESCRIPTION:

Plant Management maintains 20 facilities, the surrounding grounds and parking areas under the custodial control of the Department of Administration, promotes energy conservation opportunities on a statewide basis and administers the state resource recovery program. Its mission is to deliver consistent quality services to ensure cost-effective, clean, safe and environmentally sound buildings, grounds and operations.

Plant Management is organized into 4 areas to provide timely, responsive and quality services to their customers. These 4 areas are: Complex Operations, Complex Services, Technical Services, and Support Operations.

Complex Operations maintains and operates buildings under the custodial control of Plant Management to ensure a clean, healthy, safe, comfortable building environment for all tenants and visitors. This includes housekeeping, engineering and building management services; operation of the automation systems; and electronic installation, maintenance and testing of fire, life and safety systems.

Complex Services provides grounds maintenance and snow removal services in the Capitol complex; operates the State Recycling Center; provides resource recovery education, promotion, and assistance to state agencies; and approves and coordinates special events occurring in areas under the division's custodial control. Also provided are material transfer services including vehicle repair, refuse removal, moving services, special event set-up/takedown, and delivery of print communications, recyclables, interoffice and central stores materials to other state agencies.

Technical Services provides traditional trade services and internal/external building maintenance coordination for maintaining and repairing buildings as part of the lease of space by Admin to other agencies. Minor repairs, remodeling, or other jobs outside of the scope of the lease agreement with agencies are performed by Plant Management on a fee-for-service basis. The trade services include carpentry, cabinetmaking, painting, plastering, caulking, electrical work, machine shop, key/locksmith, plumbing, sheet metal, steam fitting, and refrigeration. This area also focuses on statewide energy efficiency improvements, monitors the use of energy in all state-owned and wholly leased facilities, and completes energy retrofit projects through Energy Management Services.

Support Operations schedules and dispatches services in response to tenant/building issues or problems; schedules conference rooms and special events; manages contract and daily permit parking in the Capitol complex; handles lost and found; manages the fixed assets and consumable inventories for the division; and provides administrative, office services, information system technology, and financial/accounting support to all other activities in the division. This area also provides transportation coordination and program development services to increase the use of alternative forms of transportation in the Capitol complex and to reduce the number of single occupancy vehicles.

BUDGET ISSUES:

State agencies spend approximately \$22 million annually on utility costs. Energy Management Services provides project management for energy retrofit programs for energy improvements to state-

owned or wholly leased facilities that save money and reduce state agency energy use. Energy retrofit cost savings are paid over the life of the improvement into a loan pool that funds additional retrofit work. The Department of Administration recently completed energy retrofits in approximately 20 million square feet in state facilities statewide. To ensure the desired savings are achieved, a centralized computerized savings monitoring system (SMS) is being installed to collect energy use data from state-owned buildings. The SMS will monitor program effectiveness, ensure continued energy savings, identify additional energy savings opportunities and keep building infrastructure systems operating efficiently. An additional projected savings of 2% (approximately \$500,000) in operating costs from improved energy use can be achieved through monitoring state facilities that have been retrofitted. Funding for the annual testing, calibration, certification and necessary field maintenance of SMS hardware will be provided by state agencies through existing operating funds during this biennium.

Plant Management continues to maximize available parking through the use of the "any available stall" program. A continuing program, developed in conjunction with Minnesota Rideshare, registers parking contract holders traveling to the Capitol area in high occupancy vehicles, i.e., car and van pools. Participation in this program provides an opportunity to avoid paying the 25% surcharge that single occupancy vehicles are assessed in the Capitol complex area. Continued growth of this program, promotion of alternative modes of transportation, and implementation of incentive programs can make maximum use of available parking, encourage energy conservation, and reduce emission pollution. Transportation service needs, options and Administrative Rules governing parking are being addressed with the hiring of a Transportation Coordinator. Plant Management initiated a bicycle locker program in the fall of 1996 to increase alternative transportation, and reconfigured parking facilities to increase public parking in the Capitol area.

Plant Management has developed an Asset Preservation Program that includes all facilities under the custodial control of Plant Management including buildings, grounds, monuments, memorials, statues, sidewalks, easements, parking garages, ramps, lots, and state-owned streets. The overall goal of the asset preservation program is to continually ensure that all facilities are operated and maintained in a cost-effective manner to preserve state assets. This program is critical to the ongoing successful management of the division.

Plant Management's lease rates for F.Y. 1988 and F.Y. 1999 include catastrophic insurance coverage for the estimated replacement cost of each building, not including contents, under the custodial control of Plant Management in the event of damage due to tornado, fire, flood, explosion, collapse, or other types of losses. Costs for each facility are assigned to each building in the rate matrix. The policy has a high deductible of \$100,000 to minimize the premiums paid to the insurance company. The inclusion of catastrophic insurance coverage in the lease rental rates was recommended in the Admin 1995 Rent Report.

REVENUE:

This activity generates dedicated, non-dedicated and revolving fund revenue (see finance page for revolving fund revenue).

Oil Overcharge dedicated receipts, which assisted in the provision of Energy Management services, were depleted in F.Y. 1997. Revenues will be generated from loan paybacks for projects initiated under the Minnegasco Grant Program during F.Y. 1995, F.Y. 1996 and F.Y. 1997. Revenues will also be generated from the operating budgets of retrofitted facilities statewide. Revenues received will be used for the annual testing, calibration, certification and field maintenance of the SMS hardware. Revenue projections for the Resource Recovery Center are based on past operating experience considering market fluctuations.

1998-1999 BIENNIAL BUDGET
(DOLLARS IN THOUSANDS)

AGENCY: ADMINISTRATION DEPT
PROGRAM: FACILITIES MANAGEMENT
ACTIVITY: PLANT MANAGEMENT

ACTIVITY SUMMARY	FY 1996	Est. FY 1997	FY 1998			FY 1999		
			Base Level	Agency Plan	Governor Recomm.	Base Level	Agency Plan	Governor Recomm.
EXPENDITURES:								
DETAIL BY CATEGORY:								
STATE OPERATIONS:								
PERSONAL SERVICES	1,024	1,004	1,051	1,051	1,051	1,079	1,079	1,079
OPERATING EXPENSES	1,613	1,580	1,490	1,490	1,490	1,485	1,485	1,485
CAPITAL OUTLAY	202				500			500
SUBTOTAL STATE OPERATIONS	2,839	2,584	2,541	2,541	3,041	2,564	2,564	3,064
TOTAL EXPENDITURES	2,839	2,584	2,541	2,541	3,041	2,564	2,564	3,064
GOV'S INITIATIVES:		FUND						
(B) PLANT MANAGEMENT FACILITY REPAIR		SR			500			500
TOTAL GOV'S INITIATIVES					500			500
EXPENDITURES BY FUND:								
DIRECT APPROPRIATIONS:								
GENERAL	1,227	1,078	1,044	1,044	1,044	1,067	1,067	1,067
STATUTORY APPROPRIATIONS:								
STATE GOVERNMENT SPECIAL REVENUE	22	9						
SPECIAL REVENUE	1,590	1,497	1,497	1,497	1,997	1,497	1,497	1,997
TOTAL EXPENDITURES	2,839	2,584	2,541	2,541	3,041	2,564	2,564	3,064
REVENUE COLLECTED:								
DEDICATED:								
SPECIAL REVENUE	1,507	1,738	1,665	1,665	1,665	1,711	1,711	1,711
NONDEDICATED:								
GENERAL	328	150	125	125	125	242	242	242
TOTAL REVENUES COLLECTED	1,835	1,888	1,790	1,790	1,790	1,953	1,953	1,953

1998-1999 B I E N N I A L B U D G E T
(DOLLARS IN THOUSANDS)

AGENCY: ADMINISTRATION DEPT
PROGRAM: FACILITIES MANAGEMENT
ACTIVITY: PLANT MANAGEMENT

ACTIVITY SUMMARY	FY 1996	Est. FY 1997	FY 1998			FY 1999		
			Base Level	Agency Plan	Governor Recomm.	Base Level	Agency Plan	Governor Recomm.
FTE BY EMPLOYMENT TYPE:								
REGULAR	26.9	28.7	28.7	28.7	28.7	28.7	28.7	28.7
TEMP/SEAS/PART_TIME	.3	.3	.3	.3	.3	.3	.3	.3
OVERTIME	.4	.4	.4	.4	.4	.4	.4	.4
TOTAL FTE	27.6	29.4	29.4	29.4	29.4	29.4	29.4	29.4

BUDGET ACTIVITY: Plant Management
PROGRAM: Facilities Management
AGENCY: Administration, Department of

1998-99 BIENNIAL BUDGET
(DOLLARS IN THOUSANDS)

REVOLVING FUND ACTIVITY: Leases, Materials Transfer, ROJ & Alpha
TYPE OF FUND: Internal Service Fund
FUND NUMBER: 820

* OPERATIONS DATA *						* FINANCIAL DATA *		
	ACTUAL FY 1995	ACTUAL FY 1996	ESTIMATED FY 1997	PROJECTED FY 1998	PROJECTED FY 1999	ACTUAL FY 1995	ACTUAL FY 1996	ESTIMATED FY 1997
OPERATING REVENUES:						ASSETS:		
NET SALES	25,097.1	26,181.3	27,086.2	28,937.0	29,424.7	CURRENT ASSETS:		
LESS: COST OF SALES						CASH	2,161.3	2,846.7
GROSS PROFIT ON SALES	25,097.1	26,181.3	27,086.2	28,937.0	29,424.7	OTHER CURRENT ASSETS	4,030.1	2,258.7
OTHER REVENUE	507.0	734.8	425.2	390.6	402.3	TOTAL CURRENT ASSETS	6,191.4	2,998.2
NET REVENUES	25,604.1	26,916.1	27,511.4	29,327.6	29,827.0	NON-CURRENT ASSETS:	1,497.4	5,256.9
LESS: OPERATING EXPENSES:						TOTAL ASSETS	7,688.8	2,317.2
SALARIES	7,527.5	7,798.8	9,214.9	8,946.9	9,215.3	LIABILITIES & FUND EQUITY:		
SUPPLIES & EXPENSES	8,594.7	7,886.0	8,849.6	10,019.3	10,827.5	LIABILITIES:		
INDIRECT COSTS	395.7	502.0	390.8	524.4	540.1	CURRENT LIABILITIES:		
AMORTIZATION & DEPRECIATION	217.8	174.4	283.0	140.5	143.5	DUE GENERAL FUND - CURRENT		
TOTAL OPERATING EXPENSES	16,735.7	16,361.2	18,738.3	19,631.1	20,726.4	MASTER LEASE - CURRENT	96.9	137.9
OPERATING INCOME (LOSS)	8,868.4	10,554.9	8,773.1	9,696.5	9,100.6	OTHER CURRENT LIABILITIES	2,122.7	271.8
NON-OPERATING REVENUES (EXPENSES)	(8,770.7)	(9,667.0)	(9,994.1)	(9,934.8)	(9,840.4)	TOTAL CURRENT LIABILITIES	2,219.6	1,775.8
NET INCOME (LOSS)	97.7	887.9	(1,221.0)	(238.3)	(739.8)	NON-CURRENT LIABILITIES:		
BEGINNING RETAINED EARNINGS	4,133.5	4,231.2	5,119.1	3,898.1	3,659.8	DUE GENERAL FUND - NON-CURRENT		
PRIOR PERIOD ADJUSTMENT	0.0					MASTER LEASE - NON-CURRENT	285.6	371.9
ENDING RETAINED EARNINGS	4,231.2	5,119.1	3,898.1	3,659.8	2,920.0	OTHER NON-CURRENT LIABILITIES	298.8	624.5
FOOTNOTES TO STATEMENTS:						TOTAL NON-CURRENT LIABILITIES	584.4	350.3
June 30, 1996, FTE Employees: 211.4						TOTAL LIABILITIES	2,804.0	974.8
						FUND EQUITY:		
						CONTRIBUTED CAPITAL	653.6	653.6
						RETAINED EARNINGS	4,231.2	3,898.1
						TOTAL FUND EQUITY	4,884.8	4,551.7
						TOTAL LIABILITIES & FUND EQUITY	7,688.8	7,574.1
RATE INCREASE/(DECREASE):								
Leases	1.30%	1.90%	2.30%	5.20%	1.60%			
Materials Transfer	0.80%	3.90%	10.70%	8.00%	8.00%			
ROJ & Alpha	2.20%	-1.70%	-5.50%	4.50%	4.50%			
FIVE YEAR AVERAGE INCREASE/(DECREASE):								
Leases	2.46%							
Materials Transfer	6.28%							
ROJ & Alpha	0.80%							

F.Y. 1998-99 BUDGET INITIATIVE

AGENCY: Administration, Department of
PROGRAM: Facilities Management
ACTIVITY: Plant Management Division

ITEM TITLE: Plant Management Facility Repair and Replacement

	<u>1998-99 Biennium</u>		<u>2000-01 Biennium</u>	
	<u>F.Y. 1998</u>	<u>F.Y. 1999</u>	<u>F.Y. 2000</u>	<u>F.Y. 2001</u>
Expenditures: (\$000s)				
Special Revenue	\$500	\$500	\$500	\$500
Revenues: (\$000s)				
General Fund	\$(500)	\$(500)	\$(500)	\$(500)
Special Revenue	\$500	\$500	\$500	\$500

Statutory Change? Yes X No

If yes, statutes(s) affected: M.S. 16B.24, Subdivision 5(e)

GOVERNOR'S RECOMMENDATION:

The Governor recommends \$1,000,000 for the biennium in the Special Revenue Fund for repair and maintenance of state facilities under the custodial control of Plant Management. This is part of a multi-agency initiative to reduce statewide deferred maintenance needs and protect the public investment in these existing facilities.

RATIONALE:

Under Minnesota Statute 16.B.24, Subd. 5(e), the Department of Administration leases facilities under the department's custodial control. This custodial control includes 2.3 million square feet in 20 facilities. The lease revenue collected is used to maintain the facilities and to recover the depreciation and interest costs associated with facilities funded from state bond proceeds. These funds are currently transferred to the General Fund.

This initiative will accomplish the following:

- Formalize the practice begun in 1994 of transferring state bond proceed interest collected through lease rates to the General Fund.
- Transfer the depreciation and interest charges currently reimbursed by agencies for capital expenditures funded from the Capital Asset Preservation and Replacement (CAPRA) and from the Statewide Building Access funds into a separate special revenue fund for the purpose of performing asset preservation work in facilities under the custodial control of Administration.

PROGRAM OUTCOMES:

The transfer of interest recovered through lease rates is consistent with the 1992 report to the legis-

lature on Capital Budget Reform and subsequent implementation of this transfer to the General Fund in F.Y. 1994.

The transfer of CAPRA and Statewide Building Access reimbursements will allow an asset preservation fund to be established. This fund would give Administration the ability to better maintain the buildings under the department's custodial control by planning and budgeting for future cyclical repairs and replacements that extend the useful life of the facilities and reduce the need for long-term capital expenditures for deferred maintenance from future state bonding bills.

LONG-TERM IMPACT:

The long-term impact is to ensure that all facilities under Administration's custodial control are operated and maintained in a cost-effective manner to preserve the state's assets and ensure environmentally-sound buildings, grounds and operations. By generating a funding source for planning and implementing long-term replacements and/or repairs, deferred maintenance will be reduced. Over time, there will be a reduction in the need for funding through the capital budget process or CAPRA for facilities under Administration's custodial control.

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1998-99 Biennial Budget

BUDGET ACTIVITY: Building Codes and Standards
PROGRAM: Facilities Management
AGENCY: Administration, Department of

ACTIVITY DESCRIPTION:

The Building Codes and Standards Division (BCSD) administers and enforces the state building code which governs the construction, reconstruction, alteration, and repair of buildings and structures to which the code is applicable. The state building code provides basic and uniform performance standards, establishes reasonable safeguards for health, safety, welfare, comfort, and security of the residents of this state and provides for the use of modern methods, devices, materials, and techniques used by the construction industry.

The BCSD has the responsibility for ensuring that the building codes and standards are uniformly adopted and administered at the least possible cost consistent with nationally recognized standards of health, life safety and welfare.

The BCSD activity uses administrative, regulatory, consultative, informational and educational approaches to ensure that buildings constructed comply with minimum health and safety standards.

The division activity is achieved by updating the state building code with current national model codes, by providing training and assistance to code officials, design professionals and the construction industry, by oversight of municipal code departments, by plan review and inspection of public buildings, state licensed facilities, manufactured homes, prefabricated buildings and elevators, and by certification of building officials.

The clientele served and impacted by the division's statutory mandates are local government, municipal building officials, other state agencies/divisions involved in building construction and construction regulations; citizens of the state, design professionals, construction industry suppliers, manufacturers and contractors, technical committees, national model code associations, manufactured home manufacturers and installers.

BUDGET ISSUES:

The 1995 legislative session changed the BCSD funding from General Fund to special revenue fund.

The division's workload has continually increased over the last decade. To meet statutory responsibilities, the addition of 14 full-time employees is proposed. The need for additional elevator inspectors, regional building officials, accessibility specialists, and support staff for data entry and information technology services will bring the division work force to a level capable of maintaining current workload.

Additional staff will increase training and consultation with municipal officials and reduce dollars spent for contract inspectors on public buildings and state licensed facilities.

The results of additional division staff will be improved enforcement of codes and standards that are being attained at the local level through training, direct assistance and monitoring efforts. Safer buildings will be produced, reducing loss of life and personal injury as well as property value loss.

Energy efficiency levels in buildings will be maintained as well as improvement in accessibility and usability by the disabled community.

REVENUE:

This activity generates dedicated and non-dedicated revenue. It is proposed that total revenues from surcharges and fees collected by the Building Codes and Standards Division be deposited to the dedicated special revenue fund.

1998-1999 BIENNIAL BUDGET
(DOLLARS IN THOUSANDS)

AGENCY: ADMINISTRATION DEPT
PROGRAM: FACILITIES MANAGEMENT
ACTIVITY: BUILDING CODE & STANDARDS

ACTIVITY SUMMARY	FY 1996	Est. FY 1997	FY 1998			FY 1999		
			Base Level	Agency Plan	Governor Recomm.	Base Level	Agency Plan	Governor Recomm.
=====	=====	=====	=====	=====	=====	=====	=====	=====
EXPENDITURES:								

DETAIL BY CATEGORY:								
STATE OPERATIONS:								
PERSONAL SERVICES	1,358	1,388	1,388	2,228	2,228	1,388	2,228	2,228
OPERATING EXPENSES	598	1,107	1,014	1,122	1,122	1,014	1,122	1,122
=====	=====	=====	=====	=====	=====	=====	=====	=====
SUBTOTAL STATE OPERATIONS	1,956	2,495	2,402	3,350	3,350	2,402	3,350	3,350
=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL EXPENDITURES	1,956	2,495	2,402	3,350	3,350	2,402	3,350	3,350
=====								
AGENCY PLAN ITEMS:		FUND						
-----		-----						
BUILDING CODES & STANDARDS		SGS		948			948	
=====		=====		=====			=====	
TOTAL AGENCY PLAN ITEMS				948			948	
=====								
EXPENDITURES BY FUND:								

DIRECT APPROPRIATIONS:								
STATE GOVERNMENT SPECIAL REVENUE	1,891	1,974						
STATUTORY APPROPRIATIONS:								
STATE GOVERNMENT SPECIAL REVENUE	65	521	2,402	3,350	3,350	2,402	3,350	3,350
=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL EXPENDITURES	1,956	2,495	2,402	3,350	3,350	2,402	3,350	3,350
=====								
REVENUE COLLECTED:								

DEDICATED:								
STATE GOVERNMENT SPECIAL REVENUE	736	450	3,350	3,350	3,350	3,350	3,350	3,350
NONDEDICATED:								
STATE GOVERNMENT SPECIAL REVENUE	2,901	2,900						
=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL REVENUES COLLECTED	3,637	3,350	3,350	3,350	3,350	3,350	3,350	3,350

1998-1999 B I E N N I A L B U D G E T
(DOLLARS IN THOUSANDS)

AGENCY: ADMINISTRATION DEPT
PROGRAM: FACILITIES MANAGEMENT
ACTIVITY: BUILDING CODE & STANDARDS

			FY 1998			FY 1999		
ACTIVITY SUMMARY	FY 1996	Est. FY 1997	Base Level	Agency Plan	Governor Recomm.	Base Level	Agency Plan	Governor Recomm.
=====								
FTE BY EMPLOYMENT TYPE:								

REGULAR	26.2	26.2	26.2	40.2	40.2	26.2	40.2	40.2
TEMP/SEAS/PART_TIME	.1	.1	.1	.1	.1	.1	.1	.1
OVERTIME	.1	.2	.2	.2	.2	.2	.2	.2
=====								
TOTAL FTE	26.4	26.5	26.5	40.5	40.5	26.5	40.5	40.5

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1998-99 Biennial Budget

BUDGET ACTIVITY: Building Construction
PROGRAM: Facilities Management
AGENCY: Administration, Department of

ACTIVITY DESCRIPTION:

The Division of State Building Construction (DSBC) provides a central resource for state agencies to obtain comprehensive architectural and engineering services needed to meet their facilities program needs. Major activities include capital budgeting, predesign planning, designer selection, building design, construction, remodeling, renewal, asset preservation, hazardous materials abatement and indoor air quality assessments.

This wide array of services has evolved to meet legislative and executive mandates for a long-term disciplined capital asset management process, one which provides an opportunity to make informed investment decisions and to utilize effectively designed and maintained buildings.

Virtually every state entity that occupies a state-owned building or receives a state building appropriation uses one or all of the services provided by DSBC. Primary full-service clients served include the Capitol Complex, Center for Arts Education, Corrections, Community Colleges, Economic Security, Human Services, Iron Range Resources & Rehabilitation Board, Residential Academies, Revenue, and the Veterans Homes Board.

BUDGET ISSUES:

This budget request is for funding 3 new positions for the DSBC to meet its expanded workload, the needs of state agencies and expectations of the legislature that capital appropriations provide quality, timely and cost-effective results. It has become increasingly difficult for the division to provide services and meet customer needs due to:

- Increased number of capital budget projects and programs authorized by the legislature for the division to manage with existing staff.
- Inadequate staff to provide necessary construction management, project inspection, accounting, database, and business-related functions to support the division in carrying out its responsibilities.
- Cuts to prior-year base-level funding that has reduced the division's ability to fund needed positions.

In order for the state to maintain safe and healthy environments in state facilities, the division is unable to reduce the number of programs it manages. The division has no control over the number of statewide capital projects funded or programs assigned. The projects and programs are all of critical importance because they involve life safety, are code related or program driven. Although statewide capital funding has increased dramatically in the 1994 and 1996 bonding bills, the DSBC operating budget has decreased for a number of biennia with no additional funds provided for the division to meet its increasing workload in servicing its state agency clients.

Programs absorbed with existing staff include statewide access program, hazardous materials abatement, underground storage tank removal, Capital Asset preservation and Replacement Account (CAPRA), asset preservation, indoor air quality, staff services provided to the Designer Selection Board, and demands for increased business accountability. These programs have yielded larger capital bonding appropriations and many more smaller renewal projects resulting in increased demand on the DSBC to both manage the programs and implement the projects. The division has avoided increasing the staff for technical services by contracting out for needed additional architectural, engineering, and professional services.

Experience has shown that renewal projects can be accomplished internally for approximately 1/3 to 1/2 the cost of purchasing consultant services. Our knowledge and experience with state facilities and the ever increasing regulations gives us an economic advantage over the private sector. With the greater emphasis being placed on asset preservation and renewal programs, DSBC is requesting additional staff to support the division activities.

As a result of this expanded workload, DSBC has undergone a refocusing process and assessed its long-range strategic needs with the assistance of the Management Analysis Division. It was found, among other things, that the division is substantially understaffed. This proposal will provide 3 needed staff in business management, accounting, and clerical support. This will free up professional and technical staff to manage projects according to their job responsibilities and be more responsive to their customers. The 3 additional staff positions will set up and operate the internal business and accounting structure, procedures and processes. The first position added is a business manager which will have an immediate result of organizing the existing accounting activities to reduce the data entry work of technical staff.

An investment in division staff services will provide the opportunity for the state to obtain the full value that it invests in its capital assets. This request is a direct response to the demand for services required to achieve a balance between what has been appropriated and what is required to administer the state's building program in accordance with statutes, session laws, and departmental procedures. Untimely response to design and construction issues costs the taxpayer in the form of delay claims, interest payments, quality of product, quality of installation, higher bids, complaints, and potentially costly litigation. Timely response creates exactly the opposite effect. An investment in timeliness is beneficial to the state for the division to operate efficiently to carry out its responsibilities, and to meet the needs of the customers served.

REVENUE:

Revenue is not typically generated by this activity except for federal veterans homes projects and for litigation awards, the largest of which has been from the Manville Property Damage Settlement Trust. All funds received are dedicated by fund and used to either satisfy damages incurred or to generate additional revenue through continued asbestos removal, the cost for which is resubmitted for damage claims. Revenue received is dependent on decisions made by the trustees subject to court approval.

1998-1999 B I E N N I A L B U D G E T
(DOLLARS IN THOUSANDS)

AGENCY: ADMINISTRATION DEPT
PROGRAM: FACILITIES MANAGEMENT
ACTIVITY: BUILDING CONSTRUCTION

ACTIVITY SUMMARY	FY 1996	Est. FY 1997	FY 1998			FY 1999		
			Base Level	Agency Plan	Governor Recomm.	Base Level	Agency Plan	Governor Recomm.
=====	=====	=====	=====	=====	=====	=====	=====	=====
EXPENDITURES:								

DETAIL BY CATEGORY:								
STATE OPERATIONS:								
PERSONAL SERVICES	1,719	1,885	1,943	2,083	2,083	1,991	2,131	2,131
OPERATING EXPENSES	815	656	171	196	196	165	165	165
CAPITAL OUTLAY	2,052	1,806	2,062	2,062	2,062	2,062	2,062	2,062
=====	=====	=====	=====	=====	=====	=====	=====	=====
SUBTOTAL STATE OPERATIONS	4,586	4,347	4,176	4,341	4,341	4,218	4,358	4,358
=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL EXPENDITURES	4,586	4,347	4,176	4,341	4,341	4,218	4,358	4,358
=====	=====	=====	=====	=====	=====	=====	=====	=====
AGENCY PLAN ITEMS:		FUND						
-----		-----						
STATE BLDG CONSTRUCTION		GEN		165			140	
=====		=====		=====			=====	
TOTAL AGENCY PLAN ITEMS				165			140	
=====				=====			=====	
EXPENDITURES BY FUND:								

DIRECT APPROPRIATIONS:								
GENERAL	2,014	2,070	2,099	2,264	2,264	2,149	2,289	2,289
STATUTORY APPROPRIATIONS:								
SPECIAL REVENUE	211	15	15	15	15	7	7	7
FEDERAL	276	862	662	662	662	662	662	662
GIFT	2,085	1,400	1,400	1,400	1,400	1,400	1,400	1,400
=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL EXPENDITURES	4,586	4,347	4,176	4,341	4,341	4,218	4,358	4,358
=====	=====	=====	=====	=====	=====	=====	=====	=====
REVENUE COLLECTED:								

DEDICATED:								
SPECIAL REVENUE	98							
FEDERAL	916	18	662	662	662	662	662	662
AGENCY		1						
GIFT	1,365	1,403	1,400	1,400	1,400	1,400	1,400	1,400
=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL REVENUES COLLECTED	2,379	1,422	2,062	2,062	2,062	2,062	2,062	2,062
=====	=====	=====	=====	=====	=====	=====	=====	=====

1998-1999 B I E N N I A L B U D G E T
(DOLLARS IN THOUSANDS)

AGENCY: ADMINISTRATION DEPT
PROGRAM: FACILITIES MANAGEMENT
ACTIVITY: BUILDING CONSTRUCTION

ACTIVITY SUMMARY	FY 1996	Est. FY 1997	FY 1998			FY 1999		
			Base Level	Agency Plan	Governor Recomm.	Base Level	Agency Plan	Governor Recomm.
=====								
FTE BY EMPLOYMENT TYPE:								
REGULAR	29.0	32.0	32.0	35.0	35.0	32.0	35.0	35.0
TEMP/SEAS/PART_TIME	.4	.4	.4	.4	.4	.4	.4	.4
=====								
TOTAL FTE	29.4	32.4	32.4	35.4	35.4	32.4	35.4	35.4

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1998-99 Biennial Budget

PROGRAM: Administrative Management
AGENCY: Administration, Department of

PROGRAM DESCRIPTION:

The Administrative Management program provides internal support services to the operating divisions of the department. Functions within this program include financial management, human resource services, and grant administration. The executive support function, including the commissioner's office, also falls within this program.

Other activities within this program, but not part of internal support services, are: the statewide Employee Assistance Program, the Developmental Disabilities Council, The STAR (System of Technology to Achieve Results) program, and the State Archaeologist.

Grants administered through this program include oil overcharge and other funds allocated by Legislative Commission on Minnesota Resources (LCMR), public broadcasting, and the State Band.

PROGRAM STATUS:

The Statewide Systems Project has had an impact on Fiscal Services and Human Resources in that a significant portion of their time has been spent assisting the project through its development and implementation phases. Major changes in the operations of internal support functions are occurring as the system becomes operational. The total operational and financial impact of this project is still being determined.

Public Broadcasting dollars (public radio, public t.v. and regional cable) are no longer included in the Admin budget, but we will continue to administer grants to those entities.

PLANNED RESULTS:

The Employee Assistance Program is the only activity in this program that is reported in the 1996 Annual Performance Report. The Department of Finance and the Legislative Auditor suggested that agencies did not have to report on internal support services. Both the Developmental Disabilities and STAR programs are primarily funded through federal dollars and are not considered material to the overall Admin budget, so they too are not included in the report.

Existing funding for the Employee Assistance Program will allow them to achieve the outcomes stated in the 1996 Performance Report. This program is not adequately funded to deal with the increasing number of state employees seeking their services or the increasing number of state agencies asking them to solve the increasingly complex issues facing agencies today (e.g., violence in the workplace, critical incidents).

BUDGET AND REVENUE SUMMARY:

This budget proposes a \$50,000 increase in the general appropriation for the Developmental Disabilities Council. This request is to continue the program of education and training of direct care workers who provide services to the developmentally disabled and their families.

This program receives federal dollars from 3 different sources:

- The STAR program receives money from the National Institute of Disability and Rehabilitation Research under Title I of P.L. 103-218. Minnesota is currently in its second 5-year funding cycle. Federal funding was reduced in F.Y. 1997, and statutorily mandated decreases will occur in the 1998-99 biennium.
- The Developmental Disabilities Council receives an annual federal grant from the Department of Health and Human Services, P.L. 103-230. Federal funding was reduced in F.Y. 1996, and is expected to be stable at this reduced amount for the 1998-99 biennium.
- Oil Overcharge monies are received from the U.S. Department of Energy. Funding for this program is expected to end this biennium.

LCMR Funds

The LCMR has requested the department to administer 2 new grants from the Minnesota Future Resources Fund:

- *Sustainable Development Assistance for Municipalities Through Electric Utilities.* The appropriation is for an agreement with the Minnesota Municipal Utilities Association to provide decision-making tools, technical information, and expert assistance to advance sustainable renewable energy and energy efficiency developments and implement demonstration projects in at least 6 communities.
- *Sustainable Development of Wind Energy on Family Farms.* The appropriation is for an agreement with the Sustainable Resources Center for the second biennium to provide technical assistance, wind assessment and technology transfer for the development of wind energy harvesting.

GOVERNOR'S RECOMMENDATION:

The Governor concurs with the agency's plan and further recommends an initiative of \$135,000 each year to support the operations of the Minnesota Children's Museum.

1998-1999 BIENNIAL BUDGET
(DOLLARS IN THOUSANDS)

AGENCY: ADMINISTRATION DEPT
PROGRAM: ADMINISTRATIVE MANAGEMENT

ACTIVITY RESOURCE ALLOCATION:	FY 1996	Est. FY 1997	FY 1998			FY 1999		
			Base Level	Agency Plan	Governor Recomm.	Base Level	Agency Plan	Governor Recomm.
FISCAL & HUMAN RESOURCES	1,315	1,369	1,245	1,245	1,380	1,273	1,273	1,408
EXECUTIVE SUPPORT	527	732	580	580	580	594	594	594
DEVELOPEMENTAL DISABILITIES	656	1,086	1,010	1,035	1,035	1,010	1,035	1,035
SYS TECH TO ACHIEVE RESULTS	913	777	501	501	501	427	427	427
STATE EMPLOYEE ASSISTANCE PROG	364	416	402	402	402	413	413	413
LCMR GRANTS	1,395	1,335		450	450			
STATE ARCHAEOLOGIST		138	116	116	116	118	118	118
TOTAL EXPENDITURES BY ACTIVITY	5,170	5,853	3,854	4,329	4,464	3,835	3,860	3,995
AGENCY PLAN ITEMS:		FUND						
LCMR NEW ALLOCATIONS		MNR		450				
DIRECT CARE WORKER TRAINING FOR DISABLED		GEN		25			25	
TOTAL AGENCY PLAN ITEMS				475			25	
GOV'S INITIATIVES:		FUND						
(B) CHILDREN'S MUSEUM GRANT		GEN			135			135
TOTAL GOV'S INITIATIVES					135			135
EXPENDITURES BY FUND:								
DIRECT APPROPRIATIONS:								
GENERAL	2,202	2,668	2,332	2,357	2,492	2,387	2,412	2,547
MINNESOTA RESOURCES				450	450			
STATE GOVERNMENT SPECIAL REVENUE	1,395	1,335						
STATUTORY APPROPRIATIONS:								
SPECIAL REVENUE	2	3	2	2	2	2	2	2
FEDERAL	1,498	1,792	1,465	1,465	1,465	1,391	1,391	1,391
GIFT	73	55	55	55	55	55	55	55
TOTAL EXPENDITURES	5,170	5,853	3,854	4,329	4,464	3,835	3,860	3,995

1998-1999 BIENNIAL BUDGET
(DOLLARS IN THOUSANDS)

AGENCY: ADMINISTRATION DEPT
PROGRAM: ADMINISTRATIVE MANAGEMENT

			FY 1998			FY 1999		
		Est.	Base	Agency	Governor	Base	Agency	Governor
ACTIVITY RESOURCE ALLOCATION:	FY 1996	FY 1997	Level	Plan	Recomm.	Level	Plan	Recomm.
=====								
FTE BY EMPLOYMENT TYPE:								
REGULAR	45.0	52.1	51.7	51.7	51.7	51.7	51.7	51.7
TEMP/SEAS/PART_TIME		.1	.1	.1	.1	.1	.1	.1
=====								
TOTAL FTE	45.0	52.2	51.8	51.8	51.8	51.8	51.8	51.8

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1998-99 Biennial Budget

BUDGET ACTIVITY: Fiscal and Human Resources
PROGRAM: Administrative Management
AGENCY: Administration, Department of

ACTIVITY DESCRIPTION:

The Fiscal Services Division provides a centralized and integrated accounting system for the Department of Administration's revolving fund, and other fund activities. This activity strives to provide timely and accurate financial services while conforming to Generally Accepted Accounting Principles (GAAP). The staff of the division acts as liaisons and financial consultants for Admin's operating divisions. This facilitates the effective management of financial resources of the department as governed by laws, policies and procedures. Major responsibilities include all aspects of budgeting, financial reporting, and accounting system maintenance and transaction processing. With the institution of the Minnesota Accounting and Procurement System (MAPS), the department made a strategic move to decentralize most purchasing and payment processing functions to the divisions. This move changed the make-up of the Fiscal Services Division staff from a transaction processing emphasis to a stronger planning, analyzing, reporting and auditing emphasis that better serves the needs of the department.

Fiscal Services also provides fiscal support to the Capitol Area Architectural and Planning Board (CAAPB), the Citizens' Committee on Voyageurs National Park, the Council on Asian/Pacific Minnesotans, the Council on Black Minnesotans, the Chicano/Latino Affairs Council, the Board of Government Innovation and Cooperation, the Ombudspersons for Families, and the Governor's Residence Council. Additionally, a grant is provided to the State Band through this activity.

The Human Resources Division provides, maintains and serves the employees of the Department of Administration by providing the following services: staffing, employee development, affirmative action program administration, negotiation and administration of labor contracts, wage and benefit administration, health, safety and wellness program administration, and integration of and consultation on human resource management issues.

BUDGET ISSUES:

The new statewide systems for accounting, purchasing, payroll and personnel have significantly changed the way these divisions conduct their business and the business of the department. Staffing costs have increased, but the total fiscal impact of using the systems to their full potential has not yet been determined; it could have a significant impact on the divisions' General Fund budgets.

1998-1999 B I E N N I A L B U D G E T
(DOLLARS IN THOUSANDS)

AGENCY: ADMINISTRATION DEPT
PROGRAM: ADMINISTRATIVE MANAGEMENT
ACTIVITY: FISCAL & HUMAN RESOURCES

ACTIVITY SUMMARY	FY 1996	Est. FY 1997	FY 1998			FY 1999		
			Base Level	Agency Plan	Governor Recomm.	Base Level	Agency Plan	Governor Recomm.
EXPENDITURES:								
DETAIL BY CATEGORY:								
STATE OPERATIONS:								
PERSONAL SERVICES	1,013	1,004	1,056	1,056	1,056	1,093	1,093	1,093
OPERATING EXPENSES	192	273	187	187	187	178	178	178
CAPITAL OUTLAY	18							
SUBTOTAL STATE OPERATIONS	1,223	1,277	1,243	1,243	1,243	1,271	1,271	1,271
LOCAL ASSISTANCE	92	92	2	2	137	2	2	137
TOTAL EXPENDITURES	1,315	1,369	1,245	1,245	1,380	1,273	1,273	1,408
GOV'S INITIATIVES:		FUND						
(B) CHILDREN'S MUSEUM GRANT		GEN			135			135
TOTAL GOV'S INITIATIVES					135			135
EXPENDITURES BY FUND:								
DIRECT APPROPRIATIONS:								
GENERAL	1,242	1,314	1,190	1,190	1,325	1,218	1,218	1,353
STATUTORY APPROPRIATIONS:								
GIFT	73	55	55	55	55	55	55	55
TOTAL EXPENDITURES	1,315	1,369	1,245	1,245	1,380	1,273	1,273	1,408
REVENUE COLLECTED:								
DEDICATED:								
GIFT	87	55	5	5	5	5	5	5
NONDEDICATED:								
GENERAL		1	1	1	1	1	1	1
TOTAL REVENUES COLLECTED	87	56	6	6	6	6	6	6

1998-1999 B I E N N I A L B U D G E T
(DOLLARS IN THOUSANDS)

AGENCY: ADMINISTRATION DEPT
PROGRAM: ADMINISTRATIVE MANAGEMENT
ACTIVITY: FISCAL & HUMAN RESOURCES

			FY 1998			FY 1999		
		Est.	Base	Agency	Governor	Base	Agency	Governor
ACTIVITY SUMMARY	FY 1996	FY 1997	Level	Plan	Recomm.	Level	Plan	Recomm.
=====	=====	=====	=====	=====	=====	=====	=====	=====
FTE BY EMPLOYMENT TYPE:								

REGULAR	22.1	23.1	23.4	23.4	23.4	23.4	23.4	23.4
=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL FTE	22.1	23.1	23.4	23.4	23.4	23.4	23.4	23.4

F.Y. 1998-99 BUDGET INITIATIVE

AGENCY: Administration, Department of
PROGRAM: Administrative Management
ACTIVITY: Fiscal and Human Resources

ITEM TITLE: Children's Museum Grant

	<u>1998-99 Biennium</u>		<u>2000-01 Biennium</u>	
	<u>F.Y. 1998</u>	<u>F.Y. 1999</u>	<u>F.Y. 2000</u>	<u>F.Y. 2001</u>
Expenditures: (\$000s)				
General Fund				
- Grants	\$135	\$135	\$135	\$135
Revenues: (\$000s)				
General Fund	\$-0-	\$-0-	\$-0-	\$-0-

Statutory Change? Yes _____ No X

If yes, statutes(s) affected:

GOVERNOR'S RECOMMENDATION:

The Governor recommends \$135,000 each year for a grant to support the operations of the Minnesota Children's Museum located in downtown St. Paul.

RATIONALE:

The Minnesota Children's Museum is a major Twin Cities cultural organization. The facility and programs provide interactive learning experiences to children and families of all cultures and across all income levels. Given the institution's size, stature, and services to children and families of the state, it is appropriate for the state budget to support the Museum in a manner similar to other major cultural organizations.

The Museum attracts approximately 400,000 visitors annually, originating from the following areas:

Twin Cities area:	58%
Greater Minnesota:	14%
Other States:	26%
Foreign Countries:	2%

The Museum is accessible and provides an important service to the education community. Approximately 80% of visitors are individuals and 20% come with school groups. Both individuals and school groups that cannot afford to pay the full admission fee are admitted free or at a significant discount. Free and discounted admissions amount to 29 % of visits.

PROGRAM OUTCOMES:

- increased ability of the Museum to serve visitors

- more school group visits to the Museum
- improved ability of the Museum organization to protect the state's major investment in the capital construction of the facility

LONG-TERM IMPACT:

- improved programs and services for Museum visitors
- pleasant and educational experiences for visitors
- support for the economy of downtown St. Paul and the region

1998-99 Biennial Budget

BUDGET ACTIVITY: Executive Support
PROGRAM: Administrative Management
AGENCY: Administration, Department of

ACTIVITY DESCRIPTION:

This activity provides both department and statewide executive leadership and management. Customers include employees of the department, state agencies, local units of government, the governor's office, and the legislature. Services provided to Admin include strategic direction, priority setting, policy setting, problem solving, and coordination for projects which affect all areas of the department, e.g., the implementation of the Statewide Systems Project. This activity responds to both gubernatorial and legislative directives. Communication internal to Admin is coordinated through this activity including a bi-weekly departmentwide newsletter, quarterly operations reviews with each division, and monthly management team meetings.

BUDGET ISSUES:

None.

REVENUE:

None.

1998-1999 B I E N N I A L B U D G E T
(DOLLARS IN THOUSANDS)

AGENCY: ADMINISTRATION DEPT
PROGRAM: ADMINISTRATIVE MANAGEMENT
ACTIVITY: EXECUTIVE SUPPORT

ACTIVITY SUMMARY	FY 1996	Est. FY 1997	FY 1998			FY 1999		
			Base Level	Agency Plan	Governor Recomm.	Base Level	Agency Plan	Governor Recomm.
EXPENDITURES:								
DETAIL BY CATEGORY:								
STATE OPERATIONS:								
PERSONAL SERVICES	415	485	497	497	497	510	510	510
OPERATING EXPENSES	112	247	83	83	83	84	84	84
SUBTOTAL STATE OPERATIONS	527	732	580	580	580	594	594	594
TOTAL EXPENDITURES	527	732	580	580	580	594	594	594
EXPENDITURES BY FUND:								
DIRECT APPROPRIATIONS:								
GENERAL	525	729	578	578	578	592	592	592
STATUTORY APPROPRIATIONS:								
SPECIAL REVENUE	2	3	2	2	2	2	2	2
TOTAL EXPENDITURES	527	732	580	580	580	594	594	594
REVENUE COLLECTED:								
DEDICATED:								
SPECIAL REVENUE	2	2	2	2	2	2	2	2
TOTAL REVENUES COLLECTED	2	2	2	2	2	2	2	2
FTE BY EMPLOYMENT TYPE:								
REGULAR	7.9	9.3	9.3	9.3	9.3	9.3	9.3	9.3
TOTAL FTE	7.9	9.3	9.3	9.3	9.3	9.3	9.3	9.3

1998-99 Biennial Budget

BUDGET ACTIVITY: Developmental Disabilities Council
PROGRAM: Administrative Management
AGENCY: Administration, Department of

ACTIVITY DESCRIPTION:

This activity integrates children and adults with developmental disabilities into the natural life of the community. It builds a comprehensive consumer- and family-centered system through training, advocacy and services. These services and support activities allow those with developmental disabilities to become more independent and productive. Responsibilities also include public education, coalition building, educating policy makers, and leadership training. Special emphasis is given to developing leadership skills among youth and adults with disabilities, and parents of young children with developmental disabilities. Duties and responsibilities of state developmental disabilities councils are further set out under the Developmental Disabilities Assistance and Bill of Rights Act of 1994 (DD Act) (P.L. 103-230)

BUDGET ISSUES:

In the past, this activity has received an annual federal budget of approximately \$1 million. The current state General Fund appropriation of \$46,000 is approximately \$194,934 less than the required match amount. The balance of this match requirement is met by grant recipients.

A biennial General Fund increase of \$50,000 is proposed for an ongoing statewide system of training and technical assistance for Minnesota's direct care workers to assure quality services are provided to people with developmental disabilities and their families.

GRANTS:

Under the DD Act, not less than 65% of the federal grant award must be allocated to projects that are designed to promote and achieve the goals and objectives determined by the DD Council and set out in the 3-Year State Plan. Grants for F.F.Y. 1995 were awarded for Partners in Policymaking, Partners Outreach to Culturally Diverse Communities, Advanced Leadership Training, Youth Leadership, Direct Care Training, Employment, and Training Conferences.

Outcomes include:

A total of 53 Minnesotans completed leadership training in F.F.Y. 1995, and approximately 70 Minnesotans will begin or complete leadership training in F.F.Y. 1996 through Partners in Policymaking. Partners graduates are actively involved in system change activities that support the objectives of the DD Act.

African American parents participated in a culturally competent leadership program and a total of 532 parents received services from organization that provided training. The concepts of Partners in Policymaking were introduced into the American Indian community. Approximately 70 parents from these culturally diverse communities will begin leadership training in F.F.Y. 1996.

A total of 428 middle school youth (students with disabilities and students without disabilities) participated in leadership training and development, and social/recreational and community service activities in F.F.Y. 1995. An inclusive youth leadership program and curriculum is being promoted and replicated throughout the state among generic youth leadership development programs.

Individuals with disabilities will achieve personal employment goals, and successful and productive employment outcomes through a person centered planning approach.

More than 700 individuals participated in 6 statewide training conferences to broaden their knowledge and understanding of best practices, improve their personal leadership skills, and increase their ability to secure quality services and supports.

A total of 679 individuals participated in 56 training sessions (336 training hours) and 13 train-the-trainer sessions at 24 technical college campuses through the statewide direct care provider training initiative. Additional competency- and value-based training curricula are being introduced through the Minnesota State College and University (MNSCU) system.

The DD Council selects priorities for a 3-year period; allocation decisions are made on an annual basis. The availability of grants is announced in the *State Register*. Grants are awarded after thorough review of project proposals by the DD Council.

1998-1999 BIENNIAL BUDGET
(DOLLARS IN THOUSANDS)

AGENCY: ADMINISTRATION DEPT
PROGRAM: ADMINISTRATIVE MANAGEMENT
ACTIVITY: DEVELOPEMENTAL DISABILITIES

ACTIVITY SUMMARY	FY 1996	Est. FY 1997	FY 1998			FY 1999		
			Base Level	Agency Plan	Governor Recomm.	Base Level	Agency Plan	Governor Recomm.
EXPENDITURES:								
DETAIL BY CATEGORY:								
STATE OPERATIONS:								
PERSONAL SERVICES	134	125	127	127	127	129	129	129
OPERATING EXPENSES	241	132	84	109	109	82	107	107
SUBTOTAL STATE OPERATIONS	375	257	211	236	236	211	236	236
PAYMENTS TO INDIVIDUALS	1	5						
LOCAL ASSISTANCE	280	824	799	799	799	799	799	799
TOTAL EXPENDITURES	656	1,086	1,010	1,035	1,035	1,010	1,035	1,035
AGENCY PLAN ITEMS:		FUND						
DIRECT CARE WORKER TRAINING FOR DISABLED		GEN		25			25	
TOTAL AGENCY PLAN ITEMS				25			25	
EXPENDITURES BY FUND:								
DIRECT APPROPRIATIONS:								
GENERAL	71	71	46	71	71	46	71	71
STATUTORY APPROPRIATIONS:								
FEDERAL	585	1,015	964	964	964	964	964	964
TOTAL EXPENDITURES	656	1,086	1,010	1,035	1,035	1,010	1,035	1,035
REVENUE COLLECTED:								
DEDICATED:								
SPECIAL REVENUE	16	6	6	6	6	6	6	6
FEDERAL	621	1,015	964	964	964	964	964	964
TOTAL REVENUES COLLECTED	637	1,021	970	970	970	970	970	970

1998-1999 B I E N N I A L B U D G E T
(DOLLARS IN THOUSANDS)

AGENCY: ADMINISTRATION DEPT
PROGRAM: ADMINISTRATIVE MANAGEMENT
ACTIVITY: DEVELOPEMENTAL DISABILITIES

ACTIVITY SUMMARY	FY 1996	Est. FY 1997	FY 1998			FY 1999		
			Base	Agency	Governor	Base	Agency	Governor
			Level	Plan	Recomm.	Level	Plan	Recomm.
=====								
FTE BY EMPLOYMENT TYPE:								

REGULAR	2.1	5.2	5.2	5.2	5.2	5.2	5.2	5.2
=====								
TOTAL FTE	2.1	5.2	5.2	5.2	5.2	5.2	5.2	5.2

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1998-99 Biennial Budget

BUDGET ACTIVITY: System of Technology to Achieve Results
PROGRAM: Administrative Management
AGENCY: Administration, Department of

Programs of National Significance: \$10,000 in scholarships will be awarded to individuals with disabilities, their families and advocates to attend conferences of national significance to learn firsthand of the availability of emerging technologies. Eligibility for award is based on the following criteria: 1) resides outside the 7 county metro area; 2) first time attending conference; 3) detailed plan of information dissemination to others.

ACTIVITY DESCRIPTION:

STAR (A System of Technology to Achieve Results) is funded through a grant by the National Institute of Disability and Rehabilitation Research under Title 1 of P.L. 103-218. The federal mandate is to develop and implement a statewide, comprehensive, consumer-responsive program of technology-related assistance for individuals with disabilities of all ages through advocacy and systems change. STAR administers activities in each of the 6 federal priority areas:

- Availability of services
- Consumer involvement and outreach
- Interagency coordination
- Advocacy and systems change
- Training and technical assistance
- Public awareness

BUDGET ISSUES:

Decreased federal funding in F.Y. 1997 and statutorily mandated decreases of 25% in 1998 and 50% in 1999 with sunset on 9-30-99, will reduce our ability to meet systems change and service delivery activities of technology-related assistance. We will continue the mandated contract with the protection and advocacy agency (Minnesota Disability Law Center). Decreased funding will limit outreach to individuals who are poor, live in rural areas, or have limited English-speaking proficiency.

REVENUE:

Grants: STAR administers 2 mandated grant programs and 3 discretionary programs:

Protective and Advocacy Services: (Minnesota Disability Law Center) as mandated by P.L. 103-218 to provide the full range of legal opportunities to individuals who seek technology-related assistance through public and private programs.

Iowa Program for Assistive Technology: (University of Iowa Hospital School. Infotech) to provide interstate toll-free assistance on commercially available technologies, a used equipment referral service, and a bi-monthly newsletter.

Mobile Outreach Services: A competitive process open to the private, not for profit, educational units, and units of government that are able to provide a full range of assistive technology services to a minimum of 500 individuals in rural areas.

Regional Assistive Technology Resources: Competitive program to assist community-based consumer and support groups, as well as not for profit, for profit government and educational entities to develop or expand technology-related assistance programs to under-represented and rural populations. It is anticipated that current funding levels will allow for 1 grant in the metropolitan area and 4-6 in greater Minnesota.

1998-1999 B I E N N I A L B U D G E T
(DOLLARS IN THOUSANDS)

AGENCY: ADMINISTRATION DEPT
PROGRAM: ADMINISTRATIVE MANAGEMENT
ACTIVITY: SYS TECH TO ACHIEVE RESULTS

ACTIVITY SUMMARY	FY 1996	Est. FY 1997	FY 1998			FY 1999		
			Base Level	Agency Plan	Governor Recomm.	Base Level	Agency Plan	Governor Recomm.
=====	=====	=====	=====	=====	=====	=====	=====	=====
EXPENDITURES:								

DETAIL BY CATEGORY:								
STATE OPERATIONS:								
PERSONAL SERVICES	220	249	257	257	257	264	264	264
OPERATING EXPENSES	357	202	77	77	77	70	70	70
=====	=====	=====	=====	=====	=====	=====	=====	=====
SUBTOTAL STATE OPERATIONS	577	451	334	334	334	334	334	334
PAYMENTS TO INDIVIDUALS	10							
LOCAL ASSISTANCE	326	326	167	167	167	93	93	93
=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL EXPENDITURES	913	777	501	501	501	427	427	427
EXPENDITURES BY FUND:								

STATUTORY APPROPRIATIONS:								
FEDERAL	913	777	501	501	501	427	427	427
=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL EXPENDITURES	913	777	501	501	501	427	427	427
REVENUE COLLECTED:								

DEDICATED:								
FEDERAL	948	777	501	501	501	427	427	427
GIFT	6							
=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL REVENUES COLLECTED	954	777	501	501	501	427	427	427
FTE BY EMPLOYMENT TYPE:								

REGULAR	5.1	5.9	6.0	6.0	6.0	6.0	6.0	6.0
=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL FTE	5.1	5.9	6.0	6.0	6.0	6.0	6.0	6.0

1998-99 Biennial Budget

REVENUE:

BUDGET ACTIVITY: State Employee Assistance Program
PROGRAM: Administrative Management
AGENCY: Administration, Department of

None.

ACTIVITY DESCRIPTION:

The State Employee Assistance Program (EAP) is a highly regarded component of the state's human resource management function and its services are sought throughout Minnesota by all branches of state government. State employees and agencies have come to rely on EAP for confidential consultation and brief, solution-oriented counseling to address personal, family and workplace problems. EAP's proactive approaches address issues and concerns before they become crises. The EAP is able to increase access to care, maximize health plan benefits, and help state employees and their families live healthier, more productive lives. The program's outcome studies, in fact, indicate a positive correlation exists between utilizing EAP services and an overall improvement in job performance.

Specific EAP activities include:

- Consultation and case management regarding worksite problems, such as harassment, threats of violence, critical incidents, work performance issues, and organizational change.
- In-person assessment and brief counseling (one to four sessions) for employees experiencing a wide variety of problems in living, such as grief and loss, legal and financial problems, parent/child problems, domestic abuse, career struggles, and stress management.
- Intervention, assessment, referral, and ongoing support for serious and persistent behavioral problems that impact the workplace, such as chronic mental illness and compulsive addictive behaviors.

BUDGET ISSUES:

Worksite interventions and assistance involving threats of violence, interpersonal conflicts, sudden deaths, occupational accidents and other types of critical incidents are best provided by internal EAP consultants who are knowledgeable of state work environments and different cultural norms that exist within agencies. The EAP is experiencing increasing demands for assisting state agencies with organizational issues such as these. The program is well positioned to provide the necessary management coaching, problem assessment, group work, and skill-building activities, but involvement with troubled work organizations is often complex, highly sensitive, and can require ongoing contact. The time demands with such projects often vary and may be significant.

Another important budget matter involves negotiating competitive hourly rates with the program's 18 contracted provider organizations. This contracted provider network serves state agencies and employees outside the Twin Cities metro area. Vendors have been paid a rate of \$55/hour for the past 7 years. Given current community standards and market rates for like EAP services, and given the need to maintain a network of quality vendors, it is necessary to increase the state EAP's hourly rate of payment to \$65, effective 7-1-97. This represents an annual increase in spending of approximately \$20,000.

1998-1999 B I E N N I A L B U D G E T
(DOLLARS IN THOUSANDS)

AGENCY: ADMINISTRATION DEPT
PROGRAM: ADMINISTRATIVE MANAGEMENT
ACTIVITY: STATE EMPLOYEE ASSISTANCE PROG

			FY 1998			FY 1999		
ACTIVITY SUMMARY	FY 1996	Est. FY 1997	Base Level	Agency Plan	Governor Recomm.	Base Level	Agency Plan	Governor Recomm.
EXPENDITURES:								
DETAIL BY CATEGORY:								
STATE OPERATIONS:								
PERSONAL SERVICES	185	345	354	354	354	362	362	362
OPERATING EXPENSES	179	71	48	48	48	51	51	51
SUBTOTAL STATE OPERATIONS	364	416	402	402	402	413	413	413
TOTAL EXPENDITURES	364	416	402	402	402	413	413	413
EXPENDITURES BY FUND:								
DIRECT APPROPRIATIONS:								
GENERAL	364	416	402	402	402	413	413	413
TOTAL EXPENDITURES	364	416	402	402	402	413	413	413
FTE BY EMPLOYMENT TYPE:								
REGULAR	7.0	6.8	6.8	6.8	6.8	6.8	6.8	6.8
TEMP/SEAS/PART_TIME		.1	.1	.1	.1	.1	.1	.1
TOTAL FTE	7.0	6.9	6.9	6.9	6.9	6.9	6.9	6.9

1998-99 Biennial Budget

BUDGET ACTIVITY: LCMR Grants
PROGRAM: Administrative Management
AGENCY: Administration, Department of

ACTIVITY DESCRIPTION:

This activity provides management and distribution of Minnesota's share of proceeds from federal court settlements of oil price violations that occurred during the 1973-1981 regulatory period. Funds are received by the state from the U.S. Department of Energy. Allocations are made by legislative appropriation for uses that must be consistent with terms of the court settlement, decisions of the U.S. Department of Energy, and with M.S. 4.071.

Since 1988, when the legislature assigned tasks of managing oil overcharge funds and program activities to the Department of Administration, this activity of the Administrative Management Bureau has established itself as Minnesota state government's central source of information and oversight of oil overcharge-financed programs.

The activity also has been requested to administer other LCMR grant funds (see program narrative for specific items).

BUDGET ISSUES:

This activity is expected to be completed with this final major court settlement "Citronelle." Court-directed reimbursements and accrual interest payments will complete funding of the biennial 1996-97 grants of \$4,234,000.

GRANTS:

Oil overcharge grants are authorized by the legislature pursuant to M.S. 4.071 and in accordance with U.S. Department of Energy requirements and terms of federal court settlements with oil companies. Since 1988, the Department of Administration has managed 58 grants totaling \$45,038,216. The legislature has allocated grants to state agencies, educational institutions, and community organizations under the following criteria:

- Provides restitution to citizens who suffered from oil overcharges;
- Promotes energy conservation through reduced consumption and through research and technology transfer resulting in energy conservation;
- Results in broad public effects and benefits;
- Supplements rather than supplants regular state financing; and
- Follows approved precedents of the U.S. Department of Energy and federal court settlements.

One-half of the funds are committed to the Department of Economic Security's Low Income Weatherization Program. All other proposals are submitted to the Legislative Commission on Minnesota Resources. If approved, they are recommended to the legislature for appropriation.

The final settlements have been given by the courts and F.Y. 1998 is estimated to be the final settlement reimbursement and accrued interest to be received by the state.

1998-1999 B I E N N I A L B U D G E T
(DOLLARS IN THOUSANDS)

AGENCY: ADMINISTRATION DEPT
PROGRAM: ADMINISTRATIVE MANAGEMENT
ACTIVITY: LCMR GRANTS

	FY 1996	Est. FY 1997	FY 1998			FY 1999		
ACTIVITY SUMMARY			Base Level	Agency Plan	Governor Recomm.	Base Level	Agency Plan	Governor Recomm.
=====	=====	=====	=====	=====	=====	=====	=====	=====
EXPENDITURES:								

DETAIL BY CATEGORY:								
STATE OPERATIONS:								
PERSONAL SERVICES	34	62						
=====	=====	=====						
SUBTOTAL STATE OPERATIONS	34	62						
LOCAL ASSISTANCE	1,361	1,273		450	450			
=====	=====	=====		=====	=====			
TOTAL EXPENDITURES	1,395	1,335		450	450			
AGENCY PLAN ITEMS:		FUND						

LCMR NEW ALLOCATIONS		MNR		450				
=====				=====			=====	
TOTAL AGENCY PLAN ITEMS				450				
EXPENDITURES BY FUND:								

DIRECT APPROPRIATIONS:								
MINNESOTA RESOURCES				450	450			
STATE GOVERNMENT SPECIAL REVENUE	1,395	1,335						
=====	=====	=====		=====	=====			
TOTAL EXPENDITURES	1,395	1,335		450	450			
REVENUE COLLECTED:								

DEDICATED:								
STATE GOVERNMENT SPECIAL REVENUE	2,180	1,024	821	821	821			
=====	=====	=====	=====	=====	=====			
TOTAL REVENUES COLLECTED	2,180	1,024	821	821	821			
FTE BY EMPLOYMENT TYPE:								

REGULAR	.8	.8						
=====	=====	=====						
TOTAL FTE	.8	.8						

1998-99 Biennial Budget

BUDGET ACTIVITY: State Archaeologist, Office of the
PROGRAM: Administrative Management
AGENCY: Administration, Department of

ACTIVITY DESCRIPTION:

Established in 1963, the Office of the State Archaeologist (OSA) is charged with sponsoring, conducting and directing research into the prehistoric and historic archaeology of Minnesota; protecting and preserving archaeological sites, objects and data; disseminating archaeological information through the publication of reports and articles; identifying, authenticating and protecting human burial sites; reviewing and licensing archaeological fieldwork conducted within the state, and enforcing provisions of M.S. 138.31-138.42. The State Archaeologist is a professional archaeologist appointed by the Minnesota Historical Society (MHS).

Under M.S. 138.31-138.42 (the "Field Archaeology Act"), licensure through the OSA is required for field archaeology undertaken on all lands or waters owned, leased by or subject to the paramount right of the state or its subdivisions, as well as on lands impacted by publicly funded development projects. Proposed projects are reviewed to assess the appropriateness of research methodology and to assist in identifying strategies for mitigating potential adverse effects to known cultural resources.

Minnesota's "Private Cemeteries Act" (307.08) affords all human remains and burials older than 50 years, and located outside of platted, recorded or identified cemeteries, protection from unauthorized disturbance; this statute applies to burials on either public or private lands or waters. Authentication of burial sites is conducted under the sole auspices of the OSA per this statute. In the event that a burial is either known or suspected to be associated with American Indian peoples, the OSA works in concert with the Minnesota Indian Affairs Council (MIAC) to ensure the integrity of such burial sites. Guidelines for the protection of burials covered under this act have been developed jointly by the OSA and MIAC. The OSA maintains a database of identified burial sites in the state. The OSA also develops and maintains a database of the state's identified archaeological sites in collaboration with the Minnesota State Historic Preservation Office.

OSA clients include, but are not limited to, the following: the public at large; Minnesota Indian Affairs Council; cultural resource management, engineering and development firms; members of the legislature; individual landowners; tribal communities; the State Historic Preservation Office; agencies of local, county and state government; county historical societies; and academic institutions.

BUDGET ISSUES:

Previously an unfunded position, the legislature allocated \$104,000 to underwrite salary and related program needs beginning in F.Y. 1995. Prior to this funding, the legislature had, in recent years, provided \$54,000 biennially as a pass-through grant administered by MHS, with most of these funds being used to offset burial site investigation or mitigation expenses. OSA funding to support the State Archaeologist position as well as program needs is \$104,000 per year for the current biennium; in addition, approximately \$50,000 of unspent F.Y. 1995 dollars were carried over into the 1996-1997 biennial budget.

Prior to 2-27-95, the State Archaeologist position had been vacant since October 1992. Since filling the vacancy, OSA has been headquartered at the Minnesota Historical Society's Fort Snelling History Center. The MHS has, on a *gratis* basis, provided space, personnel and administrative services, and other support during this period. As of 7-1-96, responsibility for administrative, personnel and related

OSA support services has been transferred to the Department of Administration per administrative Reorganization Order No. 175.

The program is presently focused on a number of issues, including:

- Resolution of the backlog of outstanding burial site investigations, most of which developed during the 2½ year position vacancy; outstanding cases impede the progress of residential, commercial and governmental construction projects.
- Development of a comprehensive archaeological site database, which is necessary to document the state's cultural resources and facilitate proactive land management practices/planning.
- Working to facilitate the process of establishing OSA as a division of the Department of Administration.
- Development of a system to permit electronic inquiries about burial site location by land management agencies and other concerned parties; this information is necessary to avoid significant costs associated with avoiding or mitigating burials at the last minute.
- Working collaboratively with the MIAC to complete the federally-mandated (NAGPRA) inventory of human remains in the possession of this agency of state government (MIAC); presently, neither the federal government nor the state provides funding to meet this mandate.

The current base level of funding makes it difficult for the program to operate effectively.

REVENUE:

None.

1998-1999 BIENNIAL BUDGET
(DOLLARS IN THOUSANDS)

AGENCY: ADMINISTRATION DEPT
PROGRAM: ADMINISTRATIVE MANAGEMENT
ACTIVITY: STATE ARCHAEOLOGIST

ACTIVITY SUMMARY	FY 1996	Est. FY 1997	FY 1998			FY 1999		
			Base Level	Agency Plan	Governor Recomm.	Base Level	Agency Plan	Governor Recomm.
EXPENDITURES:								
DETAIL BY CATEGORY:								
STATE OPERATIONS:								
PERSONAL SERVICES		58	61	61	61	62	62	62
OPERATING EXPENSES		80	55	55	55	56	56	56
SUBTOTAL STATE OPERATIONS		138	116	116	116	118	118	118
TOTAL EXPENDITURES		138	116	116	116	118	118	118
EXPENDITURES BY FUND:								
DIRECT APPROPRIATIONS:								
GENERAL		138	116	116	116	118	118	118
TOTAL EXPENDITURES		138	116	116	116	118	118	118
FTE BY EMPLOYMENT TYPE:								
REGULAR		1.0	1.0	1.0	1.0	1.0	1.0	1.0
TOTAL FTE		1.0	1.0	1.0	1.0	1.0	1.0	1.0

1998-99 Biennial Budget

PROGRAM: Information Policy Office (IPO)

AGENCY: Administration, Department of

PROGRAM DESCRIPTION:

The Information Policy Office provides direction for managing the state's information resources to promote an infrastructure that avoids duplication, maximizes the use of technology and ensures that individuals' rights are protected while improving access to information. IPO is responsible for:

- establishing state Information Resource Management (IRM) policies, standards and guidelines;
- reviewing state information resource investments;
- preparing advisory opinions regarding the rights of data subjects, classifications and public access to data; and
- supporting initiatives that cross organizational boundaries.

PROGRAM STATUS:

The state's investment in information resources will continue to be critical to the successful delivery of government services. Although hardware and software are often the most visible components of information resources, the costs of staff, supplies and facilities along with consulting and telecommunications services have to be accounted. Major statewide issues related to information technology investments include:

- attracting and keeping a skilled workforce, including project and contract management skills, data modeling and data management;
- aligning agency business goals to information resource investments, including re-engineering, and measuring outcomes;
- electronic access and linkages with business partners, local governments, the public; and
- ability to deploy and replace equipment to keep up with rapidly changing technology including, client server technology, connectivity related to telecommuting, and cost of replacing or upgrading obsolete systems.

Funding alternatives and support for addressing statewide issues and sharing resources that cross boundaries are needed. As effective delivery of government services becomes increasingly dependent on the use of information resources and, as technology continues to change, there is a greater need to view these expenditures as part of an ongoing investment in infrastructure.

Three areas that have statewide impact that the Information Policy Office is currently addressing are the Year 2000 date change (see the following YEAR 2000 PROJECT section), demand for services in public policy, and electronic commerce.

The Year 2000 date change has the potential for disrupting many of the information resource development and maintenance activities if programs cannot recognize the change of century. Agencies will need additional funding to provide dedicated resources to fix, test and reimplement applications as well as upgrade hardware and software. If not successfully addressed the state could lose revenue, fail to serve citizens, be unable to administer programs, or fail to license organizations and individuals to do business in Minnesota.

With the growing size and complexity of public information policy issues and law, reform proposals are being considered. Demand for service, including answering questions, training, consultations on complex compliance questions, legislative drafting and preparation and issuance of advisory opinions, grows every year.

Governments as well as industry are moving toward looking to electronic commerce to improve revenue, reduce costs and deliver services more effectively. While electronic commerce offers a new way of doing business, there are many issues that must be addressed and resolved. The state needs to begin developing agency-coordinated strategic plans for an electronic commerce system.

PLANNED RESULTS:

IPO expects to meet the performance measures as outlined in the 1996 Performance Report.

GOVERNOR'S RECOMMENDATION:

The Governor concurs with the agency's plan, with additional biennial funding of \$25,000,000 for the Minnesota Year 2000 Project, and \$5,000,000 for a Business Customer Service initiative to simplify the state's business registration, licensing, and permitting systems.

1998-1999 B I E N N I A L B U D G E T
(DOLLARS IN THOUSANDS)

AGENCY: ADMINISTRATION DEPT
PROGRAM: INFORMATION POLICY OFFICE

ACTIVITY RESOURCE ALLOCATION:	FY 1996	Est. FY 1997	FY 1998			FY 1999		
			Base Level	Agency Plan	Governor Recomm.	Base Level	Agency Plan	Governor Recomm.
=====	=====	=====	=====	=====	=====	=====	=====	=====
INFO STRATEGIES AND PLANNING	1,303	2,399	1,339	1,339	16,339	1,361	1,361	16,361
GOVT INFO ACCESS COUNCIL	325	450						
INTERGOVERNMENTAL INFORMATION		620						
PUBLIC INFO POLICY ANALYSIS	280	287	293	293	293	301	301	301
=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL EXPENDITURES BY ACTIVITY	1,908	3,756	1,632	1,632	16,632	1,662	1,662	16,662
GOV'S INITIATIVES:		FUND						
=====	=====	=====						
(B) YEAR 2000 PROJECT		GEN			12,500			12,500
(B) BUSINESS CUSTOMER SERVICE		GEN			2,500			2,500
=====	=====	=====			=====			=====
TOTAL GOV'S INITIATIVES					15,000			15,000
EXPENDITURES BY FUND:								
=====	=====	=====						
DIRECT APPROPRIATIONS:								
GENERAL	1,908	3,692	1,632	1,632	16,632	1,662	1,662	16,662
STATUTORY APPROPRIATIONS:								
SPECIAL REVENUE		64						
=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL EXPENDITURES	1,908	3,756	1,632	1,632	16,632	1,662	1,662	16,662
FTE BY EMPLOYMENT TYPE:								
=====	=====	=====						
REGULAR	22.0	28.6	20.0	20.0	35.0	20.0	20.0	35.0
=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL FTE	22.0	28.6	20.0	20.0	35.0	20.0	20.0	35.0

1998-99 Biennial Budget

BUDGET ACTIVITY: Information Strategies and Planning
PROGRAM: Information Policy Office
AGENCY: Administration, Department of

ACTIVITY DESCRIPTION:

This activity provides the legislature and government organizations (management and staff) with direction and guidance for managing the state's information resource (IR) investment including hardware, software, networks, IR staff, facilities, and services.

Activity services include:

- Developing and implementing state Information Resource Management (IRM) policies, standards, and guidelines (e.g., contract and project management guidelines);
- Helping agencies to implement IRM through: 1) educational activities such as courses in data management, application development, etc.; and 2) establishing IRM related consulting/vendor master contracts for services such as system development methodology and data repositories;
- completing budget review and other risk assessment activities such as requests for proposals (RFP), capital budget requests, quality assurance activities, and review of information resource contracts; and
- Supporting statewide information resource initiatives that cross organizational boundaries such as Year 2000 assessment, telecommuting and electronic commerce (EC).

The services provided by this activity support the program goal of providing direction for managing the state's information resources. Direction is provided through development of policies, standards and guidelines, educational and service offerings, performance review/risk assessment and through the support of statewide information resource initiatives.

BUDGET ISSUES:

This activity provides leadership and support for statewide/cross organizational projects. For example, the statewide project currently underway to assess the extent of the year 2000 problem within state agency information applications and technology. With limited resources available, this activity is able to support only a very small number of cross organizational projects while the demand and need for these projects grows daily.

Another critical issue for this activity is the increasing demand, particularly from legislators, to expand performance review/risk assessment. This activity does not have the financial and human resources to meet this growing demand. Alternative approaches that include partnering with other organizations that have oversight responsibilities are being explored.

At the statewide level the fragmented approach to funding information resource infrastructure and activities continues to be an issue. An ongoing source of funds for infrastructure is needed as well as an ongoing process for funding and managing cross organizational projects.

REVENUE:

None.

1998-1999 B I E N N I A L B U D G E T
(DOLLARS IN THOUSANDS)

AGENCY: ADMINISTRATION DEPT
PROGRAM: INFORMATION POLICY OFFICE
ACTIVITY: INFO STRATEGIES AND PLANNING

ACTIVITY SUMMARY	FY 1996	Est. FY 1997	FY 1998			FY 1999		
			Base Level	Agency Plan	Governor Recomm.	Base Level	Agency Plan	Governor Recomm.
=====	=====	=====	=====	=====	=====	=====	=====	=====
EXPENDITURES:								

DETAIL BY CATEGORY:								
STATE OPERATIONS:								
PERSONAL SERVICES	762	1,119	898	898	1,898	921	921	1,921
OPERATING EXPENSES	541	1,280	441	441	14,441	440	440	14,440
=====	=====	=====	=====	=====	=====	=====	=====	=====
SUBTOTAL STATE OPERATIONS	1,303	2,399	1,339	1,339	16,339	1,361	1,361	16,361
=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL EXPENDITURES	1,303	2,399	1,339	1,339	16,339	1,361	1,361	16,361
=====	=====	=====	=====	=====	=====	=====	=====	=====
GOV'S INITIATIVES:		FUND						
-----		-----						
(B) YEAR 2000 PROJECT		GEN			12,500			12,500
(B) BUSINESS CUSTOMER SERVICE		GEN			2,500			2,500
=====		=====			=====			=====
TOTAL GOV'S INITIATIVES					15,000			15,000
=====								
EXPENDITURES BY FUND:								

DIRECT APPROPRIATIONS:								
GENERAL	1,303	2,335	1,339	1,339	16,339	1,361	1,361	16,361
STATUTORY APPROPRIATIONS:								
SPECIAL REVENUE		64						
=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL EXPENDITURES	1,303	2,399	1,339	1,339	16,339	1,361	1,361	16,361
=====	=====	=====	=====	=====	=====	=====	=====	=====
REVENUE COLLECTED:								

DEDICATED:								
SPECIAL REVENUE	64	136						
=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL REVENUES COLLECTED	64	136						
=====	=====	=====	=====	=====	=====	=====	=====	=====
FTE BY EMPLOYMENT TYPE:								

REGULAR	13.0	16.0	15.0	15.0	30.0	15.0	15.0	30.0
=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL FTE	13.0	16.0	15.0	15.0	30.0	15.0	15.0	30.0

F.Y. 1998-99 BUDGET INITIATIVE

AGENCY: Administration, Department of
PROGRAM: Information Policy Office
ACTIVITY: Minnesota Year 2000 Project

ITEM TITLE: Minnesota Year 2000 Project

	<u>1998-99 Biennium</u>		<u>2000-01 Biennium</u>	
	<u>F.Y. 1998</u>	<u>F.Y. 1999</u>	<u>F.Y. 2000</u>	<u>F.Y. 2001</u>
Expenditures: (\$000s)				
General Fund				
- State Operations	\$12,500	\$12,500	\$-0-	\$-0-
Revenues: (\$000s)				
General Fund	\$-0-	\$-0-	\$-0-	\$-0-

Statutory Change? Yes ____ No X

If yes, statutes(s) affected:

GOVERNOR'S RECOMMENDATION:

The Governor recommends \$25,000,000 for the biennium to fund the Minnesota Year 2000 Project.

RATIONALE:

Most computer hardware and software create, store, and use 2-digit dates (e.g., 1996 is represented as 96). Two-digit dates were introduced decades ago because of a lack of computer storage space and became a defacto standard in the industry. Unfortunately, with 2-digit dates, computers cannot distinguish between centuries. With 2-digit dates, a computer stores 00 regardless of whether the date is 1900 or 2000. Therefore, when the century must be identified, computer hardware and software make assumptions about the century (and commonly assume 00 is 1900); and computer functions that depend on dates may produce unpredictable results that range from equipment failures to ambiguous or incorrect data.

The Year 2000 problem affects many agency computer applications and systems. If corrective action is not taken, critical state functions may stop because systems that support these functions fail when they encounter a Year 2000 date.

The Legislature provided \$1 million last session for state agencies to assess the extent of the Year 2000 problem and develop a proposed strategy to fix the problem. State agencies working through the Information Policy Council (IPC) and the Year 2000 Steering Committee have completed this assessment, identified priority systems that need to be fixed, and proposed a strategy to complete the required fix. This initiative would provide funding for critical agency applications (such as Revenue, Public Safety, and Economic Security systems) to be fixed so that they can handle dates and calculations that include the Year 2000 and beyond.

PROGRAM OUTCOMES:

Computer applications and databases for selected priority systems will be fixed to handle the Year 2000. State agency functions dependent on these systems will not fail due to the change to the new century.

LONG-TERM IMPACT:

Without major computer application changes, key state business systems will fail in the year 2000. Providing funding for these changes will ensure that state agencies can provide continuous service to citizens.

F.Y. 1998-99 BUDGET INITIATIVE

AGENCY: Administration, Department of
PROGRAM: Information Policy Office
ACTIVITY:

ITEM TITLE: Business Customer Service

	<u>1998-99 Biennium</u>		<u>2000-01 Biennium</u>	
	<u>F.Y. 1998</u>	<u>F.Y. 1999</u>	<u>F.Y. 2000</u>	<u>F.Y. 2001</u>
Expenditures: (\$000s)				
General Fund				
- State Operations	\$2,500	\$2,500	\$-0-	\$-0-
Revenues: (\$000s)				
General Fund	\$-0-	\$-0-	\$-0-	\$-0-

Statutory Change? Yes _____ No X

If yes, statutes(s) affected:

GOVERNOR'S RECOMMENDATION:

The Governor recommends \$5 million for the biennium for simplification of the state's business registration, licensing, and permitting systems.

RATIONALE:

This initiative is to improve service to business customers by simplifying the state's business registration, licensing and permitting procedures. Currently, multiple agencies use multiple processes which can be confusing and costly. For example, 3 agencies currently register businesses; the Secretary of State to establish a business as a legal entity, and the Departments of Revenue and Economic Security if a business will collect or be liable for any kind of tax, or if it will have employees. Once a business has been registered, a license or permit may also be required from one or more state agencies to operate with or within the state.

This project will build on the considerable groundwork completed by the Departments of Revenue, Trade and Economic Development, Economic Security, the Secretary of State and a host of other agencies. *A Report to the Legislature on: Feasibility of a Uniform Business Identifier* was prepared by the Department of Economic Security in 1995, which recommended one unique identifier for entities doing business with and within Minnesota. This project will provide a coordinated state government approach to identify common data needs and processes and to design a streamlined procedures for business registration, licensing and permitting.

PROGRAM OUTCOMES:

The project will determine the feasibility of a comprehensive state government system for businesses and identify the common data needs and process reengineering requirements, and begin appropriate system design and implementation for a streamlined business registration, licensing and

permitting system.

LONG-TERM IMPACT:

A streamlined business registration, licensing and permitting system will provide improved service to businesses through reengineered state government procedures.

1998-99 Biennial Budget

BUDGET ACTIVITY: Government Information Access Council
PROGRAM: Information Policy Office
AGENCY: Administration, Department of

ACTIVITY DESCRIPTION:

The Government Information Access Council (GIAC), created by the 1995 Minnesota Legislature, has a twofold mission: to improve public access to government information and services in order to help citizens become more involved in the democratic process, and to help government become more efficient, effective and responsive to the public through the use of information technology. The 29-member council is charged with providing leadership and developing guidelines from a citizen-focused perspective on how government information and services can be provided and accessed through a statewide, coordinated electronic method. The council members represent state government, other public sector organizations, educational institutions, libraries, local government, business and citizens. Formed in response to the growing public demand for state agencies to offer more easily accessible information and services, GIAC provides oversight to avoid wasting resources and duplication of efforts by agencies. It provides a statewide, coordinated electronic method of accessing government-held information.

In June 1996, the Office of Technology was established to provide a single focal point for Minnesotans to address the infrastructure, policy, service and regulatory issues in the highly dynamic information and communications industry. The office was to utilize existing state employees with technology expertise located in state agencies. Because the purpose of GIAC closely aligned with the role of the Office of Technology, the staff of GIAC are currently working with the Office of Technology.

The future role of GIAC is dependent upon legislative action during the 1997 session.

1998-1999 B I E N N I A L B U D G E T
(DOLLARS IN THOUSANDS)

AGENCY: ADMINISTRATION DEPT
PROGRAM: INFORMATION POLICY OFFICE
ACTIVITY: GOVT INFO ACCESS COUNCIL

			FY 1998			FY 1999		
		Est.						
ACTIVITY SUMMARY	FY 1996	FY 1997	Base Level	Agency Plan	Governor Recomm.	Base Level	Agency Plan	Governor Recomm.
=====	=====	=====	=====	=====	=====	=====	=====	=====
EXPENDITURES:								

DETAIL BY CATEGORY:								
STATE OPERATIONS:								
PERSONAL SERVICES	204	426						
OPERATING EXPENSES	121	24						
=====	=====	=====	=====	=====	=====	=====	=====	=====
SUBTOTAL STATE OPERATIONS	325	450						
=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL EXPENDITURES	325	450						
EXPENDITURES BY FUND:								

DIRECT APPROPRIATIONS:								
GENERAL	325	450						
=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL EXPENDITURES	325	450						
FTE BY EMPLOYMENT TYPE:								

REGULAR	4.0	5.3						
=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL FTE	4.0	5.3						

1998-99 Biennial Budget

BUDGET ACTIVITY: Intergovernmental Information Systems Advisory Council
PROGRAM: Information Policy Office
AGENCY: Administration, Department of

ACTIVITY DESCRIPTION:

The Intergovernmental Information Systems Advisory Council (IISAC) was established by the legislature in 1972 to provide leadership for cooperation and exchange of information among units of local and state government. IISAC has one of Minnesota's broadest government advisory council representation and is composed of:

- Cities, counties, townships, regional governments and school districts, both from the metropolitan area and greater Minnesota.
- The state auditor and 7 agencies (administration; children, families and learning; human services; revenue; planning; legislative auditor; and economic security).
- Four local government associations (presently the League of Minnesota Cities, Association of Minnesota Counties, Minnesota Association of Townships, and Minnesota Association of School Administrators).
- One librarian.
- Two state legislators (one representative and one senator).

IISAC provides services to all levels of government, including quasi-governmental organizations, and has a vision of better Minnesota government for its citizens through better information access and exchange.

IISAC's charge is to promote and encourage the effective, efficient use and exchange of information among local and state governmental agencies. IISAC shall assist state and local agencies to:

- Develop and update intergovernmental information systems.
- Facilitate participation of users during development or major revisions of intergovernmental information systems.
- Provide educational opportunities to keep government organizations up-to-date on technology issues through conferences, seminars and training sessions.
- Provide grants and the Pacesetter award to public and quasi-public bodies to encourage new ventures in information interchange and innovative systems.
- Act as an ombudsman between governments.
- Encourage cooperative efforts among state and local governments in developing intergovernmental networks and information systems.
- Assist the legislature by providing advice on intergovernmental information systems.

BUDGET ISSUES:

None.

REVENUE:

None.

GRANTS:

Grants are made to applicants who meet formal criteria. Some of the evaluation criteria are: the request must be unique; requestor must show ability to implement the proposal; results must be usable by similar organizations; proposal must support state standards; and sufficient information must be presented to determine feasibility. Preference is given to applicants who can provide matching funds or in-kind participation. Requests for over \$10,000 are evaluated to determine whether funds can be derived elsewhere, including the legislature. Statutory authority is M.S. 16B.42.

Note: IISAC was moved into the Department of Administration for F.Y. 1997 per Reorganization Order #177. Under current law (M. S. 16B.42, subd. 1), the Council sunsets on 6-30-97.

1998-1999 B I E N N I A L B U D G E T
(DOLLARS IN THOUSANDS)

AGENCY: ADMINISTRATION DEPT
PROGRAM: INFORMATION POLICY OFFICE
ACTIVITY: INTERGOVERNMENTAL INFORMATION

ACTIVITY SUMMARY	FY 1996	Est. FY 1997	FY 1998			FY 1999		
			Base Level	Agency Plan	Governor Recomm.	Base Level	Agency Plan	Governor Recomm.
EXPENDITURES:								
DETAIL BY CATEGORY:								
STATE OPERATIONS:								
PERSONAL SERVICES		229						
OPERATING EXPENSES		352						
SUBTOTAL STATE OPERATIONS		581						
LOCAL ASSISTANCE		39						
TOTAL EXPENDITURES		620						
EXPENDITURES BY FUND:								
DIRECT APPROPRIATIONS:								
GENERAL		620						
TOTAL EXPENDITURES		620						
FTE BY EMPLOYMENT TYPE:								
REGULAR		2.3						
TOTAL FTE		2.3						

BUDGET ACTIVITY: Public Information Policy Analysis
PROGRAM: Information Policy Office
AGENCY: Administration, Department of

ACTIVITY DESCRIPTION:

The Public Information Policy Analysis Division (PIPA) focuses on the development and implementation of public information policy, i.e., laws that regulate information. By answering questions, providing education and acting as public information policy consultants, PIPA assists government agencies and private organizations to understand and to comply with laws that constitute public policy decisions about fair information practices, records management and access to government data and to other types of data and information. PIPA plays a major role in assisting the legislature in the development of consistent, coherent and workable statutes relating to data access, practices affecting data on individuals, data sharing and the appropriate final disposition of both government and non-government data. The clientele of the legislative activity includes the legislature and its staff, the commissioner of administration, federal and state agencies, local governments, private sector organizations, and individual citizens.

PIPA provides information, consultation and referral services, prepares, issues and publicizes interpretative advisory opinions concerning rights of subjects of data, classifications of data and public access to data, and processes appeals from challenges to the accuracy and completeness of data by conciliating disputes, scheduling hearings, analyzing reports of administrative law judges and preparing final orders. Many of the laws that PIPA works with are focused on methods to assure governmental accountability; for example, the public and data subject access provisions of Chapter 13 and the provisions of the Records Management Statute that regulate the proper disposition of government records. PIPA has worked closely with the Government Information Access Council in the development of principles concerning electronic access to government data and services.

BUDGET ISSUES:

Increased demand by the public for access to government data, increased understanding by citizens of the effects of information on their lives, new forms of technology, pressure on government entities to share data, and an increasingly complex set of public policies dealing with these issues continues to yield increased demand for the services of this activity. The availability of advisory opinions presents a no-cost alternative for citizens and a low -cost alternative for agencies to resolve disputes about data access and data practices without taking recourse to costly litigation. Agencies increasingly view opinions as a cheap form of insurance against litigation and possible expensive liability.

Training about public information for all state and local government units on public policy requirements has become a statutory requirement for the Department of Administration acting through PIPA. In general, demand for all of the services provided by PIPA has continued to increase.

1998-1999 B I E N N I A L B U D G E T
(DOLLARS IN THOUSANDS)

AGENCY: ADMINISTRATION DEPT
PROGRAM: INFORMATION POLICY OFFICE
ACTIVITY: PUBLIC INFO POLICY ANALYSIS

ACTIVITY SUMMARY	FY 1996	Est. FY 1997	FY 1998			FY 1999		
			Base Level	Agency Plan	Governor Recomm.	Base Level	Agency Plan	Governor Recomm.
=====	=====	=====	=====	=====	=====	=====	=====	=====
EXPENDITURES:								

DETAIL BY CATEGORY:								
STATE OPERATIONS:								
PERSONAL SERVICES	270	286	293	293	293	301	301	301
OPERATING EXPENSES	10	1						
=====	=====	=====	=====	=====	=====	=====	=====	=====
SUBTOTAL STATE OPERATIONS	280	287	293	293	293	301	301	301
=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL EXPENDITURES	280	287	293	293	293	301	301	301
EXPENDITURES BY FUND:								

DIRECT APPROPRIATIONS:								
GENERAL	280	287	293	293	293	301	301	301
=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL EXPENDITURES	280	287	293	293	293	301	301	301
REVENUE COLLECTED:								

NONDEDICATED:								
GENERAL	3	2	2	2	2	2	2	2
=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL REVENUES COLLECTED	3	2	2	2	2	2	2	2
FTE BY EMPLOYMENT TYPE:								

REGULAR	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0
=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL FTE	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0

PROGRAM: Management Analysis
AGENCY: Administration, Department of

PROGRAM DESCRIPTION:

The Management Analysis Division (MAD) is state government's in-house management consulting organization. The mission of the division is to increase the quality and productivity of government through its ability to manage resources and to create and implement effective business strategies. The division provides consultant services to state agencies, the governor, the legislature, and local units of government. Work in support of statewide productivity/quality improvement efforts is funded by the general fund. The division charges fees for work requested by state agencies and local units of government.

PROGRAM STATUS:

The division:

- provides objective information to the legislature on management and public policy issues confronting the state;
- advises and acts for the governor and his cabinet on issues related to the overall management of state government;
- develops, pilots, and disseminates innovative ways to improve government quality and productivity;
- provides consultation and technical assistance on department operations to the commissioner of administration; and
- provides affordable management consulting services on productivity and quality improvement to state agencies and local units of government.

PLANNED RESULTS:

Consultant services are provided at the client's request to address specific needs. Satisfaction with how these needs are addressed, coupled with the need to provide fair, neutral, and comprehensive information, is the primary measurable outcome of the services.

Our objective is to maintain annually a 70% satisfied rating from client surveys and/or interviews on consultation services provided and the objectives will be measured by interviews and/or surveys of clients. The satisfaction rating is determined by a numerical scale on most surveys. Specific questions will be asked to determine if the client found the service useful and/or if the client was using the service(s) provided. No baseline data is available at this time.

The Management Analysis Division provides fair, neutral, and comprehensive perspectives in its consultation services. At times, this means providing clients information they do not want to hear. Such information may be vital to an organization's desire to improve, but the benefits are not seen for a period of time after MAD completes its work.

Ongoing communication and feedback with current clients and past clients is the key to maintaining customer satisfaction. Consultants will build from past accomplishments and learn from past setbacks and use this knowledge to effectively assist new clients in dealing with management and organization issues.

BUDGET AND REVENUE SUMMARY:

This program generates revolving fund revenue. (See financial page.)

Consulting fees for the F.Y. 1998-99 are expected to be increased by no more than 3% each fiscal year.

GOVERNOR'S RECOMMENDATIONS:

The Governor concurs with the agency's plan.

1998-1999 B I E N N I A L B U D G E T
(DOLLARS IN THOUSANDS)

AGENCY: ADMINISTRATION DEPT
PROGRAM: MANAGEMENT ANALYSIS
ACTIVITY: MANAGEMENT ANALYSIS

ACTIVITY SUMMARY	FY 1996	Est. FY 1997	FY 1998			FY 1999		
			Base Level	Agency Plan	Governor Recomm.	Base Level	Agency Plan	Governor Recomm.
EXPENDITURES:								
DETAIL BY CATEGORY:								
STATE OPERATIONS:								
PERSONAL SERVICES	444	456	472	472	472	484	484	484
OPERATING EXPENSES	111	338	112	112	112	174	174	174
SUBTOTAL STATE OPERATIONS	555	794	584	584	584	658	658	658
TOTAL EXPENDITURES	555	794	584	584	584	658	658	658
EXPENDITURES BY FUND:								
DIRECT APPROPRIATIONS:								
GENERAL	555	794	584	584	584	658	658	658
TOTAL EXPENDITURES	555	794	584	584	584	658	658	658
FTE BY EMPLOYMENT TYPE:								
REGULAR	8.8	7.8	7.8	7.8	7.8	7.8	7.8	7.8
TEMP/SEAS/PART_TIME	.6	.6	.6	.6	.6	.6	.6	.6
TOTAL FTE	9.4	8.4	8.4	8.4	8.4	8.4	8.4	8.4

BUDGET ACTIVITY: Management Analysis
PROGRAM: Management Analysis
AGENCY: Administration, Department of

1998-99 BIENNIAL BUDGET
(DOLLARS IN THOUSANDS)

REVOLVING FUND ACTIVITY: Management Analysis
TYPE OF FUND: Internal Service Fund
FUND NUMBER: 890

* OPERATIONS DATA *						* FINANCIAL DATA *		
	ACTUAL FY 1995	ACTUAL FY 1996	ESTIMATED FY 1997	PROJECTED FY 1998	PROJECTED FY 1999	ACTUAL FY 1995	ACTUAL FY 1996	ESTIMATED FY 1997
OPERATING REVENUES:						ASSETS:		
NET SALES	989.6	1,149.0	1,150.0	1,185.0	1,220.0	CURRENT ASSETS:		
LESS: COST OF SALES	0.0	0.0	0.0	0.0	0.0	CASH	210.0	85.1
GROSS PROFIT ON SALES	989.6	1,149.0	1,150.0	1,185.0	1,220.0	OTHER CURRENT ASSETS	334.5	143.6
OTHER REVENUE	0.0	0.0	0.0	0.0	0.0	TOTAL CURRENT ASSETS	544.5	300.0
NET REVENUES	989.6	1,149.0	1,150.0	1,185.0	1,220.0	NON-CURRENT ASSETS:	22.7	16.0
LESS: OPERATING EXPENSES:						TOTAL ASSETS	567.2	463.6
SALARIES	679.8	994.9	1,016.0	1,066.8	1,100.0	LIABILITIES & FUND EQUITY:		
SUPPLIES & EXPENSES	123.1	139.6	125.0	125.0	125.0	LIABILITIES:		
INDIRECT COSTS	36.6	34.8	0.0	35.0	35.0	CURRENT LIABILITIES:		
AMORTIZATION & DEPRECIATION	9.4	6.6	16.2	16.2	16.2	DUE GENERAL FUND - CURRENT	0.0	0.0
TOTAL OPERATING EXPENSES	848.9	1,175.9	1,157.2	1,243.0	1,276.2	MASTER LEASE - CURRENT	0.0	0.0
OPERATING INCOME (LOSS)	140.7	(26.9)	(7.2)	(58.0)	(56.2)	OTHER CURRENT LIABILITIES	267.3	185.0
NON-OPERATING REVENUES (EXPENSES)	0.0	0.0	0.0	0.0	0.0	TOTAL CURRENT LIABILITIES	267.3	185.0
NET INCOME (LOSS)	140.7	(26.9)	(7.2)	(58.0)	(56.2)	NON-CURRENT LIABILITIES:		
BEGINNING RETAINED EARNINGS	136.0	276.7	249.8	242.6	184.6	DUE GENERAL FUND - NON-CURRENT	0.0	0.0
PRIOR PERIOD ADJUSTMENT	0.0	0.0	0.0	0.0	0.0	MASTER LEASE - NON-CURRENT	0.0	0.0
ENDING RETAINED EARNINGS	276.7	249.8	242.6	184.6	128.4	OTHER NON-CURRENT LIABILITIES	23.2	36.0
FOOTNOTES TO STATEMENTS:						TOTAL NON-CURRENT LIABILITIES	23.2	36.0
June 30, 1996, FTE Employees: 18.6						TOTAL LIABILITIES	290.5	221.0
RATE INCREASE/(DECREASE):	15.15%	2.63%	0.00%	3.00%	3.00%	FUND EQUITY:		
FIVE YEAR AVERAGE INCREASE/(DECREASE)	4.76%					CONTRIBUTED CAPITAL	0.0	0.0
						RETAINED EARNINGS	276.7	242.6
						TOTAL FUND EQUITY	276.7	242.6
						TOTAL LIABILITIES & FUND EQUITY	567.2	463.6

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1998-99 Biennial Budget

AGENCY: Intergovernmental Information Systems Advisory Council

AGENCY DESCRIPTION:

The Intergovernmental Information Systems Advisory Council (IISAC) was moved to the Department of Administration for F.Y. 1997 per Reorganization Order No. 177. Fiscal data for IISAC for F.Y. 1997 and beyond is displayed in the Department of Administration

1998-1999 B I E N N I A L B U D G E T
(DOLLARS IN THOUSANDS)

AGENCY: INTERGOV INFO SYSTEMS ADV CNCL
PROGRAM: INFORMATION POLICY OFFICE
ACTIVITY: INTERGOVERNMENTAL INFORMATION

ACTIVITY SUMMARY	FY 1996	Est. FY 1997	FY 1998			FY 1999		
			Base Level	Agency Plan	Governor Recomm.	Base Level	Agency Plan	Governor Recomm.
=====	=====	=====	=====	=====	=====	=====	=====	=====
EXPENDITURES:								

DETAIL BY CATEGORY:								
STATE OPERATIONS:								
PERSONAL SERVICES	136							
OPERATING EXPENSES	431							
=====	=====	=====	=====	=====	=====	=====	=====	=====
SUBTOTAL STATE OPERATIONS	567							
=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL EXPENDITURES	567							
EXPENDITURES BY FUND:								

DIRECT APPROPRIATIONS:								
LOCAL GOVERNMENT TRUST	422							
GENERAL	145							
=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL EXPENDITURES	567							
FTE BY EMPLOYMENT TYPE:								

REGULAR	2.0							
=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL FTE	2.0							

1998-99 Biennial Budget

AGENCY: Capitol Area Architectural and Planning Board (CAAPB)

AGENCY DESCRIPTION:

To preserve and enhance the Capitol Area's unique aesthetic and historic character, and to plan and guide its future development by maintaining a framework for its physical growth.

As the planning and regulatory agency responsible for architectural design and long-range planning for the Capitol Area, the CAAPB has exclusive zoning jurisdiction and design review over both the state government complex and the surrounding commercial and residential neighborhoods.

In overseeing and coordinating development in the Capitol Area, the CAAPB is in a unique position to work closely with many state agencies, especially the Department of Administration, the city of Saint Paul, planning district and neighborhood development groups, and with private sector architects and developers.

REVENUES:

This activity generated dedicated gift revenue of \$77,000 in F.Y. 1996 and \$51,000 in F.Y. 1997.

ISSUES AFFECTING AGENCY'S OPERATIONS:

Despite the smallest staff in 9 years, financial paperwork and contract management has grown significantly, at times diverting us from our primary purpose of long-range planning. Over the years, the legislature has chosen for a variety of reasons to insert capital projects into the CAAPB operating budget or supplemental budget. In the 1996 session, this occurred with regard to funding of the Woman Suffrage Memorial Garden as well as the new Comprehensive Plan and Zoning Ordinance. This has resulted in variations in the level of funding for the agency.

GOALS AND OBJECTIVES:

As overseer of Capitol Area development, the CAAPB's responsibility for public projects begins with site selection and sponsorship of architectural design competitions and continues through all phases of design and construction. Individual project planning should occur within a long-range framework for the Area's physical development: the Comprehensive Plan for the Minnesota State Capitol Area.

Our services focus on that which we traditionally do best---good design, thorough and coordinated planning, and achieving more bang for the public buck, whether it be federal, state, or city. Because the Board is composed of gubernatorial, legislative, and city appointees, we often are in a position to coordinate and leverage public improvements in a cost-effective and result-orientated manner. Our time frame must be long-range.

EXPLANATION OF AGENCY'S BUDGET PLAN:

The CAAPB operating budget request for F.Y. 1998-99 is based on the current F.Y. 1996-97 spending level. CAAPB's increased level of responsibility and work has outpaced its BASE budget for several years. This has imperiled the CAAPB's ability to meet an increasing demand for its design review and other services, and it has increased the workload for current staff.

Besides paying salaries for its 5 permanent employees (the executive secretary, 2 planners, and 2

support staff), the BASE budget buys the required advice of a committee composed of 3 architects or planners. Since this committee is required by state law to review and advise CAAPB staff on Capitol Area architectural and planning matters, its level of activity is contingent upon others outside the CAAPB's control: those state agencies or private groups needing CAAPB approval for development projects. This has had significant consequences for the Board's operations, resulting at times in the agency not having enough remaining resources to achieve its primary goal of long-range planning, that is, keeping and maintaining a Comprehensive Plan for the Capitol Area. This has forced us to assume increased reliance upon a 1991 capital budget reform that allows us to charge other public agencies for our required design review and planning for their capital projects.

The CAAPB is currently technically obsolete. It is becoming more important each day to communicate using the latest available technologies and maintain a current status with advancing telecommunications and resources. The additional \$25,000 requested in the agency plan will provide the Board with much needed equipment, training, and the opportunity to become competitive and at least remain constant with an external environment that continues to change rapidly. The CAAPB will be able to access the latest information in our field, which could prove invaluable in our work as we plan for the Capitol's hundredth birthday in the year 2005, as well as in the immediate future in our work on the new Comprehensive Plan and Zoning Ordinance. Given the importance of our work on the Comprehensive Plan, we believe it is necessary to have access to the full amount in the first year of the biennium.

An amount of \$100,000 in F.Y. 1998 is requested for the Minnesota Woman Suffrage Memorial Garden. Of this amount, \$70,000 is for construction, including improved accessibility. The remaining \$30,000 is for maintenance and will be available until expended.

GOVERNOR'S RECOMMENDATION:

The Governor concurs with the agency's plan.

1998-1999 B I E N N I A L B U D G E T
(DOLLARS IN THOUSANDS)

AGENCY: CAPITOL AREA ARCHITECT
PROGRAM: CAPITOL AREA ARCH PLANNING BD
ACTIVITY: CAPITOL AREA ARCH PLANNING BD

ACTIVITY SUMMARY	FY 1996	Est. FY 1997	FY 1998			FY 1999		
			Base Level	Agency Plan	Governor Recomm.	Base Level	Agency Plan	Governor Recomm.
EXPENDITURES:								
DETAIL BY CATEGORY:								
STATE OPERATIONS:								
PERSONAL SERVICES	182	240	242	242	242	248	248	248
OPERATING EXPENSES	159	669	39	164	164	41	41	41
SUBTOTAL STATE OPERATIONS	341	909	281	406	406	289	289	289
TOTAL EXPENDITURES	341	909	281	406	406	289	289	289
AGENCY PLAN ITEMS:		FUND						
TECHNOLOGY UPGRADE		GEN		25				
WOMEN'S SUFFRAGE MEMORIAL GARDEN		GEN		100				
TOTAL AGENCY PLAN ITEMS				125				
EXPENDITURES BY FUND:								
DIRECT APPROPRIATIONS:								
GENERAL	258	853	281	406	406	289	289	289
STATUTORY APPROPRIATIONS:								
GIFT	83	56						
TOTAL EXPENDITURES	341	909	281	406	406	289	289	289
REVENUE COLLECTED:								
DEDICATED:								
GIFT	77	51						
NONDEDICATED:								
GENERAL		1						
TOTAL REVENUES COLLECTED	77	52						

1998-1999 B I E N N I A L B U D G E T
(DOLLARS IN THOUSANDS)

AGENCY: CAPITOL AREA ARCHITECT
PROGRAM: CAPITOL AREA ARCH PLANNING BD
ACTIVITY: CAPITOL AREA ARCH PLANNING BD

ACTIVITY SUMMARY	FY 1996	Est. FY 1997	FY 1998			FY 1999		
			Base Level	Agency Plan	Governor Recomm.	Base Level	Agency Plan	Governor Recomm.
FTE BY EMPLOYMENT TYPE:								
REGULAR	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0
TOTAL FTE	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0

STATE OF MINNESOTA - DEPARTMENT OF FINANCE
BIENNIAL BUDGET SYSTEM - BASE RECONCILIATION REPORT
BY SEC SEQ

AGENCY: CAPITOL AREA ARCHITECT

	ALL FUNDS		GENERAL FUND		OTHER STATE FUNDS		FEDERAL FUNDS	
	F.Y.98	F.Y.99	F.Y.98	F.Y.99	F.Y.98	F.Y.99	F.Y.98	F.Y.99
F.Y.97 APPROPRIATIONS	632	632	632	632				
BASE ADJUSTMENTS								
ONE-TIME APPROPRIATIONS	<370>	<370>	<370>	<370>				
1997 SALARY SUPPLEMENT TRANSF	10	10	10	10				
1998-99 COMPENSATION INFLATIO	6	12	6	12				
DOC SPACE RENT/LEASE INCR/DEC	2	3	2	3				
SMALL AGENCY S & E INFLATION	1	2	1	2				
SUBTOTAL BASE ADJ.	<351>	<343>	<351>	<343>				
BASE LEVEL	281	289	281	289				

AGENCY: Public Broadcasting

AGENCY DESCRIPTION:

Public Broadcasting is the grant administration program carried out for the legislature under M.S. 129D.11-16. Legislative allocations are divided among 6 public television and 12 public educational radio stations in the form of block, matching and equipment grants. The program oversees this grant authority, disbursing funds in accordance with legislative appropriations and direction, and ensures compliance with all statutory requirements and criteria.

Public Broadcasting is made up of the following activities:

Public Television

State funds are used by recipient stations to sustain their ability to serve as a major community resource providing educational, cultural, economic development, public affairs, and children's programming to the public, governmental agencies, nonprofit organizations, business corporations, and educational facilities. State grants are made on a direct and matching basis, consistent with the criteria established in M.S. 129D.11-16.

Public Radio

State funds are used to support public radio stations that serve Minnesota residents through radio programming that is noncommercial, cultural, informational, cultural, ethnic, and educational in nature. It is programming designed to appeal to audiences not generally served by commercial broadcasters. Operational and equipment grants are made pursuant to the criteria listed in M.S. 129D.

Twin Cities Regional Cable Channel

State funds are used to provide grant-in-aid to Twin Cities Regional Cable Channel, Inc., a nonprofit organization operating the Metro Cable Network. The network appears on Channel 6 on all metropolitan area cable systems presenting a wide range of programs about issues and activities of regional interest and significance to 500,000 cabled households in the 7-county metro area as mandated by state statutes and designated by the Minnesota Cable Communications Board in 1985.

Public Broadcasting requests a continuation of the current level of state financial support.

GOVERNOR'S RECOMMENDATION:

The Governor recommends a General Fund level of \$6,828,000 for the biennium, which incorporates \$750,000 in F.Y. 1998 as a one time grant to finance the development of a statewide digital broadcast system. Federal and private contributions are also being sought as matching funds.

1998-1999 B I E N N I A L B U D G E T
(DOLLARS IN THOUSANDS)

AGENCY: PUBLIC BROADCASTING
PROGRAM: PUBLIC BROADCASTING

ACTIVITY RESOURCE ALLOCATION:	FY 1996	Est. FY 1997	FY 1998			FY 1999		
			Base Level	Agency Plan	Governor Recomm.	Base Level	Agency Plan	Governor Recomm.
PUBLIC TELEVISION	2,312	2,238	2,200	2,200	2,950	2,200	2,200	2,200
PUBLIC RADIO	1,338	320	814	814	814	814	814	814
TWIN CITIES REGIONAL CABLE CHA	25	25	25	25	25	25	25	25
TOTAL EXPENDITURES BY ACTIVITY	3,675	2,583	3,039	3,039	3,789	3,039	3,039	3,039
GOV'S INITIATIVES:		FUND						
(B) HIGH DEFINITION TV		GEN			750			
TOTAL GOV'S INITIATIVES					750			
EXPENDITURES BY FUND:								
DIRECT APPROPRIATIONS:								
GENERAL	3,675	2,583	3,039	3,039	3,789	3,039	3,039	3,039
TOTAL EXPENDITURES	3,675	2,583	3,039	3,039	3,789	3,039	3,039	3,039
FTE BY EMPLOYMENT TYPE:								
TOTAL FTE								

STATE OF MINNESOTA - DEPARTMENT OF FINANCE
BIENNIAL BUDGET SYSTEM - BASE RECONCILIATION REPORT
BY SEC SEQ

AGENCY: PUBLIC BROADCASTING

	ALL FUNDS		GENERAL FUND		OTHER STATE FUNDS		FEDERAL FUNDS	
	F.Y.98	F.Y.99	F.Y.98	F.Y.99	F.Y.98	F.Y.99	F.Y.98	F.Y.99
F.Y.97 APPROPRIATIONS	3,092	3,092	3,092	3,092				
BASE ADJUSTMENTS								
ONE-TIME APPROPRIATIONS	<165>	<165>	<165>	<165>				
BIENNIAL APPROPRIATIONS	112	112	112	112				
SUBTOTAL BASE ADJ.	<53>	<53>	<53>	<53>				
BASE LEVEL	3,039	3,039	3,039	3,039				

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1998-99 Biennial Budget

BUDGET ACTIVITY: Public Television
PROGRAM: Public Broadcasting
AGENCY: Public Broadcasting

ACTIVITY DESCRIPTION:

This activity exists to provide equipment and matching grants to the public television stations serving Minnesota residents and institutions. State funds are used by recipient stations to sustain their ability to serve as a major community resource providing educational, cultural, economic development, public affairs, and children's programming to the public, governmental agencies, nonprofit organizations, business corporations, and educational facilities. State grants are made on a direct and matching basis, consistent with the criteria established in M.S. 129D.11-16.

BUDGET ISSUES:

State grants help the recipient stations meet the enormous ongoing costs associated with providing public television broadcast services. These funds are used to purchase equipment, originate local programs, acquire and broadcast programs, and to support station operations. In addition, state funds provided through this activity are matched by the federal government, corporations, foundations, and individuals. For several stations, state grants are absolutely essential if they are to maintain their viability as a public broadcast facility. All state funds are leveraged for funds from several other sources.

Minnesota Public Television stations have greatly expanded their community outreach efforts within their respective communities by providing more social and public affairs programming and by entering into collaborative relations with other institutions. Besides traditional educational and public affairs programs, all stations are deeply involved in preschool children education initiative designed to prepare children for their entry into the formal education system and how to resolve conflicts in a non-violent manner. Grant funds are used to support this common-sense approach to helping the youth of Minnesota.

While no specific state revenues are generated by this grants program, public television does provide a significant benefit by accurately projecting Minnesota as a good place to live, raise a family, and conduct business. While such benefits are difficult to measure, they are significant. Over 80% of the people living in Minnesota watch and benefit from public television each month. The actual cost of providing programs is only \$.05 per individual viewer hour. This is an excellent return on investment by any measure.

Public television is helping Minnesota residents to better understand and capitalize on the technological opportunities available to them. As a result, collaboration initiatives with governmental agencies, businesses and community institutions are on the rise. This expanded role is now a more important part of each station's public mission.

The Public Television Grants Program is a good financial bargain for the citizens of Minnesota. In several states, public television is owned and operated by a governmental agency, thus making them totally dependent on state funding. This is not the case in Minnesota. Each station is a community-owned nonprofit entity, which is only partially funded by state revenues.

REVENUE:

None.

1998-1999 BIENNIAL BUDGET
(DOLLARS IN THOUSANDS)

AGENCY: PUBLIC BROADCASTING
PROGRAM: PUBLIC BROADCASTING
ACTIVITY: PUBLIC TELEVISION

ACTIVITY SUMMARY	FY 1996	Est. FY 1997	FY 1998			FY 1999		
			Base Level	Agency Plan	Governor Recomm.	Base Level	Agency Plan	Governor Recomm.
=====	=====	=====	=====	=====	=====	=====	=====	=====
EXPENDITURES:								

DETAIL BY CATEGORY:								
STATE OPERATIONS:								
OPERATING EXPENSES	150	150	150	150	150	150	150	150
=====	=====	=====	=====	=====	=====	=====	=====	=====
SUBTOTAL STATE OPERATIONS	150	150	150	150	150	150	150	150
LOCAL ASSISTANCE	2,162	2,088	2,050	2,050	2,800	2,050	2,050	2,050
=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL EXPENDITURES	2,312	2,238	2,200	2,200	2,950	2,200	2,200	2,200
=====								
GOV'S INITIATIVES:		FUND						
-----		-----						
(B) HIGH DEFINITION TV		GEN			750			
=====		=====			=====			=====
TOTAL GOV'S INITIATIVES					750			
=====								
EXPENDITURES BY FUND:								

DIRECT APPROPRIATIONS:								
GENERAL	2,312	2,238	2,200	2,200	2,950	2,200	2,200	2,200
=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL EXPENDITURES	2,312	2,238	2,200	2,200	2,950	2,200	2,200	2,200
=====								
FTE BY EMPLOYMENT TYPE:								

=====								
TOTAL FTE								

F.Y. 1998-99 BUDGET INITIATIVE

AGENCY: Public Broadcasting
PROGRAM: Public Broadcasting
ACTIVITY: Public Television

ITEM TITLE: High Definition Television (HDTV)

	<u>1998-99 Biennium</u>		<u>2000-01 Biennium</u>	
	<u>F.Y. 1998</u>	<u>F.Y. 1999</u>	<u>F.Y. 2000</u>	<u>F.Y. 2001</u>
Expenditures: (\$000s)				
General Fund				
- State Operations	\$-0-	\$-0-	\$-0-	\$-0-
- Grants	\$750	\$-0-	\$-0-	\$-0-
Revenues: (\$000s)				
General Fund	\$-0-	\$-0-	\$-0-	\$-0-

Statutory Change? Yes ____ No X

If yes, statutes(s) affected:

GOVERNOR'S RECOMMENDATION:

The Governor recommends \$750,000 in General Funds as a one time grant to Twin Cities Public Television in order to develop a high definition digital television capability.

RATIONALE:

Twin Cities Public Television requests matching funds to develop, build and pilot an early demonstration/experimental digital broadcast station. This station will initially be low to medium power, operating with a transmitter, antenna, work station and other necessary hardware. It will have the capacity to be upgraded at any time to full power, with local origination and eventually full HDTV. The initial equipment will serve as the core for a permanent plant.

The Federal Communications Corporation (FCC) has assigned Minnesota's digital broadcast channels with a transition timetable of unprecedented acceleration. Digital technology allows for multiple simultaneous services of a variety of types and FCC plans allow stations to use increased digital capabilities for wider revenue opportunities.

Digital transition allows each channel to broadcast HDTV (comparable to 35mm Hollywood film). Alternately, 4 discrete channels can be broadcast, each with greater clarity than present analog television. Digital technology allows broadcasters to alternate between HDTV and transmitting 4 discrete channels, depending on audience needs and the type of programming.

Twin Cities Public Television seeks partnerships with both state government and the private sector to help finance the development of a statewide digital broadcast system. It will be designed to generate enough revenue to become self-sustaining, while supporting Minnesota's private sector economic growth.

A digital broadcast system provides digital broadcast channel and/or service space for a number of private sector entities; provides digital broadcast channel and/or service for state government; and provides digital channel and/or service space for public broadcasting.

This initiative will be matched with federal funding and from private partnerships, and will leverage a planning grant initiative which has been submitted to the Corporation for Public Broadcasting.

PROGRAM OUTCOMES:

This pilot project will culminate in an ongoing digital broadcast to be demonstrated at fixed and/or mobile public sites throughout Minnesota. If funded and completed in C.Y. 1997, this will be one of a very few digital broadcast demonstration sites in the world. This initiative gives Minnesota an opportunity to take an international engineering leadership position. As a result:

- Minnesota's public broadcast hardware and equipment will be designed to demonstrate greater self sufficiency and less reliance on government funding;
- participating partners, public and private, will gain significant technical expertise. Presently, digital broadcasting is in its developmental stage, but its implementation is on an extremely accelerated time line;
- Minnesota will be positioned to become a regional, national, and especially in the case of industrial application, an international HDTV producer; and
- state and private sector partnerships will receive 'right of first refusal' investment rights to build and extend the infrastructure.

LONG-TERM IMPACT:

The goals of Digital Television include:

- maintain and grow public television's programming and enhanced services to Minnesota's citizens, businesses and institutions;
- increase the financial security of Minnesota's public television stations;
- increase productivity and profitability of Minnesota business and industry by offering access to infrastructure and services; and
- lower capital investment and operating costs for a wide variety of Minnesota's private sector business and industry.

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1998-99 Biennial Budget

BUDGET ACTIVITY: Public Radio
PROGRAM: Public Broadcasting
AGENCY: Public Broadcasting

ACTIVITY DESCRIPTION:

This activity exists to provide support to public radio stations which serve Minnesota residents through radio programming which is noncommercial, informational, cultural, ethnic, and educational in nature. It is programming designed to appeal to audiences not generally served by commercial broadcasters. Community service and equipment grants are made pursuant to the criteria listed in Minnesota Statutes, Sect. 129D.

BUDGET ISSUES:

Public radio stations serve an important communications function to the many and varied communities in Minnesota. These communities include Minnesota's vast geography. The stations specialize in in-depth news and information programming and culturally diverse musical broadcasts which include classical music, jazz, and music from the world's many cultures and populations. Some stations provide non-English language programs (one station broadcasts programs in 7 different languages) for Minnesota's immigrant populations.

State grants supplement individual contributions from listeners, business and corporate underwriting, foundation income and federal operating grants from the Corporation for Public Broadcasting (CPB), and federal equipment grants from the Department of Commerce through the National Telecommunications and Information Administration (NTIA). State funds are matched with local contributions and provide the basis to earn federal grants thus multiplying the contributions made by the state.

Continued reductions in the amount of federal grant monies available from CPB and NTIA have stressed Minnesota public radio stations. The federal grants will continue to decrease into the future. Not only is there less money available (10% reduction per year), there are more applicants for the diminishing dollars.

The combined equipment needs of the 38 public radio stations serving Minnesota exceeds \$2,890,000. Most radio stations are utilizing equipment that has far surpassed the normal life span of electronic equipment in daily use and over half of the equipment in almost all of the stations is over 10 years old. The widespread use of student and volunteer personnel further shortens the life of delicate radio equipment.

Equipment technology is changing dramatically, with existing equipment rapidly becoming obsolete. Much equipment now in daily use cannot be repaired because parts are no longer available. Public broadcasters that train and educate students do not have the equipment that is in use in the facilities that will be expected to hire the graduates.

The Federal Communications Commission has required all stations to install new Federal Emergency Alert System (formerly the Federal Emergency Broadcast Service) equipment as of 1-1-97, and did not provide for a funding source to pay for the new equipment. In addition, most stations do not have back-up emergency generators.

ACTIVITY COSTS:

State grants are utilized by recipient public radio stations to meet personnel, operations, and equipment costs. In addition, public radio stations make use of volunteers to augment station activities and community service. Measurable annual outputs of public radio activity include:

Member contributions	\$5,000,000
Minnesota listeners (weekly)	800,000
Volunteer hours	85,000
Locally originated programming (hours)	80,000

REVENUE:

None.

GRANTS:

The equipment and state community service block grants for public radio are made pursuant to M.S., sect. 129D. The equipment grants for public radio are necessary to allow public broadcasters to keep pace with equipment technology changes that are currently underway as equipment manufacturers are converting to digital audio technology. The portion of the grants that will be utilized by Minnesota Public Radio will be used for transmitter replacement in Moorhead, remodeling the Network Production Center, enhancement of local broadcast capability, and the purchase of digital equipment, back-up generators and other equipment.

The portion of the equipment grants that will be utilized by the AMPERS stations will be used to upgrade and enhance the equipment at each of the stations, continue the conversion of station equipment to new digital technology, and provide back-up generators where necessary.

Community Service Block Grants are utilized by the AMPERS stations to meet a variety of operational needs of the stations and are used to match contributions from a number of other non-state revenue sources, thus multiplying the effect of the state grants on station income.

1998-1999 B I E N N I A L B U D G E T
(DOLLARS IN THOUSANDS)

AGENCY: PUBLIC BROADCASTING
PROGRAM: PUBLIC BROADCASTING
ACTIVITY: PUBLIC RADIO

			FY 1998			FY 1999		
		Est.						
ACTIVITY SUMMARY	FY 1996	FY 1997	Base Level	Agency Plan	Governor Recomm.	Base Level	Agency Plan	Governor Recomm.
=====	=====	=====	=====	=====	=====	=====	=====	=====
EXPENDITURES:								

DETAIL BY CATEGORY:								
LOCAL ASSISTANCE	1,338	320	814	814	814	814	814	814
=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL EXPENDITURES	1,338	320	814	814	814	814	814	814
EXPENDITURES BY FUND:								

DIRECT APPROPRIATIONS:								
GENERAL	1,338	320	814	814	814	814	814	814
=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL EXPENDITURES	1,338	320	814	814	814	814	814	814
FTE BY EMPLOYMENT TYPE:								

=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL FTE								

1998-99 Biennial Budget

BUDGET ACTIVITY: Twin Cities Regional Cable Channel
PROGRAM: Public Broadcasting
AGENCY: Public Broadcasting

ACTIVITY DESCRIPTION:

This activity provides grant-in-aid to Twin Cities Regional Cable Channel, Inc., a nonprofit organization operating the Metro Cable Network. The network appears on Channel 6 on all metropolitan area cable systems presenting a wide range of programs about issues and activities of regional interest and significance to 450,000 cabled households in the 7-county metro area.

Mandated by state statutes and designated by the Minnesota Cable Communications Board in 1985, operations began in 1987. The program schedule consists of productions from numerous agencies, institutions, organizations and governmental entities, including the Minnesota Senate, Hennepin County Health Department, Metropolitan Council, Metro Library System, University of Minnesota, University of St. Thomas, Metro Technical Colleges, Minnesota AFL-CIO, various local cable commissions, Como Zoo, Lutheran Laymen's League, Guthrie Theater, religious institutions and independent producers.

BUDGET ISSUES:

Continuing achievements and growth in service validate the legislative vision that created the channel for its unique role. Increasingly, it is relied upon as a major informational resource for all metro area cable subscribers. Continued state assistance will help to further broaden its programming and funding bases and encourage leveraging of increased private contributions.

REVENUE:

None.

GRANTS:

Grant funds are distributed in accordance with M.S. 238.43.

1998-1999 B I E N N I A L B U D G E T
(DOLLARS IN THOUSANDS)

AGENCY: PUBLIC BROADCASTING
PROGRAM: PUBLIC BROADCASTING
ACTIVITY: TWIN CITIES REGIONAL CABLE CHA

ACTIVITY SUMMARY	FY 1996	Est. FY 1997	FY 1998			FY 1999		
			Base Level	Agency Plan	Governor Recomm.	Base Level	Agency Plan	Governor Recomm.
EXPENDITURES:								
DETAIL BY CATEGORY:								
LOCAL ASSISTANCE	25	25	25	25	25	25	25	25
TOTAL EXPENDITURES	25	25	25	25	25	25	25	25
EXPENDITURES BY FUND:								
DIRECT APPROPRIATIONS:								
GENERAL	25	25	25	25	25	25	25	25
TOTAL EXPENDITURES	25	25	25	25	25	25	25	25
FTE BY EMPLOYMENT TYPE:								
TOTAL FTE								

1998-99 BIENNIAL BUDGET

PROGRAM STRUCTURE

AGENCY: Finance, Department of

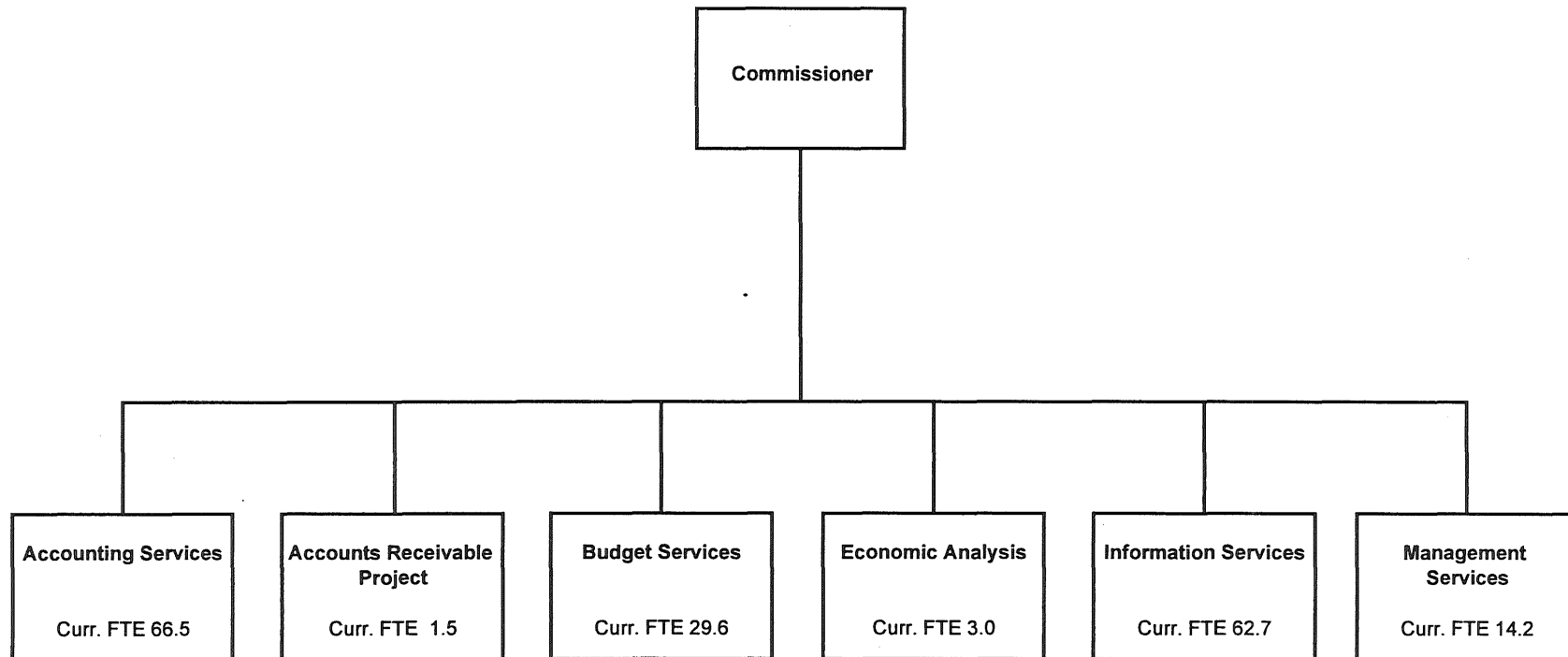
PROGRAM

PAGE

ACCOUNTING SERVICES
ACCOUNTS RECEIVABLE PROJECT
BUDGET SERVICES
ECONOMIC ANALYSIS
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MANAGEMENT SERVICES

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Department of Finance



June 30, 1996 FTE 177.5

**1998-99 Biennial Budget
Agency Budget Brief
(\$ in thousands)**

Agency: Finance, Department of (DOF)

Fund: General

Summary of Agency Actions:

	<u>F.Y. 1998</u>	<u>F.Y. 1999</u>	<u>F.Y. 98-99</u>
<u>BASE-YEAR (F.Y. 1997)</u>			
Appropriations (F.Y. 1997)	\$22,804	\$22,804	\$45,608
<u>BASE ADJUSTMENT</u>			
One-time Appropriations	(2,128)	(2,128)	(4,256)
Systems Development Costs	(73)	(73)	(146)
Transfers between agencies	(2,112)	(2,112)	(4,224)
1998-99 Compensation Inflation	295	613	908
Documented Space Rent/Lease creases/Decreases	<u>(13)</u>	<u>(6)</u>	<u>(19)</u>
<u>BASE LEVEL (for 1998 and 1999)</u>	\$18,773	\$19,098	\$37,871
<u>AGENCY DECISION ITEMS</u>			
Statewide Administrative System Operating Costs	<u>6,858</u>	<u>7,312</u>	<u>14,170</u>
<u>AGENCY PLAN (for 1998 and 1999)</u>	\$25,631	\$26,410	\$52,041
GOVERNOR'S RECOMMENDATIONS	\$25,631	\$26,410	\$52,041

Brief Explanation of Agency Plan:

- 1996 Laws, Chapter 390, Section 6 provided a one time appropriation and the authority to bill state agencies for the operating costs of the statewide administrative systems. The agency plan for \$14,170,000 represents the on-going operating costs for these systems.
- The department determines statewide debt collection policy. The department's partner agencies have direct responsibility for the collection activities. The Department of Finance's budget request includes funding for specific collection activities in two state agencies and the Attorney General's office.
- Funding for the Minnesota Collection Enterprise was previously included in the Department of Finance's budget request. The F.Y. 1998-99 budget request for this unit is now included in the Department of Revenue's budget.

Revenue Summary:

- One time billing authority in F.Y. 1997 for statewide systems operating costs will provide \$6,400,000 in dedicated general fund receipts. This authority was for one year only. No receipts are forecasted for F.Y. 1998-99.
- Accounts Receivable Project: Accounts receivable activities in state agencies will return \$33.4 million to the General Fund and \$13 million in other funds. These receipts are shown within the respective participating agencies' budgets.

GOVERNOR'S RECOMMENDATION:

The Governor concurs with the agency's plan.

1998-99 Biennial Budget

AGENCY: Finance, Department of (DOF)

AGENCY DESCRIPTION:

The mission of the Department of Finance is to improve the performance of state government for the people of Minnesota by providing leadership in statewide financial planning and financial resource management. The goals of the department are to:

- ensure the integrity of the state's financial resources
- provide statewide governmental financial management leadership
- accurately present the state's financial condition
- facilitate informed decision making
- improve the accountability and promote the prudent use of state resources

The department strives to accomplish these goals by providing the following services:

- state business administration
- information management
- analytical services

AGENCY ISSUES:

Statewide strategic goals require government services that meet the needs of Minnesotans. The Department of Finance is committed to improving accountability and promoting the prudent management of state resources. This goal extends across all department areas.

The major factors affecting the department include increasing demands for improved accountability and analysis of state spending priorities, the pressure to review, simplify, and improve business practices and controls, and the need to introduce management solutions to support and streamline work. Accordingly, the department faces several challenges in the coming biennium.

- *Accounting Services:* Several significant changes are affecting the operations of the accounting division. There is greater emphasis to assist agencies in their financial accounting and payroll needs, continued efforts to expand use of the functionality built into the new accounting and payroll systems, decentralizing internal control systems while assuring adequate statewide controls, and constantly changing financial reporting requirements.
- *Budget Services:* Minnesota state and local governments will face recurring gaps between spending and revenues over the next 10 years. Impending federal changes can be expected to increase the need to develop effective and increasingly sophisticated responses to these fiscal challenges. Increasing demands to increase the availability and usefulness of state and local budget data and related performance information will require expanding information management solutions to improve both the breadth and quality of information.
- *Information Services:* The Information Services (IS) division must continue to address the operating cost of the new systems. Balancing the costs of staff and consultants against the support needs of the systems, and balancing the InterTechnologies costs against the requirements of system usage will be a challenge. The division must also address the reporting needs of every agency ensuring information is accurate and available. A major project that will be managed in the next biennium is the accounting and procurement Year 2000 requirements to system upgrade

the system.

AGENCY STRATEGIES:

The department's strategic direction focuses on ways to improve the financial management of the state. These strategic directions include continued commitment to the improvement of the statewide administrative systems, an emphasis on accountability in accounting, budgeting and agency performance reporting and a commitment to customer service and performance management. The department will continue to review and simplify or eliminate unneeded processes, procedures or controls and develop collaborative opportunities with other agencies.

The fundamental work of the department continues to be sound financial management, producing the state's economic forecast, developing the state's capital and operating budgets, and managing the state's financial accounting systems. The following strategies will address specific challenges facing the agency.

- *Accounting Services:* The Accounting Division will expand efforts to encourage agencies' effective use of the new statewide administrative systems. The division will work with agencies to assure that appropriate internal controls are in place. Integrating these controls with the use of the new systems will help insure the integrity of the states financial resources.
- *Budget Services:* The Budget Division will continue to provide high quality fiscal analysis to the governor and legislature. Streamlining budget documents and processes is a high priority. Effective use of technology will improve access to budget and performance information.
- *Information Services:* The Information Services Division will continue to provide necessary technical support to the statewide administrative systems, but target efforts to continue improving the systems' performance, processes and cost effectiveness. Working with the Accounting Division, the IS division will focus on improving agency reporting capabilities and information dissemination. A portion of existing staff and systems effort will be directed to the accounting and procurement systems to address the Year 2000 requirements.

REVENUE SUMMARY:

The Accounts Receivable Project expects to return \$33.4 million to the General Fund in the next biennium plus an additional \$13 million to other funds. These revenues reflect money owed to the state but otherwise uncollected. The Accounts Receivable Project is an interagency partnership with the Attorney General's office, and the Departments of Human Services, Revenue and Economic Security.

SUMMARY OF BUDGET REQUEST:

Funding the operating costs of the statewide administrative systems is mission critical to the state's primary business functions. The 1996 Legislature appropriated necessary funds for the operating costs of the administrative systems for the current biennium as a basic appropriation, a portion as a one-time appropriation and a one year billing authority to charge agencies. The legislature indicated a desire that Finance return for ongoing funding after the systems had been fully implemented and ongoing costs could be reasonable determined.

The department continues to be committed to lowering the operating costs of the administrative systems. Technology changes and lower cost operating environments offer the most likely

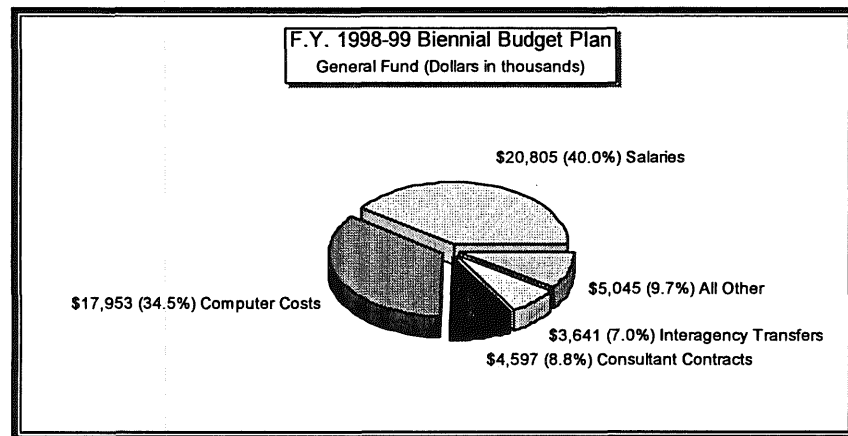
1998-99 Biennial Budget

AGENCY: Finance, Department of (DOF)
(Continuation)

opportunities. The department has acted to move the Information Warehouse off the mainframe environment in F.Y. 1997 as a cost effective strategy. We will analyze the opportunities of doing the same with the other statewide administrative systems.

The department's F.Y. 1998-98 biennial budget plan consists of:

- salaries and related personnel costs
- computer costs associated with the ongoing operation of the statewide administrative systems
- consultant contracts necessary to support the administrative systems
- interagency transfers primarily related to the accounts receivable project
- other operating costs (rent, communications etc.)



GOVERNOR'S RECOMMENDATION:

The Governor concurs with the agency's plan.

1998-1999 B I E N N I A L B U D G E T
(DOLLARS IN THOUSANDS)

AGENCY: FINANCE DEPT

PROGRAM RESOURCE ALLOCATION:	FY 1996	Est. FY 1997	FY 1998			FY 1999		
			Base Level	Agency Plan	Governor Recomm.	Base Level	Agency Plan	Governor Recomm.
ACCOUNTING SERVICES	3,894	4,695	4,696	4,696	4,696	4,795	4,795	4,795
ACCOUNTS RECEIVABLE PROJECT	63	241	1,476	1,476	1,476	1,513	1,513	1,513
BUDGET SERVICES	1,905	2,195	2,129	2,129	2,129	2,189	2,189	2,189
ECONOMIC ANALYSIS	291	316	313	313	313	319	319	319
INFORMATION SERVICES	14,163	17,954	8,557	15,415	15,415	8,651	15,963	15,963
MANAGEMENT SERVICES	1,419	1,638	1,602	1,602	1,602	1,631	1,631	1,631
TOTAL EXPENDITURES BY PROGRAM	21,735	27,039	18,773	25,631	25,631	19,098	26,410	26,410
EXPENDITURES BY FUND:								
DIRECT APPROPRIATIONS:								
LOCAL GOVERNMENT TRUST	103							
GENERAL	21,632	20,639	18,773	25,631	25,631	19,098	26,410	26,410
STATUTORY APPROPRIATIONS:								
GENERAL		6,400						
TOTAL EXPENDITURES	21,735	27,039	18,773	25,631	25,631	19,098	26,410	26,410
FTE BY EMPLOYMENT TYPE:								
REGULAR	171.9	184.7	174.0	187.0	187.0	173.0	186.0	186.0
TEMP/SEAS/PART_TIME	3.2	2.0	1.0	1.0	1.0	1.0	1.0	1.0
OVERTIME	3.7	1.6	1.2	1.2	1.2	1.2	1.2	1.2
TOTAL FTE	178.8	188.3	176.2	189.2	189.2	175.2	188.2	188.2

1998-99 Biennial Budget

PROGRAM: Accounting Services
AGENCY: Finance, Department of (DOF)

PROGRAM DESCRIPTION:

The Accounting Services Division provides statewide accounting and payroll services to agencies, including the policies and procedures governing these administrative functions. The program provides accounting, payroll and reporting on a statewide basis as well as supporting agencies in these same efforts to meet their individual needs. These services include establishing the policies and requirements for a system of internal controls to assist in assuring compliance with appropriate financial principles, policies and legal requirements.

Division priorities include:

Accounting and Payroll Operations: Responsible for directing the operation of the statewide accounting and payroll systems and maintaining the integrity of their information. These systems provide the actual payment of state obligations to vendors and employees through issuing warrants (checks) or electronic funds transfer. Program controls assure the integrity of data and of the internal operations of the accounting and payroll systems. Statewide policies, procedures and guidelines are developed for agencies as they establish internal policies and procedures for accounting and payroll operations.

Statewide internal control: Strives to develop and maintain statewide internal controls. This includes determining the controls necessary in statewide financial systems as well as testing the reliability of the controls. The program also develops statewide policies and procedures regarding controls over manual processes as well as limited post audit of agency activities to determine adherence with required controls.

Accounting and Payroll Assistance to agencies: Provides training and assistance to enable agencies to use the statewide systems effectively and efficiently to meet their objectives. This includes educating state agencies' staff in accounting and payroll functions as well as more individualized assistance as needed. The program facilitates agency involvement in developing statewide accounting and payroll policies and procedures.

Financial Reporting: Prepares the state's Comprehensive Annual Financial Report and acts as the lead agency in the preparation of the state's portion of the federal single audit report and reporting for federal cash management activities. The Comprehensive Annual Financial Report is an audited report of all state activities and is prepared in accordance with generally accepted accounting principles.

PROGRAM STATUS:

Efforts to maintain the new statewide administrative systems and to ensure that agencies make the optimal use of them continues to be a priority. These new systems have provided both the opportunity and the necessity for changing the way the accounting services operates. Maintaining these systems as well as establishing the necessary controls to ensure data integrity continue to significantly affect the program.

PLANNED RESULTS:

The agency budget plan for this program includes resources to meet the performance objectives in the 1996 Agency Performance Report.

BUDGET SUMMARY:

Base funding will be sufficient for anticipated costs.

GOVERNOR'S RECOMMENDATION

The Governor concurs with the agency's plan.

1998-1999 BIENNIAL BUDGET
(DOLLARS IN THOUSANDS)

AGENCY: FINANCE DEPT
PROGRAM: ACCOUNTING SERVICES
ACTIVITY: ACCOUNTING SERVICES

ACTIVITY SUMMARY	FY 1996	Est. FY 1997	FY 1998			FY 1999		
			Base Level	Agency Plan	Governor Recomm.	Base Level	Agency Plan	Governor Recomm.
=====	=====	=====	=====	=====	=====	=====	=====	=====
EXPENDITURES:								

DETAIL BY CATEGORY:								
STATE OPERATIONS:								
PERSONAL SERVICES	3,169	3,493	3,629	3,629	3,629	3,703	3,703	3,703
OPERATING EXPENSES	725	1,202	1,067	1,067	1,067	1,092	1,092	1,092
=====	=====	=====	=====	=====	=====	=====	=====	=====
SUBTOTAL STATE OPERATIONS	3,894	4,695	4,696	4,696	4,696	4,795	4,795	4,795
=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL EXPENDITURES	3,894	4,695	4,696	4,696	4,696	4,795	4,795	4,795
EXPENDITURES BY FUND:								

DIRECT APPROPRIATIONS:								
GENERAL	3,894	4,695	4,696	4,696	4,696	4,795	4,795	4,795
=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL EXPENDITURES	3,894	4,695	4,696	4,696	4,696	4,795	4,795	4,795
FTE BY EMPLOYMENT TYPE:								

REGULAR	63.6	71.5	74.0	74.0	74.0	73.0	73.0	73.0
TEMP/SEAS/PART_TIME	.7	1.2	1.0	1.0	1.0	1.0	1.0	1.0
OVERTIME	1.1	.6	.2	.2	.2	.2	.2	.2
=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL FTE	65.4	73.3	75.2	75.2	75.2	74.2	74.2	74.2

1998-99 Biennial Budget

PROGRAM: Accounts Receivable Project
AGENCY: Finance, Department of (DOF)

PROGRAM DESCRIPTION:

The Accounts Receivable project increases the effectiveness and efficiency of the state's collection efforts. Strong management of account receivables leads to collection of more state funds at a lower cost. The project has 3 key components:

1. Improve the state's current management and collection practices to reduce accounts receivable balances, improve collections, and increase cost effectiveness of receivable management.
2. Maintain legal resources within the Office of the Attorney General specifically dedicated to support state agencies and the state collection service on collection matters, and to represent the state in collection litigation proceedings.
3. Operate a central, state-operated collection service which serves as collection resource for state agencies with limited collection expertise.

The project is a cooperative effort between the Departments of Finance, Human Services, Revenue, and the Office of the Attorney General.

PROGRAM STATUS:

The project has implemented each of its component parts successfully. Additional tax collectors have produced additional revenues. Improved statewide and agency-specific management structures are in place. The combined efforts of the state operated collection service, private collection agencies and the Attorney General's Office have strengthened collections, litigation, education and legislation. In F.Y. 1996-97 the project is estimated to return nearly 6.5 times the General Fund amount invested. Legislation passed in the 1996 session permanently placed the central, state-operated collection organization, Minnesota Collections Enterprise (MCE), under the Department of Revenue.

PLANNED RESULTS:

The project increases collection of receivables in the following agencies: (estimated)

		<u>Dollars in Thousands</u>			
		<u>F.Y. 1998</u>	<u>F.Y. 1999</u>	<u>F.Y. 2000</u>	<u>F.Y. 2001</u>
Agencies Collecting Revenues					
Revenue					
Human Services					
General Fund		1,499	1,499	1,499	1,499
Other Funds		1,690	1,690	1,690	1,690
Human Services *					
Child Support					
General Fund		1,160	1,160	1,160	1,160
Other Funds		2,367	2,367	2,367	2,367
Economic Security **					
All Other Agencies					
General Fund		280	280	280	280
Other Funds		<u>1,388</u>	<u>1,388</u>	<u>1,388</u>	<u>1,388</u>
Totals		\$16,219	\$16,219	\$16,219	\$16,219
		\$6,621	\$6,621	\$6,621	\$6,621

* These increased collections are treated as an offset against AFDC expenses.

** Efforts at the Department of Economic Security are not funded through General Fund appropriations, but through federal funds.

BUDGET SUMMARY:

In past biennia, the Department of Finance requested funding for the various parts of the Accounts Receivable Project. Most of the program's funds have been, and will continue to be, transferred to the departments of Human Services and Revenue and to the Attorney General's office.

The budget plan for the program relate to the first two project components:

1. The first project component includes activities within the Department of Finance and specific activities in the departments of Revenue and Human Services. The Department of Finance sets receivable management standards, supports state agencies, monitors progress, and maintains relationships with private collection agencies. These activities are organized within the Accounting Services Division. In addition, part of the budget plan will transfer funds to the Department of Revenue for additional collectors. These collectors are separate from the MCE. Finally, funds will be transferred to the Department of Human Services for improved management practices and consolidation of efforts.
2. The second component relates to a pool of legal expertise within the Office of the Attorney General. Funds transferred to the AG's office will focus specifically on debt avoidance, litigation and collection issues. The attorneys and legal staff funded through this part of the budget may be used by all state agencies and the state operated collection service for representation in legal proceedings.

<u>Dollars in Thousands</u>		
	<u>F.Y. 1998</u>	<u>F.Y. 1999</u>
Finance	\$ 53	\$ 54
Funds to be transferred to:		
Revenue	595	610
Human Services	266	273
Attorney General	<u>562</u>	<u>576</u>
TOTAL PROGRAM BUDGET	\$1,476	\$1,513

3. The third component, the MCE, has been transferred to the Department of Revenue. Funding for this activity is now presented within Department of Revenue's F.Y. 1998-99 budget.

GOVERNOR'S RECOMMENDATION:

The Governor concurs with the agency's plan.

1998-1999 B I E N N I A L B U D G E T
(DOLLARS IN THOUSANDS)

AGENCY: FINANCE DEPT
PROGRAM: ACCOUNTS RECEIVABLE PROJECT
ACTIVITY: ACCOUNTS RECEIVABLE PROJECT

ACTIVITY SUMMARY	FY 1996	Est. FY 1997	FY 1998			FY 1999		
			Base Level	Agency Plan	Governor Recomm.	Base Level	Agency Plan	Governor Recomm.
=====	=====	=====	=====	=====	=====	=====	=====	=====
EXPENDITURES:								

DETAIL BY CATEGORY:								
STATE OPERATIONS:								
PERSONAL SERVICES	61	169	51	51	51	53	53	53
OPERATING EXPENSES	2	72	2	2	2	2	2	2
TRANSFERS			1,423	1,423	1,423	1,458	1,458	1,458
=====	=====	=====	=====	=====	=====	=====	=====	=====
SUBTOTAL STATE OPERATIONS	63	241	1,476	1,476	1,476	1,513	1,513	1,513
=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL EXPENDITURES	63	241	1,476	1,476	1,476	1,513	1,513	1,513
=====	=====	=====	=====	=====	=====	=====	=====	=====
EXPENDITURES BY FUND:								

DIRECT APPROPRIATIONS:								
GENERAL	63	241	1,476	1,476	1,476	1,513	1,513	1,513
=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL EXPENDITURES	63	241	1,476	1,476	1,476	1,513	1,513	1,513
=====	=====	=====	=====	=====	=====	=====	=====	=====
FTE BY EMPLOYMENT TYPE:								

REGULAR	1.5	2.9	1.0	1.0	1.0	1.0	1.0	1.0
=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL FTE	1.5	2.9	1.0	1.0	1.0	1.0	1.0	1.0
=====	=====	=====	=====	=====	=====	=====	=====	=====

1998-99 Biennial Budget

PROGRAM: Budget Services
AGENCY: Finance, Department of (DOF)

PROGRAM DESCRIPTION:

This program serves the governor and legislature by: 1) coordinating biennial, supplemental, and capital budget development and ensuring the accuracy of financial management and planning information for decision making; 2) providing financial reports, forecasts and planning estimates; 3) providing financial analysis; and 4) implementing authorized budgets and budget policy. The program strives to ensure the integrity of all budget-related information and data produced for executive and legislative branch decision makers.

Budget Development: Producing the governor's biennial, supplemental, and capital budgets is the program's highest priority.

Financial Planning and Budgetary Reporting: The program provides policy makers historical, current and projected statewide projections of revenues and expenditures.

Financial Analysis: Program staff conduct analyses to: identify areas of the budget that suggest budget or financial management problems exist; ensure that state policies and adopted laws incorporate sound financial management principles; and identify budget options and analyze budget issues for executive and legislative considerations.

Budget Implementation: The program develops and implements statewide budget policies, ensures that agency spending plans conform to state laws, and provides consulting services to agencies on accounting and financial management procedures.

PROGRAM STATUS:

It is important to recognize several significant challenges that will affect this program over the next several years that are beyond providing its essential core services. Minnesota state and local governments will face recurring gaps between spending and revenues over the next 10 years, resulting in the need to develop effective and increasingly sophisticated responses to these fiscal challenges. Escalating demands to increase the availability and usefulness of state and local budget data and related performance information will require expanding information management solutions to improve both the breadth and quality of information.

PLANNED RESULTS:

The outcome measures suggested in the division's agency performance report reflect longer term objectives for improving the state's budget and fiscal management. There are, however, critical results and projects which must occur in support of those objectives. These efforts, beyond the normal "core" services provided by the division are reflected below.

Budget Development: The department is committed to increasing the usefulness, quality and ease of access of state budget information to the governor, the legislature and the public.

The program is committed to increasing the quality of outcomes information and improving its relevance and reliability. Staff will work with state agencies, the legislative auditor's office and legislative staff to design and implement necessary changes in approach, instructions and in associated

budget information and management systems to reduce both the paper and staff effort required in budget development and performance reporting.

Financial Planning and Budgetary Reporting: The division has expanded efforts in financial forecasting and budget reporting to include all state funds as well as local government revenues. The "Price of Government" legislation enacted in the 1994 session, requires forecasting and setting targets for total state and local revenues and will continue to require a significant amount of effort to define and produce useful information on a regular recurring basis. The program will continue to improve the capital budget process by producing a long-term strategic budget plan for consideration by the 1998 Legislature.

Financial Analysis: The division responds to legislative and citizen demands for accountability and economy in government by coordinating development of responsible courses of action for the years ahead. Much of the policy work conducted by the division will continue to occur as part of the biennial budget development and review cycle. The division will continue to provide high quality financial and policy analysis for proposed legislation (fiscal notes) as well as ongoing issues such as health care, government consolidation, and environmental funding. Executive budget officers continue to be the primary consultants to state agencies, the Governor's Office and the legislature for the development of financial and policy analysis that results in the state's budget and financial plan for the next several years.

BUDGET SUMMARY:

Base funding will be sufficient for anticipated costs.

GOVERNOR'S RECOMMENDATION:

The Governor concurs with the agency's plan.

1998-1999 B I E N N I A L B U D G E T
(DOLLARS IN THOUSANDS)

AGENCY: FINANCE DEPT
PROGRAM: BUDGET SERVICES
ACTIVITY: BUDGET SERVICES

			FY 1998			FY 1999		
ACTIVITY SUMMARY	FY 1996	Est. FY 1997	Base Level	Agency Plan	Governor Recomm.	Base Level	Agency Plan	Governor Recomm.
EXPENDITURES:								
DETAIL BY CATEGORY:								
STATE OPERATIONS:								
PERSONAL SERVICES	1,836	2,053	2,057	2,057	2,057	2,141	2,141	2,141
OPERATING EXPENSES	69	142	72	72	72	48	48	48
SUBTOTAL STATE OPERATIONS	1,905	2,195	2,129	2,129	2,129	2,189	2,189	2,189
TOTAL EXPENDITURES	1,905	2,195	2,129	2,129	2,129	2,189	2,189	2,189
EXPENDITURES BY FUND:								
DIRECT APPROPRIATIONS:								
LOCAL GOVERNMENT TRUST	103							
GENERAL	1,802	2,195	2,129	2,129	2,129	2,189	2,189	2,189
TOTAL EXPENDITURES	1,905	2,195	2,129	2,129	2,129	2,189	2,189	2,189
FTE BY EMPLOYMENT TYPE:								
REGULAR	29.1	33.2	33.0	33.0	33.0	33.0	33.0	33.0
TEMP/SEAS/PART_TIME	.5							
TOTAL FTE	29.6	33.2	33.0	33.0	33.0	33.0	33.0	33.0

1998-99 Biennial Budget

PROGRAM: Economic Analysis
AGENCY: Finance, Department of (DOF)

PROGRAM DESCRIPTION:

The Economic Analysis Division provides periodic forecasts of state revenues. These forecasts set the starting point for the budget process. Sound revenue forecasts make government more efficient by reducing uncertainty for public sector managers and by reducing the need to make short term adjustments in program activities due to unanticipated fluctuations in revenues.

PROGRAM STATUS:

The revenue forecast begins with a national economic forecast provided by Data Resources (DRI). That national forecast is then modified to reflect the composition and behavior of the Minnesota economy. Results from the Minnesota economic forecast are then used to compute expected state tax receipts. The division has produced 2 forecasts each year since 1988. In addition an *Economic Update* which compares actual receipts with estimated revenues is produced quarterly. Division staff continuously monitor receipts against the forecast to provide early warning of potential revenue shortfalls.

PLANNED RESULTS:

The budget plan will allow the division to meet its objective of forecasting as accurately as possible the major revenue sources for which the division is responsible. Revenue forecast variances for each year are expected to be within a narrow confidence band defined by the expected errors on the Minneapolis Federal Reserve Bank's GDP forecast.

BUDGET SUMMARY:

Base funding will be sufficient for anticipated costs.

GOVERNOR'S RECOMMENDATION:

The Governor concurs with the agency's plan.

1998-1999 B I E N N I A L B U D G E T
(DOLLARS IN THOUSANDS)

AGENCY: FINANCE DEPT
PROGRAM: ECONOMIC ANALYSIS
ACTIVITY: ECONOMIC ANALYSIS

ACTIVITY SUMMARY	FY 1996	Est. FY 1997	FY 1998			FY 1999		
			Base Level	Agency Plan	Governor Recomm.	Base Level	Agency Plan	Governor Recomm.
=====	=====	=====	=====	=====	=====	=====	=====	=====
EXPENDITURES:								

DETAIL BY CATEGORY:								
STATE OPERATIONS:								
PERSONAL SERVICES	191	192	202	202	202	207	207	207
OPERATING EXPENSES	100	124	111	111	111	112	112	112
=====	=====	=====	=====	=====	=====	=====	=====	=====
SUBTOTAL STATE OPERATIONS	291	316	313	313	313	319	319	319
=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL EXPENDITURES	291	316	313	313	313	319	319	319
EXPENDITURES BY FUND:								

DIRECT APPROPRIATIONS:								
GENERAL	291	316	313	313	313	319	319	319
=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL EXPENDITURES	291	316	313	313	313	319	319	319
FTE BY EMPLOYMENT TYPE:								

REGULAR	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0
=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL FTE	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0

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1998-99 Biennial Budget

PROGRAM: Information Services
AGENCY: Finance, Department of (DOF)

PROGRAM DESCRIPTION:

The Information Services (IS) Division provides technical systems support and related services for the statewide administrative systems. These systems include: accounting and procurement (MAPS), payroll and human resources (SEMA4), biennial budget, capital budget, fiscal notes, performance reporting, and information access (IA). The IS division also provides the Department of Finance programs Local Area Network (LAN) support and voice communications support.

MAPS, SEMA4, and IA are co-managed by the Departments of Administration, Employee Relations, and Finance. A support team called Mn-ASSIST (Minnesota Administrative Statewide Systems InterAgency Support Team) has been established to ensure the systems are well managed and function properly. This team is made up of management, functional and technical staff from all 3 agencies. Generally when the term Mn-ASSIST is used, the DOF IS division is being referenced.

Customer Service and Business Management - This unit provides 5,800 statewide systems users with telephone support on the use of the systems. Averaging 1,000 calls per week, the section answers questions about how to use the systems. This section uses e-mail and the Internet to keep users informed of the daily systems status, as well as notifying users of important information from the functional units. The unit creates and maintains MAPS training and system documentation. It is also responsible for budget and system use forecasting and business continuation (disaster recovery) planning.

Budget and Information Access Services - This unit provides technical support for the statewide Biennial Budget System (BBS), Performance Monitoring System (PERFORMs), Fiscal Notes System (FNTES), Capital Budget System, and Information Access Data Warehouse (IA) System. BBS is used to prepare the state's biennial budget; FNTS is used to report and track the fiscal impact of proposed legislation; PERFORMs is used to collect and store performance reporting data for analysis and produce agency performance reports. The IA system is used by state agency personnel for MAPS and SEMA4 reporting. The information is necessary to analyze spending, ensure proper accounting for state funds, and to make day to day management decisions. The section is made up of systems analysts, programmer analysts, data administrators, technical writers and trainers.

Technical Services - This unit manages the technical connectivity required by the 138 state agencies to use the statewide systems within the client-server and graphical-user-interface environment. It also manages the DOF local area network (LAN) and voice communications used by every DOF employee. The section provides world wide web (WWW) creation and maintenance services to the agency placing the products produced by DOF on the Internet for legislative, media and public access. This section is made up of technical network analysts and system programmers.

Operations, Systems and Programming - This unit has 2 sections providing operations, systems and programming support. One section provides MAPS (accounting and procurement) technical systems support, and the other works with the Department of Employee Relations providing SEMA4 (human resources and payroll) systems support. As both systems must run daily, this unit ensures the systems are available for state agencies to enter personnel information, purchase orders, financial transactions, and payments. The system data bases are updated nightly with transactions input during the day. The nightly processes also prints vendor warrants and employee pay checks. This section is made up of programmers, operation technicians, and system programmers.

PROGRAM STATUS:

The Information Services program currently is organized to provide full service supporting the statewide systems. During F.Y. 1995 and early in F.Y. 1996 it had been in a state of reorganization and systems development as a result of the Statewide Systems Project (SSP) that replaced Minnesota's accounting, procurement, and payroll systems, and built the human resources and information access systems. The IS program has determined the mix of state staff and contractor staff necessary to effectively run the systems. The IS program continues to work with the InterTechnologies Group (ITG) to coordinate and control the computer processing requirements necessary to run MAPS, SEMA4 and IA, and the related operating costs.

PLANNED RESULTS:

The division will provide:

- technical support for the state's administrative systems, ensuring that the systems are effective and efficient, and that they meet the needs of the department and other agencies;
- computer operation services that run the state's administrative systems, guaranteeing reports, warrants, and information requests are produced in an accurate and timely manner;
- programming support for changes and upgrades to the systems so that the state's investment is protected and allows a longer system life cycle;
- technical analysis to ensure that the systems are achieving the expectations of its users;
- agency user support of the statewide administrative systems; and
- technical network support for state agencies so that systems are available for use.

BUDGET SUMMARY:

During the 1996 legislative session the department received increased funding totaling \$12,900,000 in the current biennium for the operating costs of the statewide administrative systems. This increase was necessary because the statewide systems were being "turned on" and actual usage, operating costs and support costs were higher than originally anticipated. The 1996 Legislature appropriated \$4,397,000 in F.Y. 1996 and \$2,103,000 in F.Y. 1997, and authorized the department to bill agencies up to \$6,400,000 for operating costs during F.Y. 1997. The 1996 Legislature indicated the desire to review ongoing funding requirements after the systems had been fully implemented and operationally stabilized. The statewide systems operating costs within the budget for F.Y. 1998-99 represents the necessary ongoing funding of the systems.

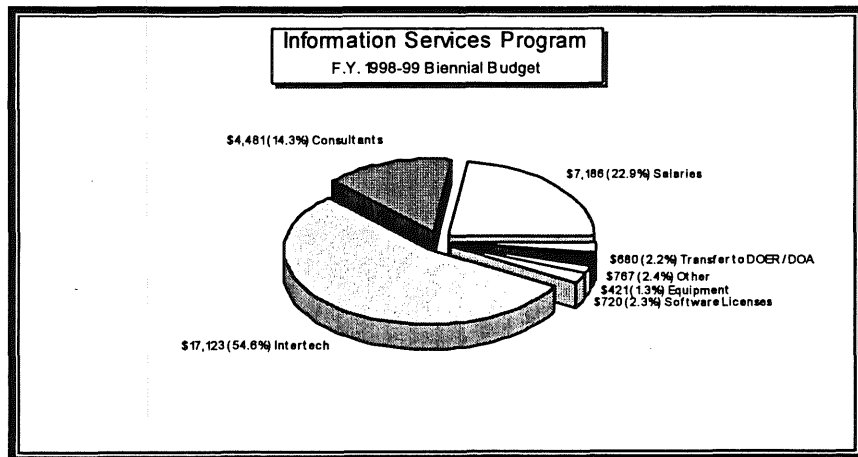
The statewide administrative system's current budget request represents a significant reduction from its F.Y. 1997 budget of \$16,973,000. The budget request for F.Y. 1998 is \$15,415,000, which is a \$1,558,000 or 9.2% savings. F.Y. 1999's request of \$15,963,000 is a decrease of \$1,010,000 or 6%.

1998-99 Biennial Budget

PROGRAM: Information Services
AGENCY: Finance, Department of
(Continuation)

Key elements of the requested funding provide the following:

- **Mainframe and network system usage charges.** More than \$17 million (54.6%) of the biennial budget will be incurred as a result of every state agency using the statewide administrative systems. The mainframe and network systems are operated by the Department of Administration's InterTechnologies Group.
- **Ongoing consultant support.** That will provide the expert resources necessary to supplement state staff. This represents 14.3% of the program's budget.
- **Existing support positions.** Many of these are filled by non-permanent employees. Funding is necessary to permit maintaining these positions as regular full time FTEs to support ongoing systems requirements.



GOVERNOR'S RECOMMENDATION:

The Governor concurs with the agency's plan.

1998-1999 B I E N N I A L B U D G E T
(DOLLARS IN THOUSANDS)

AGENCY: FINANCE DEPT
PROGRAM: INFORMATION SERVICES
ACTIVITY: INFORMATION SERVICES

ACTIVITY SUMMARY	FY 1996	Est. FY 1997	FY 1998			FY 1999		
			Base Level	Agency Plan	Governor Recomm.	Base Level	Agency Plan	Governor Recomm.
EXPENDITURES:								
DETAIL BY CATEGORY:								
STATE OPERATIONS:								
PERSONAL SERVICES	3,423	3,507	2,878	3,528	3,528	3,008	3,658	3,658
OPERATING EXPENSES	10,740	14,447	5,679	11,547	11,547	5,643	11,965	11,965
TRANSFERS				340	340		340	340
SUBTOTAL STATE OPERATIONS	14,163	17,954	8,557	15,415	15,415	8,651	15,963	15,963
TOTAL EXPENDITURES	14,163	17,954	8,557	15,415	15,415	8,651	15,963	15,963
AGENCY PLAN ITEMS:		FUND						
STATEWIDE SYSTEMS OPERATIONS COST		GEN		6,858			7,312	
TOTAL AGENCY PLAN ITEMS				6,858			7,312	
EXPENDITURES BY FUND:								
DIRECT APPROPRIATIONS:								
GENERAL	14,163	11,554	8,557	15,415	15,415	8,651	15,963	15,963
STATUTORY APPROPRIATIONS:								
GENERAL		6,400						
TOTAL EXPENDITURES	14,163	17,954	8,557	15,415	15,415	8,651	15,963	15,963
REVENUE COLLECTED:								
DEDICATED:								
GENERAL		6,400						
TOTAL REVENUES COLLECTED		6,400						
FTE BY EMPLOYMENT TYPE:								
REGULAR	61.0	59.5	48.0	61.0	61.0	48.0	61.0	61.0

1998-1999 BIENNIAL BUDGET
(DOLLARS IN THOUSANDS)

AGENCY: FINANCE DEPT
PROGRAM: INFORMATION SERVICES
ACTIVITY: INFORMATION SERVICES

ACTIVITY SUMMARY	FY 1996	Est. FY 1997	FY 1998			FY 1999		
			Base Level	Agency Plan	Governor Recomm.	Base Level	Agency Plan	Governor Recomm.
TEMP/SEAS/PART_TIME	1.7							
OVERTIME	2.4	.8	.8	.8	.8	.8	.8	.8
TOTAL FTE	65.1	60.3	48.8	61.8	61.8	48.8	61.8	61.8

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1998-99 Biennial Budget

PROGRAM: Management Services
AGENCY: Finance, Department of

PROGRAM DESCRIPTION:

The Management Services Program provides agency management, Cash and Debt Management services and agency support.

- The commissioner's office provides overall strategic direction for the department and primary contact and consultation to the governor and the legislature.
- *Cash and Debt Management* establishes banking services for state agencies, accesses the capital markets to provide financing for capital projects and capital equipment and administers the state's tax exempt bonding allocation law.
- The *Administrative Services* section provides internal accounting, payroll, clerical support services and office management for the department.

PROGRAM STATUS:

Cash and Debt Management manages the banking relationships and debt planning and issuance of the state.

- State agencies continue to need their existing banking services. Depository bank accounts are established for state agencies to deposit receipts.
- There are currently \$801 million in authorized but unissued bond authorizations to be financed in future years. Additional bonds are expected to be sold in both F.Y.s 1998 and 1999. State agencies will continue to purchase capital equipment on a lease purchase basis. Types of capital equipment purchased include computers, cars and trucks, and office furniture.
- The dollar amount of the tax exempt bonding allocation will be approximately \$235 million per year. The number of applications received is dependent on the level of economic activity and the level of interest rates.

PLANNED RESULTS:

Cash and Debt Management will continue to provide banking services, provide financing for capital projects and capital equipment authorized by the legislature, and will administer the state's tax-exempt bonding allocation.

- To provide continuous, efficient, effective, banking services. More flexibility will be provided to state agencies on which banks are eligible to become their depository. Also, the division will utilize branch banking to provide greater efficiency to the state in its banking operations.
- To provide capital financing at the lowest possible cost. The division will continue to provide the credit rating agencies and the credit markets with full disclosure information on the state.
- To provide applicants for tax exempt bonding allocation current and accurate information. Federal tax law changes, state tax exempt bonding allocation law changes and the complexity of the state law requires continuous and accurate communications with issuers, bond lawyers and underwriters.

Administrative Services will continue to review all of its administrative systems to ensure that they are effective, efficient and meet the department's needs. The department plans to continue the collaborative agreement with DOER to provide personnel services. Future developments in technology will provide opportunities for improved services and products especially in office automation.

BUDGET SUMMARY:

Base funding will be sufficient for anticipated costs.

GOVERNOR'S RECOMMENDATION:

The Governor concurs with the agency's plan.

1998-1999 B I E N N I A L B U D G E T
(DOLLARS IN THOUSANDS)

AGENCY: FINANCE DEPT
PROGRAM: MANAGEMENT SERVICES
ACTIVITY: MANAGEMENT SERVICES

ACTIVITY SUMMARY	FY 1996	Est. FY 1997	FY 1998			FY 1999		
			Base Level	Agency Plan	Governor Recomm.	Base Level	Agency Plan	Governor Recomm.
=====	=====	=====	=====	=====	=====	=====	=====	=====
EXPENDITURES:								

DETAIL BY CATEGORY:								
STATE OPERATIONS:								
PERSONAL SERVICES	732	786	776	776	776	800	800	800
OPERATING EXPENSES	687	852	786	786	786	791	791	791
TRANSFERS			40	40	40	40	40	40
=====	=====	=====	=====	=====	=====	=====	=====	=====
SUBTOTAL STATE OPERATIONS	1,419	1,638	1,602	1,602	1,602	1,631	1,631	1,631
=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL EXPENDITURES	1,419	1,638	1,602	1,602	1,602	1,631	1,631	1,631
=====	=====	=====	=====	=====	=====	=====	=====	=====
EXPENDITURES BY FUND:								

DIRECT APPROPRIATIONS:								
GENERAL	1,419	1,638	1,602	1,602	1,602	1,631	1,631	1,631
=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL EXPENDITURES	1,419	1,638	1,602	1,602	1,602	1,631	1,631	1,631
=====	=====	=====	=====	=====	=====	=====	=====	=====
FTE BY EMPLOYMENT TYPE:								

REGULAR	13.7	14.6	15.0	15.0	15.0	15.0	15.0	15.0
TEMP/SEAS/PART_TIME	.3	.8						
OVERTIME	.2	.2	.2	.2	.2	.2	.2	.2
=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL FTE	14.2	15.6	15.2	15.2	15.2	15.2	15.2	15.2
=====	=====	=====	=====	=====	=====	=====	=====	=====

1998-99 Biennial Budget

AGENCY: Debt Service

AGENCY DESCRIPTION:

To pay the principal and interest on General Obligation long-term debt.

On December 1 of each year, the commissioner of finance must transfer into the Debt Service Fund 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 including July 1 in the 2nd ensuing year.

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 or eliminating the need for a statewide property tax. On December 1 of each year, the Commissioner of Finance shall transfer to the debt service fund from appropriations made for such purposes the amount necessary to reduce or eliminate the statewide property tax.

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.

	Dollars in Thousands			
	<u>F.Y. 1996</u>	<u>F.Y. 1997</u>	<u>F.Y. 1998</u>	<u>F.Y. 1999</u>
Total Bonds Outstanding:				
Existing Debt on June 30	\$2,163,625	\$2,116,590	\$1,931,430	\$1,744,250
Existing Debt:				
\$ amount of principal payments	170,585	172,100	185,160	187,180
\$ amount of interest payments	104,715	118,597	112,943	102,548

REVENUES:

This activity generates revenues that are dedicated to the debt service fund. These revenues include interest earnings on cash balances in the debt service fund and the bond proceeds fund, the one-third debt service payment required on higher education capital projects, payments on user financed projects, and loan repayments from the Maximum Effort School Loan program, the Rural Finance Authority's programs, and other loan programs.

These revenues reduce the amount of the required General Fund appropriation.

	Dollars in Thousands			
	<u>F.Y. 1996</u>	<u>F.Y. 1997</u>	<u>F.Y. 1998</u>	<u>F.Y. 1999</u>
Existing Debt	\$197,549	\$241,319	\$227,986	\$209,814
New Issue/Existing Authorization*	-0-	-0-	21,196	74,231
Future Issue/Future Authorization	-0-	-0-	-0-	12,366

* Additional bonds will be sold in F.Y. 1998-2001

The debt service transfer shown for F.Y. 1998 and F.Y. 1999 is an estimate based upon the dollar amount of bonds sold each year. The amount of the debt service transfer for existing authorizations and new authorizations is also an estimate of the dollar amount of bonds to be sold for capital projects currently authorized and for new authorizations.

Existing Debt: The amount required in the debt service account is calculated by the total amount of principal and interest payments due December 1, through the 2nd and ensuing July 1 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 General Obligation debt will be issued in F.Y. 1998 and 1999 for currently authorized capital projects and for new authorizations.

The transfer requirement is determined by the payments of principal and interest that will come due within the December 1 through 2nd ensuing July 1.

GOVERNOR'S RECOMMENDATION:

The Governor recommends that \$545,594,000 be appropriated from the General Fund for debt service. This appropriation will be used to make the required debt service transfers on existing debt and on new bonds issued during the biennium. The new bonds sold will provide additional funding for capital projects currently authorized and funding for the planned capital budget of \$500 million in the 1998 legislative session.

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1998-99 Biennial Budget

AGENCY: Tort Claims

AGENCY DESCRIPTION:

To pay tort claim judgements against a state agency which cannot be paid from that agency's appropriated accounts.

As specified in M.S. 3.736, subdivision 7, a state agency, including an entity defined as part of the state in Section 3.732, subdivision 1, incurring a tort claim judgment or settlement obligation shall seek approval to make payment by submitting a written request to the commissioner of Finance. If the commissioner of Finance determines that the agency has sufficient money in its appropriation accounts, the claim will be paid from these accounts. Otherwise, the payment will be made from the appropriation made to the commissioner of Finance for tort claim payments.

EXPLANATION OF AGENCY'S BUDGET PLAN:

The budget request is based on the historical trend of tort claim payments.

GOVERNOR'S RECOMMENDATION:

The Governor concurs with the agency's plan.

1998-1999 B I E N N I A L B U D G E T
(DOLLARS IN THOUSANDS)

AGENCY: TORT CLAIMS
PROGRAM: TORT CLAIMS
ACTIVITY: TORT CLAIMS

ACTIVITY SUMMARY	FY 1996	Est. FY 1997	FY 1998			FY 1999		
			Base Level	Agency Plan	Governor Recomm.	Base Level	Agency Plan	Governor Recomm.
=====	=====	=====	=====	=====	=====	=====	=====	=====
EXPENDITURES:								

DETAIL BY CATEGORY:								
STATE OPERATIONS:								
OPERATING EXPENSES	507	1,043	875	875	875	875	875	875
=====	=====	=====	=====	=====	=====	=====	=====	=====
SUBTOTAL STATE OPERATIONS	507	1,043	875	875	875	875	875	875
=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL EXPENDITURES	507	1,043	875	875	875	875	875	875
EXPENDITURES BY FUND:								

DIRECT APPROPRIATIONS:								
GENERAL	163	187	275	275	275	275	275	275
TRUNK HIGHWAY	344	856	600	600	600	600	600	600
=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL EXPENDITURES	507	1,043	875	875	875	875	875	875
FTE BY EMPLOYMENT TYPE:								

=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL FTE								

1998-99 Biennial Budget

AGENCY: Contingent Accounts

AGENCY DESCRIPTION:

Contingent accounts are appropriations made from several state funds to provide supplemental funding for emergencies or other stipulated purposes.

The release and subsequent expenditure of this funding requires the approval of the governor after consultation with the Legislative Advisory Commission. (LAC). The LAC provides legislative review of the use of these funds during interim periods when the legislature is not in session.

With the approval of the governor, supplemental funding for specific purposes is transferred to individual agency budgets; thus, expenditure history appears in each agency's budget.

EXPLANATION OF AGENCY'S BUDGET PLAN:

These appropriations shall be expended with the approval of the governor after consultation with the LAC pursuant to M.S. 3.30.

It is requested that if an appropriation in this request for either year is insufficient, the appropriation for the other year is available for it.

	<u>Dollars in Thousands</u>	
	<u>F.Y. 1998</u>	<u>F.Y. 1999</u>
General Purpose Contingent Accounts:		
General Fund	\$200	\$200
Workers Compensation Special Fund	100	100
State Gov't Special Revenue Fund	400	400
Trunk Highway Fund	200	200
Highway Users Tax Distribution Fund	125	125
State Airports	50	50

GOVERNOR'S RECOMMENDATION:

The Governor concurs with the agency's plan.

1998-1999 B I E N N I A L B U D G E T
(DOLLARS IN THOUSANDS)

AGENCY: CONTINGENT ACCOUNTS

ACTIVITY SUMMARY	FY 1996	Est. FY 1997	FY 1998			FY 1999		
			Base Level	Agency Plan	Governor Recomm.	Base Level	Agency Plan	Governor Recomm.
=====	=====	=====	=====	=====	=====	=====	=====	=====
EXPENDITURES:								

DETAIL BY CATEGORY:								
TRANSFERS		1,737	1,075	1,075	1,075	1,075	1,075	1,075
=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL EXPENDITURES		1,737	1,075	1,075	1,075	1,075	1,075	1,075
EXPENDITURES BY FUND:								

DIRECT APPROPRIATIONS:								
GENERAL		297	200	200	200	200	200	200
STATE GOVERNMENT SPECIAL REVENUE		490	400	400	400	400	400	400
STATE AIRPORTS		100	50	50	50	50	50	50
TRUNK HIGHWAY		400	200	200	200	200	200	200
HIGHWAY USERS TAX DISTRIBUTION		250	125	125	125	125	125	125
WORKERS COMPENSATION SPEC PMNT		200	100	100	100	100	100	100
=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL EXPENDITURES		1,737	1,075	1,075	1,075	1,075	1,075	1,075
FTE BY EMPLOYMENT TYPE:								

=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL FTE								

1998-99 BIENNIAL BUDGET

PROGRAM STRUCTURE

AGENCY: Employee Relations, Department of (DOER)

PROGRAM

PAGE

HUMAN RESOURCE MANAGEMENT

F-325

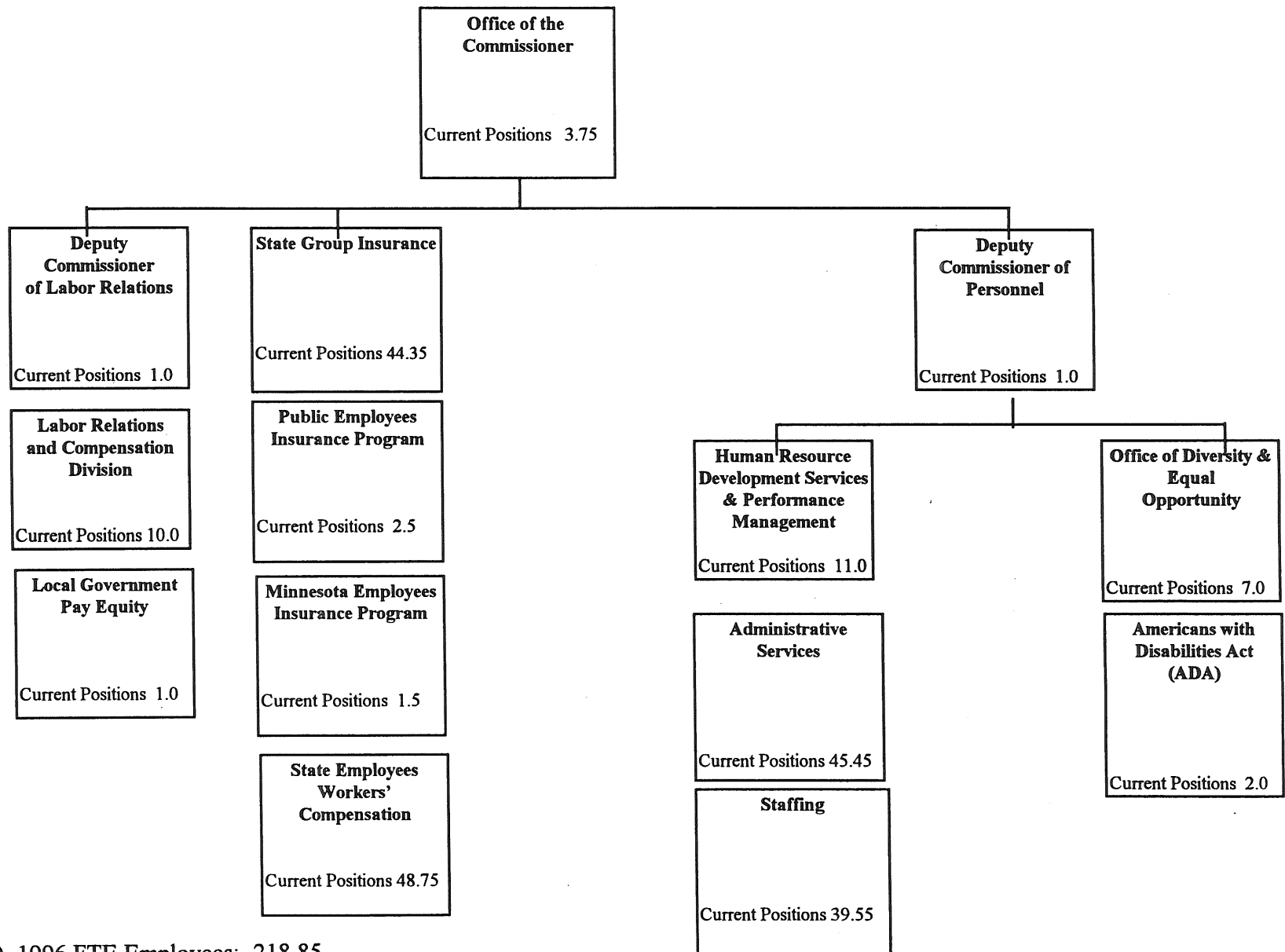
Administration
Staffing Services
Human Resources Development Services
Labor Relations and Compensation
Office of Diversity and Equal Opportunity
Vacation Donation/Combined Charities

EMPLOYEE INSURANCE

F-342

State Group Insurance
Public Employees Insurance Program (PEIP)
Minnesota Employees Insurance Program (MEIP)
State Workers' Compensation
Claims & Premium Activity

Department of Employee Relations Organization Chart as of 9/30/96



September 30, 1996 FTE Employees: 218.85

**1998-99 Biennial Budget
Agency Budget Brief
(\$ in thousands)**

Agency: Employee Relations, Department of (DOER)

Fund: General

Summary of Agency Actions:

	<u>F.Y. 1998</u>	<u>F.Y. 1999</u>	<u>F.Y. 98-99</u>
<u>BASE-YEAR (F.Y. 1997)</u>			
Appropriations (F.Y. 1997)	\$7,731	\$7,731	\$15,462
<u>BASE ADJUSTMENT</u>			
Biennial Appropriation	(325)	(325)	(650)
1998-99 Salary Inflation	140	283	423
Lease Reduction	<u>(10)</u>	<u>(5)</u>	<u>(15)</u>
<u>BASE LEVEL (for 1998 and 1999)</u>	\$7,536	\$7,684	\$15,220
<u>GOVERNOR'S INITIATIVES</u>			
Human Resources Management Reform	560	315	875
Misconduct Investigations	62	62	124
Combined Charities	22	22	44
Workers' Comp Contingency Reserve	1,000	-0-	1,000
WCRA Premium Holiday	<u>(728)</u>	<u>(728)</u>	<u>(1,456)</u>
GOVERNOR'S RECOMMENDATIONS	\$8,452	\$7,355	\$15,807

Brief Explanation of Agency Plan:

- Increase the state's capacity to strategically prepare for the workforce of the future.
- Dramatically change the department's role from a controlling, transaction driven processing organization to a consulting service organization dealing with statewide human resource issues.
- Maintain a competitive position in all areas of the human resource management marketplace including health care purchasing and workforce recruiting.
- Be proactive in finding more efficient ways to redeploy the state's workforce which will benefit employees through layoff avoidance and benefit agencies by having appropriately skilled employees available as needs and programs change.
- Continue efforts to recruit and retain a diverse workforce.
- Invest in new human resource management technologies where these tools can produce cost-effective results and efficiencies.

GOVERNOR'S RECOMMENDATION:

- \$875,000 for the biennium to reform the state's human resource systems by improving our applicant services, classification system and services provided to our customers in the areas of technical assistance, redeployment, assessment and selection
- \$124,000 for the biennium to provide investigative services on misconduct cases in agencies.
- \$44,000 for the biennium for an individual to oversee the state's annual charities campaign.
- \$1,000,000 for F.Y. 1998 for initial start-up funds for a workers' compensation, settlement contingency fund.
- A reduction of \$1,456,000 for the biennium to reflect savings through a premium holiday declared by the WCRA.

1998-99 Biennial Budget

AGENCY: Employee Relations, Department of (DOER)

AGENCY DESCRIPTION:

The Department of Employee Relations (DOER) provides services which support the human resource management function of state agencies so the executive branch can recruit and retain a high quality work force to carry out the business of government. Authorization for the department's functions can be found in M.S. 43A. DOER's primary customers are state agencies, state employees, union representatives and job applicants.

The department has 2 programs, Human Resource Management and Employee Insurance. The Human Resource Management Program includes the following activities:

- Staffing
- Office of Diversity and Equal Opportunity
- Office of the State ADA (Americans with Disabilities Act)/Disability Coordinator
- Human Resource Development Services
- Labor Relations and Compensation
- Pay Equity
- Administrative Services

The Employee Insurance Program includes the following activities:

- State Group Insurance
- State Workers' Compensation
- Public Employees Insurance (PEIP)
- Private Employees Insurance (MEIP)

AGENCY ISSUES:

The next 10-15 years will present challenges that, left unaddressed, will place the state of Minnesota in a non-competitive position for recruiting the skills it needs to serve the citizens of the state. DOER is trying to implement the reforms necessary to ensure that the state has a well-educated and well-trained workforce. Some of those challenges include:

- By the year 2015, participation by minorities in the labor force will grow by 243%, so most of the labor force growth will occur in those groups.
- Minnesota's labor force will only grow by 2% during the 10-year period from 2010 to 2020.
- Minnesota's minority population has historically been undereducated and undertrained. The continuance of that trend when coupled with a shrinking labor force may lead to a dearth of qualified, competent applicants for state employment.
- State agency budgets will likely stay flat, putting state government at an increasing disadvantage in competing with the private sector for the shrinking pool of trained workers.
- Persons with disabilities represent a large resource underrepresented in the state's labor force.

- As the role of government continues to be re-examined and recast, well-educated and well-trained state workers will be dislocated while the demand for others will increase with the establishment of new programs and services. The existing state human resource system lacks the tools and flexibility to retrain and redeploy the state work force as these changes occur.
- National and state health care reforms, changes in medical care technology, and an aging workforce affect the cost of health care premiums, benefit levels and health care delivery system.

The department's budget was developed to address the challenges above. Critical parts of the state's human resource management system are 50 years old - employees are wasting time on tasks that can be automated and are unable to address the strategic issues that will make the state a competitive employer - training, retraining, redeployment, workforce planning, internships for high school students, mentorships for new employees. Many parts of the system are too rigid to respond to the rapid changes being seen in the types of work the state must perform. We must rebuild the system.

AGENCY STRATEGIES:

The department's budget was developed to achieve the following outcomes:

- Improvements in speed, value-added, responsiveness and quality in the services we deliver to our customers.
- Reengineered processes which will reduce bureaucracy for our state agency customers and job applicants.
- A pilot program integrating the state's employee insurance program and the state's workers' compensation program resulting in a single 24-hour coverage program which will streamline insurance administration, control costs, reduce sick and disability leave, and improve the quality of service and medical care received by state employees.
- A flexible workforce with broad competencies supported by a pro-active career development system.
- Improved ability to promptly investigate employee misconduct resulting in the reduction of expensive monetary settlements, an increased number of sustained grievances, and reduced workplace disruption.
- A statewide recruiting strategy casting the State of Minnesota as an employer of choice, with particular emphasis on recruitment and retention of minorities and persons with disabilities.
- An emphasis on prudent and value-conscious health care purchasing that interacts responsibly with the health care marketplace.
- An emphasis on effective, quality services to promote the health and well-being of state employees and other covered persons through coordinated benefits management.

REVENUE SUMMARY:

The agency generates about \$300 million each year in revenues, primarily through insurance premiums for the health, dental and life programs. Other sources include the Workers' Compensation Program and Training.

1998-99 Biennial Budget

AGENCY: Employee Relations, Department of (DOER)
(Continuation)

The agency plan includes increased revenues from administrative fees assessed to agencies participating in the Insurance and Workers' Compensation programs. These fees, held constant for the last 2 biennia, would increase approximately \$700,000 and \$400,000 per year respectively.

GOVERNOR'S RECOMMENDATION:

- \$62,000 each year of the biennium to fund a position which will manage the growing investigative function in Labor Relations.
- \$560,000 the first year of the biennium and \$315,000 the second year of the biennium for reform of the state's human resource management function.
- A one-time \$1,000,000 appropriation to set up a worker's compensation settlements reserve fund.
- \$22,000 each year of the biennium for a position to oversee the state's annual charities campaign.
- A reduction of \$728,000 each year to reflect a premium holiday initiated by the Workers' Compensation Reinsurance Association.

1998-1999 BIENNIAL BUDGET
(DOLLARS IN THOUSANDS)

AGENCY: EMPLOYEE RELATIONS DEPT

PROGRAM RESOURCE ALLOCATION:	FY 1996	Est. FY 1997	FY 1998			FY 1999		
			Base Level	Agency Plan	Governor Recomm.	Base Level	Agency Plan	Governor Recomm.
HUMAN RESOURCE MGMT	7,410	8,618	7,480	7,480	8,124	7,633	7,633	8,032
EMPLOYEE INSURANCE	277,268	293,362	303,819	303,819	304,591	313,287	313,287	313,059
TOTAL EXPENDITURES BY PROGRAM	284,678	301,980	311,299	311,299	312,715	320,920	320,920	321,091
EXPENDITURES BY FUND:								
DIRECT APPROPRIATIONS:								
GENERAL	7,060	7,949	7,536	7,536	8,452	7,684	7,684	7,355
STATUTORY APPROPRIATIONS:								
GENERAL	66	110	100	100	100	100	100	100
SPECIAL REVENUE	20,048	24,960	25,383	25,383	25,883	25,400	25,400	25,900
PRIVATE EMPLOYERS INSURANCE	7,046	9,781	11,528	11,528	11,528	14,290	14,290	14,290
STATE EMPLOYEES INSURANCE	241,865	239,348	245,666	245,666	245,666	250,792	250,792	250,792
PUBLIC EMPLOYEES INSURANCE		11,170	12,278	12,278	12,278	13,846	13,846	13,846
AGENCY	8,593	8,662	8,808	8,808	8,808	8,808	8,808	8,808
TOTAL EXPENDITURES	284,678	301,980	311,299	311,299	312,715	320,920	320,920	321,091
FTE BY EMPLOYMENT TYPE:								
REGULAR	186.2	231.1	214.9	214.9	215.9	214.9	214.9	215.9
TEMP/SEAS/PART_TIME	3.0	3.0	2.9	2.9	3.4	2.9	2.9	3.4
OVERTIME	2.5	1.0	.8	.8	.8	.8	.8	.8
TOTAL FTE	191.7	235.1	218.6	218.6	220.1	218.6	218.6	220.1

1998-1999 B I E N N I A L B U D G E T
(DOLLARS IN THOUSANDS)

AGENCY: EMPLOYEE RELATIONS DEPT

SUMMARY OF AGENCY REVENUES	FY 1996	Est. FY 1997	FY 1998			FY 1999		
			Forecast	Agency Plan	Governor Recomm.	Forecast	Agency Plan	Governor Recomm.
=====								
NON-DEDICATED REVENUE:								

OTHER REVENUES:								
PUBLIC EMPLOYEES INSURANCE			320	320	320	320	320	320
=====								
TOTAL NON-DEDICATED RECEIPTS			320	320	320	320	320	320
=====								
DEDICATED RECEIPTS:								

DEPARTMENTAL EARNINGS:								
PRIVATE EMPLOYERS INSURANCE		550	577	577	577	606	606	606
PUBLIC EMPLOYEES INSURANCE		350	367	367	367	385	385	385
DEPARTMENTAL EARNINGS (INTER-AGENC								
SPECIAL REVENUE	876	878	878	878	878	878	878	878
STATE EMPLOYEES INSURANCE	2,329	2,335	3,036	3,036	3,036	3,036	3,036	3,036
OTHER REVENUES:								
GENERAL	94							
SPECIAL REVENUE	18,777	25,660	25,640	25,640	25,640	25,644	25,644	25,644
PRIVATE EMPLOYERS INSURANCE	67	66	68	68	68	68	68	68
STATE EMPLOYEES INSURANCE	6,566	4,314	4,326	4,326	4,326	4,328	4,328	4,328
PUBLIC EMPLOYEES INSURANCE		310	310	310	310	310	310	310
OTHER SOURCES:								
SPECIAL REVENUE	500	500	500	500	1,000	500	500	1,000
PRIVATE EMPLOYERS INSURANCE	7,181	9,410	11,750	11,750	11,750	14,644	14,644	14,644
STATE EMPLOYEES INSURANCE	235,446	238,345	244,350	244,350	244,350	246,400	246,400	246,400
PUBLIC EMPLOYEES INSURANCE		10,940	12,041	12,041	12,041	13,131	13,131	13,131
AGENCY	8,680	8,878	8,953	8,953	8,953	8,953	8,953	8,953
=====								
TOTAL DEDICATED RECEIPTS	280,516	302,536	312,796	312,796	313,296	318,883	318,883	319,383
=====								
AGENCY TOTAL REVENUES	280,516	302,536	313,116	313,116	313,616	319,203	319,203	319,703
=====								

1998-99 Biennial Budget

PROGRAM: Human Resources Management
AGENCY: Employee Relations, Department of (DOER)

PROGRAM DESCRIPTION:

The Human Resources Management program exists: to represent the commissioner as the employer for all state employees; to fulfill mandatory training requirements for state employees; to initiate, develop, deliver, and maintain a variety of human resource services and systems to assist operating agencies; to administer compliance for the local government pay equity act; to provide internal administrative support services and external human resource information and data systems; to establish policies and procedures and provide technical assistance on the Americans with Disabilities Act (ADA); and, to provide state managers and supervisors training and assistance in hiring and retaining a diverse workforce.

Labor Relations and Compensation

The labor relations activity represents the commissioner as the employer for all state employees in the executive branch. The activity negotiates collective bargaining agreements with the exclusive representatives of state employees, presents management's positions in interest arbitration, and implements major portions of the collective bargaining agreements. This activity is responsible for carrying out the state's responsibilities as an employer under a variety of state and federal employment laws.

This activity also advises the management of each state agency in its relationships with the exclusive representatives for state employees, and sets statewide policy for management's relationship with labor. In its role supporting state agency management, this activity provides interpretations of collective bargaining agreements, advises agency management in contract and human resources administration issues, trains supervisors and managers in contract administration, and administers grievances that are appealed to arbitration.

The compensation activity provides an overall compensation framework for cash compensation and benefits other than insurance (e.g., vacation, sick leave, overtime). This activity provides policy development and research services to executive branch management in the areas of compensation and related programs. This activity is responsible for estimating the fiscal impact of collective bargaining proposals, and providing policy and technical direction in the negotiation of collective bargaining agreements. In addition, this activity develops or approves compensation plans for unrepresented employees in all non-higher education agencies.

Human Resources Development Services

The Human Resources Development Services (HRDS) Division is responsible for fulfilling mandatory training requirements for state employees in areas such as management development and supervisory training, prevention of sexual harassment, and Americans with Disabilities Act awareness. The division also coordinates curriculum development, logistics, and presenters on selected course topics, including performance management, public policies, and orientation to state government.

This division also facilitates cooperative ventures to improve access to quality human resources development services in state government. Some of these ventures include the development of new ways to share training resources (trainers, materials, technology) among public agencies to increase access, reduce cost, create consistency, and improve quality.

Staffing

This division is responsible for the initiation, development, delivery and maintenance of a variety of human resource services that help state agencies hire, develop and retain a productive workforce. Consultation as well as policy, process and/or systems development are provided in such areas as workforce planning, recruitment, assessment, selection, retention, classification, employee development planning and redeployment.

Local Government Pay Equity

This activity is responsible for administering the compliance process for the local government pay equity act. Responsibilities include informing local governments of the act's requirements, reviewing reports received from local governments, determining compliance, assessing penalties and informing the legislature of the compliance status of local units of government.

ADA

The Office of the ADA/Disability Coordinator establishes state policies and procedures and provides technical assistance and training to the executive branch so state agencies/campuses can comply with the Americans with Disabilities Act (ADA), Title I (employment), Title II (employment and program accessibility) (P.L. 101-336), and the Minnesota Human Rights Act (M.S. 363.03). The goal of the ADA is to ensure equal access for people with disabilities to employment, programs and services. In addition, this office has coordination responsibilities for the Qualified Disabled Examination testing alternative program for applicants with disabilities (M.S. 43A.10, subd. 8) and the Supported Work Program (M.S. 43A.421).

Office of Diversity and Equal Opportunity

The Office of Diversity and Equal Opportunity (ODEO) ensures that there is equal opportunity for all people at all levels of employment. Through targeted mentorship and trainee internship, affirmative action, recruitment and diversity initiatives, ODEO provides state managers and supervisors the policy framework and technical assistance necessary to carry out their responsibilities under federal and state equal employment opportunity laws, affirmative action rules and regulations. ODEO provides technical assistance to state agencies in building upon traditional affirmative action efforts and expanding diversity to all opportunities in the work environment.

Mentorship: Demographics have shown that the make-up of the population is more diverse. It is imperative that the state's programs continue to focus on recruitment, selection and retention of protected group members. The Mentorship Program will assist state agencies and other entities to take steps to create a culture for success to ensure employees remain within the workforce and are productive.

Trainee and Internship: This activity is proactive in regard to retention strategies that support workforce diversity. The goal is to increase access to and success in employment opportunities by providing training and development programs for protected group members.

Affirmative Action: The state of Minnesota is committed to an unbiased process to ensure equal representation in employment at all levels. This activity assists state agencies to ensure fair and equal access to state employment at all levels.

Recruitment: This activity assists state agencies in increasing the representation of protected group people in state employment applicant pools, the number of actual protected group state employees within individual state agencies at all levels. It also provides Minnesota residents with a better

PROGRAM: Human Resources Management

AGENCY: Employee Relations, Department of (DOER)
(Continuation)

understanding of employment opportunities in state government, the process of becoming a state employee and the benefits of becoming a state employee.

Diversity: This activity enhances communication by adopting measures of diversity in the workplace to increase the retention of protected group employees. It is designed to improve the work environment and improve services to the public. It establishes a structure in which diversity efforts in state government become more institutionalized. Effective diversity training within state government has shown to effectively improve the work environment by creating cultural awareness and sensitivity to differences.

Administrative Services

This activity provides internal administrative management and support services and external human resource information and data systems (State Employee Management System) (SEMA4) for operating agencies.

The Administrative Services activity is comprised of Central Support Services, Management Information Systems, Fiscal, SEMA4 Support, and the Office of Personnel and Training.

Central Support Services is Employee Relations' internal support unit that provides typing, graphic design, mailing, and inventory management services to the agency. Fiscal provides the department with budgeting, accounting, procurement, and payroll services. The Office of Personnel and Training provides human resource services to managers and supervisors for not only Employee Relations, but also the Departments of Finance, Minnesota Planning, and Human Rights.

The Management Information Services unit provides information management, information systems, information technology, resource management, and other information system services which contribute to and support the mission and functions of the Department of Employee Relations.

The primary computer systems supported by this unit include:

- State Employee Management System (SEMA4) (state's payroll and human resources system)
- Insurance (managing the benefits for state employees)
- Workers' Compensation (claims management for state employees)
- Staffing (job applicant management system)

The SEMA4 Support Team is the functional human resources branch of the MN-Assist organization. This team is responsible for providing guidance and assistance to state agency human resources and payroll offices. Specifically, SEMA4 support:

- provides training on SEMA4
- provides statewide policy and procedures on the administration of SEMA4 security
- provides human resources and payroll on-line documentation
- provides interpretation of state human resources policy and procedures
- audits transactions in accordance with M.S. 43A.37 and legislative auditor requirements.

PROGRAM STATUS:

Labor Relations and Compensation

During this biennium, the Labor Relations Bureau successfully negotiated the collective bargaining agreements with all the exclusive representatives. These agreements, which cover approximately 39,000 employees and 7 exclusive representatives, were subsequently approved by the Joint Commission on Employee Relations. In addition to the negotiated agreements, the Commissioner and Managerial Plan changes received legislative approval. The bureau represented various state agencies in 42 grievance arbitration hearings.

Aside from the significant amount of time spent in negotiations and arbitrations, the Labor Relations Bureau has developed a network of trained employment investigators which have been referred to agencies who have requested our assistance in different employee misconduct issues. The Labor Relations Bureau also continues to provide agencies with daily consultation regarding contract administration and labor relations counseling.

Human Resources Development Services

Administrative Procedure 43A.21 requires classified managers to complete 80 hours of training within one year after their initial appointment. DOER's Management Development Core Program (36 hours) is a required portion of the mandatory 80 hours. Supervisors are required to complete 48 hours of training through the Supervisory Core Program sponsored by the DOER. During the next biennium, these programs will be revised to better meet the needs of state managers and supervisors. This revision process includes participation by state managers and supervisors, DOER staff, bargaining unit representatives, and representatives from the technical and community college system.

A second priority for this biennium is a concentrated marketing effort to support the Performance Management Program. Performance Management was initially funded as a legislative initiative (Human Resource Innovations Labor-Management Committee), and is now earning revenue through registration receipts.

ADA

The Office of the ADA/Disability Coordinator was established in September 1994. Since its inception, the office has received 6,586 calls from state agencies for technical assistance and has completed training for 6,600 state employees. As originally proposed, this office was charged with providing training and technical assistance for Title I of the ADA. However, according to federal law and in response to the overwhelming requests from state agencies for training and technical assistance with the programmatic portion of Title II, this office has expanded its role to include both Titles I and II with the exception of building access issues being handled by the Department of Administration.

In collaboration with the Department of Economic Security, ADA is conducting a statewide survey to determine the prevalence of persons with disabilities within the state. Based on the results of this survey, state hiring and retention goals for this protected group will be adjusted in accordance with M.S. 43A.191.

Office of Diversity and Equal Opportunity

Currently, ODEO is providing leadership and support to state agencies in implementing strong affirmative action and diversity programs. Efforts focus on recruitment of protected group members, mentorship and trainee internship, retention of state employees, affirmative action compliance, youth and services that are appropriate and accessible to a diverse population.

1998-99 Biennial Budget

PROGRAM: Human Resources Management

AGENCY: Employee Relations, Department of (DOER)
(Continuation)

In the areas of affirmative action, ODEO developed Administrative Procedures and standards for M.S. 43A.191, and developed affirmative action training seminars for a conference statewide.

In an accelerated effort to create a diverse workforce, the Statewide Recruitment Resource Group, and the Statewide Mentorship Advisory Board were established. The "Reflections of the Community" directory and poster, and the Mentorship brochure and poster were developed, along with a retention survey. The Sharing Diversity Video Conference was held in October 1995 and October 1996. The Sharing Diversity Forum was held in April 1996. Currently, ODEO continues its partnerships with state agencies and other entities to ensure combined significant progress towards achieving affirmative action and diversity goals.

Staffing

During this biennium, many significant human resources innovations were introduced and/or piloted. The Department of Employee Relations (DOER) along with the Human Resource Innovations Labor Management Committee (HRLMC) introduced and supported the **SkillSearch Project**, a computer software tool that was piloted to create a base of applicant data from which quick and efficient identification and selection of qualified applicants are made; the **Clerical Consolidation Project**, which will be piloting a new concept to simplify job classifications utilized for all clerical employees; and **Redeployment and Workforce Planning**. These services have begun to provide strategic, proactive information to our state agency customers regarding work trends, workforce demographics and implications. Notably, over the past 6 months, agencies and DOER have begun to partner and explore statewide delivery of integrated human resource services, including sponsorship of a function-wide process study and cost data analysis to achieve maximum efficiency and cost effectiveness. DOER, along with its human resource partners, is taking the lead to improve quality and efficiency of its systems that support the work of state government.

PLANNED RESULTS:

Labor Relations and Compensation

During this biennium, planned activities include: 1) hiring a full-time employment investigator to assist agencies in difficult employee misconduct investigations, 2) revamping our training modules for Human Resource Development in order to provide the updated changes which have occurred in those topic areas, 3) preparing for the upcoming 1997-1999 round of bargaining, and 4) continuing to provide ongoing labor relations services to executive branch agencies.

Human Resources Development Services

The agency budget plan will facilitate the accomplishment of the following objectives:

- Within 1 year, increase the number of training options available through the Supervisory/Management Development Core programs by 50%.
- Improved work communication and performance management by state work groups on at least

1 of 5 goals in customer organizations, as identified through the Performance Management training.

Staffing

Major efforts have begun to realign or reengineer our statewide human resources function in order to achieve dramatic improvements in such areas of performance measurement as cost, quality, value added services and speed to our internal and external customers. During this biennium, planned activities will include 1) continued data gathering and analysis, 2) establishment of reengineering teams to redesign processes, 3) development and tracking of metrics, and 4) implementation of revised organizational structures that are aligned with these newly reengineered processes.

In order to gain maximum results in our reengineering efforts, improve employee development efforts and achieve maximum organizational effectiveness, our current HRI efforts to reduce the civil service bureaucracy under which we now must operate will increase and run concurrent with our aforementioned reengineering efforts. In conjunction with our agency customers and exclusive representatives, we will continue to create a more effective job classification system - rooted in merit principles with simplified administrative systems - that will allow us to enhance our capabilities in such areas as organizational flexibility, recruitment, selection, retention and employee development in broader skills and competencies.

ADA

The Office of the ADA/Disability Coordinator will facilitate the accomplishment of the following objectives:

- Provide statewide training to 40% of employees within the executive branch and provide technical assistance as requested on the legal requirements and practical approaches to Title I and Title II compliance with a 85% satisfaction rating.
- Establish an ADA monitoring mechanism to ensure the executive branch is complying with the Americans with Disabilities Act and prepare a report of compliance to the Office of the Governor on a bi-annual basis.
- Identify the percentage of persons with disabilities in the population of Minnesota who have the necessary skills in order to:
 - assure that positions in the executive branch of the civil service are equally accessible to all qualified persons; and
 - to eliminate underutilization of qualified persons with disabilities; and
 - ensure the state hiring goals of persons with disabilities are established to accurately reflect their representation in the general population of the state (M.S. 43A.19).

Office of Diversity and Equal Opportunity

ODEO plans to accomplish the following activities during the next biennium:

- ODEO will continue providing state agencies with a continuum of services in the areas of mentorship and trainee internship, affirmative action, recruitment, and diversity.
- ODEO will continue to work with state agencies to increase representation of protected group employees in all job classifications and all state agencies will have a coordinated recruitment and retention program.

1998-99 Biennial Budget

PROGRAM: Human Resources Management

AGENCY: Employee Relations, Department of (DOER)
(Continuation)

- By the year 2000, the State of Minnesota executive branch workforce will reflect the composition of the state's labor force.
- The turnover rate for protected group members will be reduced and comparable to the turnover rate of non-protected group members.
- ODEO will assist state agencies in complying with state and federal equal opportunity and affirmative action laws and regulations through compliance with the new Administrative Procedures.
- ODEO will continue to promote diversity initiatives that strengthen relationships among cultures that exist in the work environment.
- ODEO will expand concrete paths within and across state agencies and other entities by providing comprehensive training as it relates to mentorship and trainee internship, affirmative action, recruitment, and diversity.

GOVERNOR'S RECOMMENDATION:

The Governor concurs with the agency's plan. In addition, the Governor recommends the following biennial appropriations from the General Fund:

- \$875,000 to continue reforming the human resource management process.
- \$124,000 for employee misconduct investigations management (1.0 FTE).
- \$44,000 for management of the state's annual combined charities program (1/2 FTE).

1998-1999 B I E N N I A L B U D G E T
(DOLLARS IN THOUSANDS)

AGENCY: EMPLOYEE RELATIONS DEPT
PROGRAM: HUMAN RESOURCE MGMT

ACTIVITY RESOURCE ALLOCATION:	FY 1996	Est. FY 1997	FY 1998			FY 1999		
			Base Level	Agency Plan	Governor Recomm.	Base Level	Agency Plan	Governor Recomm.
ADMINISTRATION	3,546	4,437	3,459	3,459	3,481	3,535	3,535	3,557
DIVERSITY	384	621	517	517	517	528	528	528
LABOR RELATIONS & COMPSATN	816	822	833	833	895	850	850	912
STAFFING SERVICES	1,721	1,779	1,776	1,776	2,336	1,816	1,816	2,131
HUMAN RESOURCE DEVELOPMENT	844	851	787	787	787	796	796	796
VAC DONATION / COMB. CHARITIES	99	108	108	108	108	108	108	108
TOTAL EXPENDITURES BY ACTIVITY	7,410	8,618	7,480	7,480	8,124	7,633	7,633	8,032
GOV'S INITIATIVES:		FUND						
(B) COMBINED CHARITIES - PT TIME COORDINATOR		GEN			22			22
(B) ETHICS INVESTIGATIONS - LABOR RELATIONS		GEN			62			62
(B) HR MANAGEMENT REFORM - CONTINUATION		GEN			560			315
TOTAL GOV'S INITIATIVES					644			399
EXPENDITURES BY FUND:								
DIRECT APPROPRIATIONS:								
GENERAL	6,401	7,845	6,704	6,704	7,348	6,852	6,852	7,251
STATUTORY APPROPRIATIONS:								
GENERAL	66	110	100	100	100	100	100	100
SPECIAL REVENUE	844	551	568	568	568	573	573	573
AGENCY	99	112	108	108	108	108	108	108
TOTAL EXPENDITURES	7,410	8,618	7,480	7,480	8,124	7,633	7,633	8,032
FTE BY EMPLOYMENT TYPE:								
REGULAR	89.5	134.0	117.8	117.8	118.8	117.8	117.8	118.8
TEMP/SEAS/PART_TIME	1.2	1.2	1.1	1.1	1.6	1.1	1.1	1.6
OVERTIME	1.9	.3	.2	.2	.2	.2	.2	.2
TOTAL FTE	92.6	135.5	119.1	119.1	120.6	119.1	119.1	120.6

1998-1999 B I E N N I A L B U D G E T
(DOLLARS IN THOUSANDS)

AGENCY: EMPLOYEE RELATIONS DEPT
PROGRAM: HUMAN RESOURCE MGMT
ACTIVITY: ADMINISTRATION

ACTIVITY SUMMARY	FY 1996	Est. FY 1997	FY 1998			FY 1999		
			Base Level	Agency Plan	Governor Recomm.	Base Level	Agency Plan	Governor Recomm.
EXPENDITURES:								
DETAIL BY CATEGORY:								
STATE OPERATIONS:								
PERSONAL SERVICES	2,652	2,754	2,490	2,490	2,512	2,549	2,549	2,571
OPERATING EXPENSES	894	1,663	949	949	949	966	966	966
SUBTOTAL STATE OPERATIONS	3,546	4,417	3,439	3,439	3,461	3,515	3,515	3,537
PAYMENTS TO INDIVIDUALS		20	20	20	20	20	20	20
TOTAL EXPENDITURES	3,546	4,437	3,459	3,459	3,481	3,535	3,535	3,557
GOV'S INITIATIVES:		FUND						
(B) COMBINED CHARITIES - PT TIME COORDINATOR		GEN			22			22
TOTAL GOV'S INITIATIVES					22			22
EXPENDITURES BY FUND:								
DIRECT APPROPRIATIONS:								
GENERAL	3,545	4,400	3,436	3,436	3,458	3,512	3,512	3,534
STATUTORY APPROPRIATIONS:								
GENERAL		10						
SPECIAL REVENUE	1	23	23	23	23	23	23	23
AGENCY		4						
TOTAL EXPENDITURES	3,546	4,437	3,459	3,459	3,481	3,535	3,535	3,557
REVENUE COLLECTED:								
DEDICATED:								
GENERAL	94							
SPECIAL REVENUE	4	30	32	32	32	32	32	32
TOTAL REVENUES COLLECTED	98	30	32	32	32	32	32	32

1998-1999 BIENNIAL BUDGET
(DOLLARS IN THOUSANDS)

AGENCY: EMPLOYEE RELATIONS DEPT
PROGRAM: HUMAN RESOURCE MGMT
ACTIVITY: ADMINISTRATION

			FY 1998			FY 1999		
ACTIVITY SUMMARY	FY 1996	Est. FY 1997	Base Level	Agency Plan	Governor Recomm.	Base Level	Agency Plan	Governor Recomm.
FTE BY EMPLOYMENT TYPE:								
REGULAR	30.6	59.7	50.8	50.8	50.8	50.8	50.8	50.8
TEMP/SEAS/PART_TIME	.6	.6	.5	.5	1.0	.5	.5	1.0
OVERTIME	.2	.2	.2	.2	.2	.2	.2	.2
TOTAL FTE	31.4	60.5	51.5	51.5	52.0	51.5	51.5	52.0

F.Y. 1998-99 BUDGET INITIATIVE

AGENCY: Employee Relations, Department of (DOER)
PROGRAM: Human Resource Management
ACTIVITY: Administration

ITEM TITLE: Combined Charities State Campaign

	<u>1998-99 Biennium</u>		<u>2000-01 Biennium</u>	
	<u>F.Y. 1998</u>	<u>F.Y. 1999</u>	<u>F.Y. 2000</u>	<u>F.Y. 2001</u>
Expenditures: (\$000s)				
General Fund				
- State Operations	\$22	\$22	\$22	\$22
Revenues: (\$000s)				
General Fund	\$-0-	\$-0-	\$-0-	\$-0-

Statutory Change? Yes _____ No X

If yes, statutes(s) affected:

GOVERNOR'S RECOMMENDATION:

The Governor recommends an appropriation of \$44,000 for the biennium for administration of the annual combined charities program.

RATIONALE:

For 6 years, the Department of Public Service has spearheaded the annual charities campaign among classified and unclassified Minnesota state employees which usually raises approximately \$750,000 annually for state-approved charitable organizations. With the increasing complexity of charity work and the increasing number of national organizations wishing to be included in the Minnesota state employee campaign, the Combined Charities Taskforce concluded 2 years ago it would be appropriate and necessary to secure a paid half-time director. At the moment, various agencies take turns "donating" the services of an outstanding state employee who manages the actual charity fund-raising campaign for a portion of each calendar year.

The state does not take any money out of the Combined Charities receipts for the administration of the fund-raising program. Every agency, however, large or small, does some part in contributing to the overall success of the annual fall campaign which enables payroll deductions on a bi-weekly basis if the employee so designates.

1998-1999 B I E N N I A L B U D G E T
(DOLLARS IN THOUSANDS)

AGENCY: EMPLOYEE RELATIONS DEPT
PROGRAM: HUMAN RESOURCE MGMT
ACTIVITY: STAFFING SERVICES

ACTIVITY SUMMARY	FY 1996	Est. FY 1997	FY 1998			FY 1999		
			Base Level	Agency Plan	Governor Recomm.	Base Level	Agency Plan	Governor Recomm.
EXPENDITURES:								
DETAIL BY CATEGORY:								
STATE OPERATIONS:								
PERSONAL SERVICES	1,555	1,583	1,622	1,622	1,622	1,663	1,663	1,663
OPERATING EXPENSES	166	196	154	154	714	153	153	468
SUBTOTAL STATE OPERATIONS	1,721	1,779	1,776	1,776	2,336	1,816	1,816	2,131
TOTAL EXPENDITURES	1,721	1,779	1,776	1,776	2,336	1,816	1,816	2,131
GOV'S INITIATIVES:		FUND						
(B) HR MANAGEMENT REFORM - CONTINUATION		GEN			560			315
TOTAL GOV'S INITIATIVES					560			315
EXPENDITURES BY FUND:								
DIRECT APPROPRIATIONS:								
GENERAL	1,721	1,779	1,776	1,776	2,336	1,816	1,816	2,131
TOTAL EXPENDITURES	1,721	1,779	1,776	1,776	2,336	1,816	1,816	2,131
FTE BY EMPLOYMENT TYPE:								
REGULAR	35.4	36.6	33.6	33.6	33.6	33.6	33.6	33.6
TEMP/SEAS/PART_TIME	.3	.3	.3	.3	.3	.3	.3	.3
OVERTIME	.1	.1						
TOTAL FTE	35.8	37.0	33.9	33.9	33.9	33.9	33.9	33.9

F.Y. 1998-99 BUDGET INITIATIVE

AGENCY: Employee Relations, Department of (DOER)
PROGRAM: Human Resource Management
ACTIVITY: Staffing

ITEM TITLE: Human Resource Management Reform

	<u>1998-99 Biennium</u>		<u>2000-01 Biennium</u>	
	<u>F.Y. 1998</u>	<u>F.Y. 1999</u>	<u>F.Y. 2000</u>	<u>F.Y. 2001</u>
Expenditures: (\$000s)				
General Fund				
- State Operations	\$560	\$315	\$140	\$140
Revenues: (\$000s)				
General Fund	\$-0-	\$-0-	\$-0-	\$-0-

Statutory Change? Yes _____ No X

If yes, statutes(s) affected:

GOVERNOR'S RECOMMENDATION:

The Governor recommends \$875,000 from the General Fund for the 1998-99 biennium for continuation of the state's human resource management reform process.

RATIONALE:

Redeployment

The Human Resources Innovations Labor-Management Committee acted as the initiator and supporter of this human resources service in 1995. This first 15 months began the development of a holistic process to manage successful human resources change while meeting the immediate needs of agencies in such areas as voluntary and involuntary reductions, retraining, reassignments, outplacement, and establishment and training of in-house agency redeployment coordinators. The services provided in redeployment are in high demand and are anticipated to continue. With the statewide process and "tool kit" of services created and completed for use by F.Y. 1997 year-end, focus will shift to refinement of the systems, facilitation of change needs on a more pro-active basis and consultation to all agencies. Funding is requested for the continuance of one full-time employee and production and distribution costs associated with program development.

On-Line Applicant Services

Approximately 20,000 applicants complete one or more of over 100 written exams across our state. This system is utilizing the "paper and pencil" method of testing on primarily Saturdays with hourly "monitors" stationed to administer these individual tests. Applicants must accommodate the schedule of the tests, tests must be shipped from "vaults" for security, lost tests due to mail inadequacies must be recovered, reshipped or reformulated, and over ten full-time employees must be involved with the scheduling, correspondence, test site administration, test distribution, test scoring and communica-

tions with applicants. In addition, there is significant cost associated with test development and reprinting, which has left a backlog of requests for new testing as our jobs change and, therefore, their assessment needs. With this initiative request, we plan to reengineer this entire process, which will involve the utilization of computer automation and technology to provide a more customer focused and user friendly system, reduce or eliminate the need for applicant processors, monitors and test site administration. Our vision is to incorporate CAT (Computer Assisted Testing) technology that would allow us to create testing more efficiently and cost effectively, data base our testing, administer testing via secured computer terminals located at convenient DES Work Force Center locations or colleges and university locations, and automatically score and report test results to the applicant. Annualized savings are estimated at full implementation between \$250-300,000 vs. our current costs to provide statewide testing support.

Classification System

The current system of classification has been utilized with few or no changes for the past 40 years. It was based upon a system of jobs created to be like an "assembly line" or sequence of tasks; in an environment of organizational stability and confined business objectives. It was also based on a time of mistrust; where the employee was viewed simply as the "doer" rather than the "creator" of efficient processes. Today's work involves and revolves around "change", requiring cross functional teams to be formed and disbanded continuously around projects requiring a multitude of skills sets. Today's worker must become "multi-talented" or a "generalist" in their profession and flexible to take on ever changing requirements of the customer. The system, therefore, must be able to 1) allow mobility within and across classifications and agencies, 2) build current and future capability by developing a "competency-based" process for employees and their career development, 3) allow a more career oriented culture with specific performance accountability and 4) be quick and easy for employees, teams and managers to use to quickly "get down to business."

We have begun with the Clerical Consolidation Project, aimed at reducing the number of classifications, setting up broad series of jobs, identifying critical competencies that cut across these broad series and identifying the training necessary to proactively acquire these skills. This project, when extended statewide, requires extensive research and consultative help building the necessary algorithms for each series. The competencies we identify will be integrated into our HR systems and lead to improved processes in selection, recruitment, employee development and workforce planning/redeployment. Current processes require extensive manual "job audits", that we now have the opportunity to automate - saving thousands of dollars annually and speeding the process from months to days as we maintain this new system. Dollars requested will be appropriated toward the purchase of Hay's "HR Xpert" software and consultative services related to the development of Job Analysis Questionnaires, algorithm development, validation and conversion to the recommended new series.

Employee Development System

In the next 2 years, we will be well underway with our efforts to realign the human resources functional processes and services to better meet the needs of the state and its employees, as well as to create a more flexible, cost effective and skill building job system. It is anticipated that by F.Y. 1999, we will have created a clear workforce plan at many agencies, with broad series of jobs, and specific plans that identify our future organizational needs. This "new world" of pro-active human resource management will require an effective system to manage the process of matching organizational needs with our training and employee development efforts. Software is available to allow us to have employees and managers build individual employee development plans, and then link directly with statewide training resources for needs fulfillment. Such a system is vital in supporting our strategic direction of broadening our employees skills and abilities, as well as to

F.Y. 1998-99 BUDGET INITIATIVE

AGENCY: Employee Relations, Department of (DOER)
PROGRAM: Human Resource Management
ACTIVITY:

ITEM TITLE: Human Resource Management Reform
(Continuation)

assure that not one dime of training dollars is lost to inappropriate organizational needs or needless administration costs. Requested funds would be for software purchase and remote implementation training and travel expenses.

Assessment and Selection

As referenced in the "ON LINE APPLICANT SERVICES" section above, the area of assessment and selection must be addressed. Currently, we have many written as well as experience and training (E&T) tests for outdated classes, and little for the newer "broader" classes or series that will be required. Software tools are available that will customize a selection process to the specific position, and objectively assist teams and/or managers analyzing the results to make an effective final selection decision. It is anticipated that as many as 60% of our jobs could be selected with no further need of HR services through this selection tool. This continues to support our strategic goal of providing the tools to drive decision making at the business level and thus broaden the skills of our employees, reduce cost and improve responsiveness. Appropriations requested support software purchase, travel and materials for implementation.

PROGRAM OUTCOMES:

- A human resource management system that is faster, cheaper and produces higher quality results.
- A reduced number of employees spending time on transactional, repetitive tasks that will be automated.
- A more user friendly process for job applicants.
- Better knowledge of and better use of the skills of existing state employees.
- Faster hiring for state managers and supervisors.

1998-1999 B I E N N I A L B U D G E T
(DOLLARS IN THOUSANDS)

AGENCY: EMPLOYEE RELATIONS DEPT
PROGRAM: HUMAN RESOURCE MGMT
ACTIVITY: HUMAN RESOURCE DEVELOPMENT

ACTIVITY SUMMARY	FY 1996	Est. FY 1997	FY 1998			FY 1999		
			Base Level	Agency Plan	Governor Recomm.	Base Level	Agency Plan	Governor Recomm.
=====	=====	=====	=====	=====	=====	=====	=====	=====
EXPENDITURES:								

DETAIL BY CATEGORY:								
STATE OPERATIONS:								
PERSONAL SERVICES	344	563	501	501	501	510	510	510
OPERATING EXPENSES	500	288	286	286	286	286	286	286
=====	=====	=====	=====	=====	=====	=====	=====	=====
SUBTOTAL STATE OPERATIONS	844	851	787	787	787	796	796	796
=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL EXPENDITURES	844	851	787	787	787	796	796	796
EXPENDITURES BY FUND:								

DIRECT APPROPRIATIONS:								
GENERAL	1	323	242	242	242	246	246	246
STATUTORY APPROPRIATIONS:								
SPECIAL REVENUE	843	528	545	545	545	550	550	550
=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL EXPENDITURES	844	851	787	787	787	796	796	796
REVENUE COLLECTED:								

DEDICATED:								
SPECIAL REVENUE	702	540	523	523	523	526	526	526
=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL REVENUES COLLECTED	702	540	523	523	523	526	526	526
FTE BY EMPLOYMENT TYPE:								

REGULAR	7.1	14.9	10.4	10.4	10.4	10.4	10.4	10.4
=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL FTE	7.1	14.9	10.4	10.4	10.4	10.4	10.4	10.4

1998-1999 B I E N N I A L B U D G E T
(DOLLARS IN THOUSANDS)

AGENCY: EMPLOYEE RELATIONS DEPT
PROGRAM: HUMAN RESOURCE MGMT
ACTIVITY: LABOR RELATIONS & COMPSATN

ACTIVITY SUMMARY	FY 1996	Est. FY 1997	FY 1998			FY 1999		
			Base Level	Agency Plan	Governor Recomm.	Base Level	Agency Plan	Governor Recomm.
=====	=====	=====	=====	=====	=====	=====	=====	=====
EXPENDITURES:								

DETAIL BY CATEGORY:								
STATE OPERATIONS:								
PERSONAL SERVICES	575	652	667	667	729	684	684	746
OPERATING EXPENSES	241	170	166	166	166	166	166	166
=====	=====	=====	=====	=====	=====	=====	=====	=====
SUBTOTAL STATE OPERATIONS	816	822	833	833	895	850	850	912
=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL EXPENDITURES	816	822	833	833	895	850	850	912
=====	=====	=====	=====	=====	=====	=====	=====	=====
GOV'S INITIATIVES:		FUND						
-----		-----						
(B) ETHICS INVESTIGATIONS - LABOR RELATIONS		GEN			62			62
=====		=====			=====			=====
TOTAL GOV'S INITIATIVES					62			62
=====								
EXPENDITURES BY FUND:								

DIRECT APPROPRIATIONS:								
GENERAL	750	722	733	733	795	750	750	812
STATUTORY APPROPRIATIONS:								
GENERAL	66	100	100	100	100	100	100	100
=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL EXPENDITURES	816	822	833	833	895	850	850	912
=====	=====	=====	=====	=====	=====	=====	=====	=====
FTE BY EMPLOYMENT TYPE:								

REGULAR	10.4	12.0	12.0	12.0	13.0	12.0	12.0	13.0
=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL FTE	10.4	12.0	12.0	12.0	13.0	12.0	12.0	13.0
=====	=====	=====	=====	=====	=====	=====	=====	=====

F.Y. 1998-99 BUDGET INITIATIVE

AGENCY: Employee Relations, Department of (DOER)
PROGRAM: Human Resource Management
ACTIVITY: Labor Relations and Compensation

ITEM TITLE: Employee Misconduct Investigations

	<u>1998-99 Biennium</u>		<u>2000-01 Biennium</u>	
	<u>F.Y. 1998</u>	<u>F.Y. 1999</u>	<u>F.Y. 2000</u>	<u>F.Y. 2001</u>
Expenditures: (\$000s)				
General Fund				
- State Operations	\$62	\$62	\$62	\$62
Revenues: (\$000s)				
General Fund	\$-0-	\$-0-	\$-0-	\$-0-

Statutory Change? Yes ____ No X

If yes, statutes(s) affected:

GOVERNOR'S RECOMMENDATION:

The Governor recommends a biennial appropriation of \$124,000 from the General Fund to enhance misconduct investigations oversight and administration.

RATIONALE:

Over the last 5 years, the Department of Employee Relations has worked with other state agencies collectively to provide assistance to agencies which, for a variety of reasons, do not have the resources available for conducting sensitive employee misconduct investigations. Employee misconduct investigations require the investigator to be knowledgeable in multiple areas which include due process considerations and collective bargaining procedures. Consequences for poor employee misconduct investigations can have the potential of costly monetary settlements, as well as work place disruption.

Currently, the coordination for this activity has been under the direction of the Labor Relations Bureau. The Labor Relations Bureau is responsible for the arbitration of disciplinary action of state employees, some 35,000, that are covered by collective bargaining agreements.

To date there have been over 75 investigations which have been arranged by the Labor Relations Bureau. These investigations have been requested at all levels within the executive branch. The results of this activity have proven beneficial to the Executive Branch, resulting in more sustained grievances and/or uncontested challenges by those on whom the investigation focused. In addition, the courts have recognized that the mitigation of damages to plaintiffs can be a result of prompt and effective responses which include investigating employee misconduct as soon as possible.

One result of the successful investigation referral system established by the Department of Employee Relations is the identified increased need for higher skilled full-time employee miscon-

duct investigative services for executive branch agencies. The Labor Relations Bureau, in order to respond to the increased complexity of allegations, has entered into outside contracts to provide the necessary expertise.

The cost of the investigations which have been contracted out in F.Y. 1996 equals \$125,000. It appears that the complexity of the requests, the level of the outside investigations will at least continue, and unfortunately, may even increase. The Department of Employee Relations does not see this as an increase in employee misconduct, but rather an increase in the level of accountability to any level of employee misconduct in the executive branch; i.e., higher level of public accountability.

PROGRAM OUTCOMES:

Trainee Program: This position will be responsible for the ongoing training of the current state employee investigation pool.

Investigations: This position will conduct the majority of employee misconduct investigations which are currently being contracted out and resulting in less expensive employee misconduct investigations.

LONG-TERM IMPACT:

DOER expects that the level of expertise by a full-time position to perform the employee misconduct investigations will be more cost effective and produce more consistent results in employee misconduct investigations.

1998-1999 B I E N N I A L B U D G E T
(DOLLARS IN THOUSANDS)

AGENCY: EMPLOYEE RELATIONS DEPT
PROGRAM: HUMAN RESOURCE MGMT
ACTIVITY: DIVERSITY

ACTIVITY SUMMARY	FY 1996	Est. FY 1997	FY 1998			FY 1999		
			Base Level	Agency Plan	Governor Recomm.	Base Level	Agency Plan	Governor Recomm.
EXPENDITURES:								
DETAIL BY CATEGORY:								
STATE OPERATIONS:								
PERSONAL SERVICES	342	454	421	421	421	432	432	432
OPERATING EXPENSES	42	167	96	96	96	96	96	96
SUBTOTAL STATE OPERATIONS	384	621	517	517	517	528	528	528
TOTAL EXPENDITURES	384	621	517	517	517	528	528	528
EXPENDITURES BY FUND:								
DIRECT APPROPRIATIONS:								
GENERAL	384	621	517	517	517	528	528	528
TOTAL EXPENDITURES	384	621	517	517	517	528	528	528
FTE BY EMPLOYMENT TYPE:								
REGULAR	6.0	10.8	11.0	11.0	11.0	11.0	11.0	11.0
TEMP/SEAS/PART_TIME	.3	.3	.3	.3	.3	.3	.3	.3
OVERTIME	1.6							
TOTAL FTE	7.9	11.1	11.3	11.3	11.3	11.3	11.3	11.3

1998-1999 B I E N N I A L B U D G E T
(DOLLARS IN THOUSANDS)

AGENCY: EMPLOYEE RELATIONS DEPT
PROGRAM: HUMAN RESOURCE MGMT
ACTIVITY: VAC DONATION / COMB. CHARITIES

ACTIVITY SUMMARY	FY 1996	Est. FY 1997	FY 1998			FY 1999		
			Base Level	Agency Plan	Governor Recomm.	Base Level	Agency Plan	Governor Recomm.
=====	=====	=====	=====	=====	=====	=====	=====	=====
EXPENDITURES:								

DETAIL BY CATEGORY:								
PAYMENTS TO INDIVIDUALS	99	108	108	108	108	108	108	108
=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL EXPENDITURES	99	108	108	108	108	108	108	108
EXPENDITURES BY FUND:								

STATUTORY APPROPRIATIONS:								
AGENCY	99	108	108	108	108	108	108	108
=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL EXPENDITURES	99	108	108	108	108	108	108	108
REVENUE COLLECTED:								

DEDICATED:								
AGENCY	92	253	253	253	253	253	253	253
=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL REVENUES COLLECTED	92	253	253	253	253	253	253	253
FTE BY EMPLOYMENT TYPE:								

=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL FTE								

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1998-99 Biennial Budget

PROGRAM: Employee Insurance
AGENCY: Employee Relations, Department of (DOER)

PROGRAM DESCRIPTION:

The Employee Insurance Program exists to meet the insurance needs of state employees and other private and public employees whose employers have chosen to participate in the health insurance program and to administer the state's self-insured workers' compensation program. The program includes development, administration and management of the following activities:

- State Group Insurance Administration,
- Public Employees Insurance Administration,
- Private Employers Insurance Administration, and
- Self-insured State Workers' Compensation Administration

The program negotiates insurance benefits and related contracts to provide appropriate coverage levels, efficient claims administration, and initiatives to prevent and control costs. The program also acts as the third party administrator for the state's self-insured workers' compensation activities covering employees of the executive, legislative, and judicial branches of state government and other public customers.

The primary goal of the program with respect to employee insurance benefits is to provide high-quality, cost-effective insurance coverage and employee education which meets the needs of customers. The primary goals of the program with respect to workers' compensation are to ensure the timely and accurate processing of claims, to ensure that injured employees have access to quality health care and promptly receive the benefits to which they are entitled, and to ensure that injured workers are returned to meaningful jobs as expeditiously as possible. The program also assists agencies in providing safe and healthy work environments for state employees, promoting healthy lifestyles among state employees and their families, and providing rehabilitative and retraining opportunities to injured workers.

PROGRAM STATUS:

In order to place more emphasis on collaboration and partnership in purchasing health care/insurance for various state programs, the Employee Insurance Division (EID) within the Department of Employee Relations (DOER) was reorganized in July 1996. Projects of primary focus include:

- Collaboration of state health care/insurance purchasing activities which are currently carried out separately by DOER and the Minnesota Department of Human Services (DHS).
- Working with unions to explore care system competition.
- Integration of functions, staff, resources and purchasing power of the State Employees Group Insurance Program (which provides health, dental and other insurance benefits to the state and University of Minnesota employees) and the State Workers' Compensation Program (which pays workers' compensation benefits, oversees managed health care and provides disability management, etc., for state employees who are injured on the job) into a single "24-hour coverage" program.

PLANNED RESULTS:

The agency budget plan will facilitate the accomplishment of related performance objectives as identified in the 1996 Performance Report as follows:

- Purchase health coverage for F.Y. 1998-99 so that the trend in premiums is at or below the trend in the Consumer Price Index (CPI) for medical services and the trend in the Milliman & Robertson Health Cost Index.
- Work with individual health plans to improve their service and quality so that employee opinion of overall health care on the 1995 biennial employee satisfaction survey exceeds 80%.
- Work with individual health plans to improve their service and quality so that employee opinion of their health plan as measured on the 1995 biennial employee satisfaction survey exceeds 80%.
- Maintain an incidence rate that is at or below the incidence rate for other employers in Minnesota each fiscal year.
- Maintain the percentage of state agency worksites (with greater than 100 employees) with active health promotion programs at 75% or greater as reported on the State Employee Health Promotion Program Annual Report Form.
- Establish a baseline of employee opinion of overall workers' compensation benefit delivery on the 1996 workers' compensation employee satisfaction survey for future measurement.
- Increase the number of participating public employer groups and the number of participants for F.Y. 1995-96 by 10% and maintain a retention rate at or above 85%.
- Increase the number of participating Minnesota private employer groups for F.Y. 1995-96 by 100 and maintain a retention rate at or above 85%.

GOVERNOR'S RECOMMENDATION:

- A one-time, \$1,000,000 appropriation in F.Y. 1998 to establish a workers' compensation claim settlement reserve.
- A \$1,456,000 biennial reduction to the WCRA premium appropriation, converting the obligation to an open appropriation in future years.

1998-1999 B I E N N I A L B U D G E T
(DOLLARS IN THOUSANDS)

AGENCY: EMPLOYEE RELATIONS DEPT
PROGRAM: EMPLOYEE INSURANCE

ACTIVITY RESOURCE ALLOCATION:	FY 1996	Est. FY 1997	FY 1998			FY 1999		
			Base Level	Agency Plan	Governor Recomm.	Base Level	Agency Plan	Governor Recomm.
STATE GROUP INSURANCE	3,793	4,092	4,789	4,789	4,789	4,801	4,801	4,801
PEIP	231	11,170	12,278	12,278	12,278	13,846	13,846	13,846
MEIP	286	459	578	578	578	606	606	606
STATE WORKERS' COMP	3,465	3,797	4,207	4,207	4,207	4,207	4,207	4,207
CLAIMS & PREMIUM ACTIVITY	269,493	273,844	281,967	281,967	282,739	289,827	289,827	289,599
TOTAL EXPENDITURES BY ACTIVITY	277,268	293,362	303,819	303,819	304,591	313,287	313,287	313,059
GOV'S INITIATIVES:		FUND						
(B) WCRA PREMIUM HOLIDAY - MOVE TO OPEN APPR		GEN			<728>			<728>
(B) STATE WORKERS' COMP - SETTLEMENT RESERVE		GEN			1,000			
(B) STATE WORKERS' COMP - SETTLEMENT RESERVE		SR			500			500
TOTAL GOV'S INITIATIVES					772			<228>
EXPENDITURES BY FUND:								
DIRECT APPROPRIATIONS:								
GENERAL	659	104	832	832	1,104	832	832	104
STATUTORY APPROPRIATIONS:								
SPECIAL REVENUE	19,204	24,409	24,815	24,815	25,315	24,827	24,827	25,327
PRIVATE EMPLOYERS INSURANCE	7,046	9,781	11,528	11,528	11,528	14,290	14,290	14,290
STATE EMPLOYEES INSURANCE	241,865	239,348	245,666	245,666	245,666	250,792	250,792	250,792
PUBLIC EMPLOYEES INSURANCE		11,170	12,278	12,278	12,278	13,846	13,846	13,846
AGENCY	8,494	8,550	8,700	8,700	8,700	8,700	8,700	8,700
TOTAL EXPENDITURES	277,268	293,362	303,819	303,819	304,591	313,287	313,287	313,059
FTE BY EMPLOYMENT TYPE:								
REGULAR	96.7	97.1	97.1	97.1	97.1	97.1	97.1	97.1
TEMP/SEAS/PART_TIME	1.8	1.8	1.8	1.8	1.8	1.8	1.8	1.8
OVERTIME	.6	.7	.6	.6	.6	.6	.6	.6
TOTAL FTE	99.1	99.6	99.5	99.5	99.5	99.5	99.5	99.5

1998-99 Biennial Budget

BUDGET ACTIVITY: State Group Insurance Administration
PROGRAM: Employee Insurance
AGENCY: Employee Relations, Department of

ACTIVITY DESCRIPTION:

The State Employee Group Insurance Program (SEGIP) purchases and administers the following employee insurance benefits: health, dental, life and disability insurance, health promotion services, and pre-tax spending accounts for dependent care and medical/dental expenses. It provides insurance benefits to executive branch employees and other organizations authorized by law to participate in the program, including the University of Minnesota and the legislative and judicial branches of state government. Employee insurance benefits are a critical component of total employee compensation and are necessary to continue to attract and retain a high-quality workforce. SEGIP is the largest employment-based insurance benefits program in Minnesota, covering over 140,000 employees, retirees and dependents.

BUDGET ISSUES:

The major budget issue is the increase in operational costs necessary to maintain the activity's goal of holding health insurance costs at or below the regionally adjusted medical services Consumer Price Index (CPI). SEGIP exceeded this goal in each of the last 2 fiscal years with actual reductions in the annual cost per employee, resulting in a cost avoidance of an additional \$50 million for operating agencies. The program accomplished this while being funded solely by an administrative fee that has not been increased since F.Y. 1990. The last 2 years required the use of carry-forward funds dedicated for critically needed system improvements.

In addition to the inflationary impact of no fee increase in 7 years, SEGIP has experienced significant increased administrative costs in complying with federal legislation (COBRA, the Family Medical Leave Act, the Americans with Disability Act) and the required integration of over 30 different technical college benefit systems representing 4,000 employees.

The increase in administrative fees will be used to:

1. bring the base fee to the current operating level,
2. continue to maintain health care expenses at or below the CPI,
3. cover compensation costs expected to increase 2.5% annually,
4. cover other operating costs expected to increase 3% annually, and
5. continue following the redesign plans implemented this year (health care purchasing integration and open enrollment).

SEGIP expects to increase fees \$1.30 per employee per month. This reflects the amount necessary to recover program costs for administration in F.Y. 1998-99.

REVENUE:

	<u>F.Y. 1994</u>	<u>F.Y. 1995</u>	<u>F.Y. 1996</u>
Actual benefit costs (\$ in 000s)	\$210,988	\$210,332	\$229,935
Actual # of employees	59,271	60,853	67,220
Actual cost per employee	\$3,560	\$3,456	\$3,421
Actual % increase (base F.Y. 1994)	0	(2.90)%	(1.03)%
CPI	0	5.80%	2.90%
Projected benefit costs (F.Y. 1994 base increased by the CPI)(\$ in 000)	0	\$229,183	\$260,504
Savings (\$ in 000s)	0	\$18,851	\$30,569
Total Savings F.Y. 1994-95	0	0	\$49,420
Admin Fee since F.Y. 1990 (employee/month)	\$4.33	\$4.33	\$4.33

1998-1999 B I E N N I A L B U D G E T
(DOLLARS IN THOUSANDS)

AGENCY: EMPLOYEE RELATIONS DEPT
PROGRAM: EMPLOYEE INSURANCE
ACTIVITY: STATE GROUP INSURANCE

ACTIVITY SUMMARY	FY 1996	Est. FY 1997	FY 1998			FY 1999		
			Base Level	Agency Plan	Governor Recomm.	Base Level	Agency Plan	Governor Recomm.
EXPENDITURES:								
DETAIL BY CATEGORY:								
STATE OPERATIONS:								
PERSONAL SERVICES	1,740	2,098	2,765	2,765	2,765	2,656	2,656	2,656
OPERATING EXPENSES	2,024	1,954	1,972	1,972	1,972	2,093	2,093	2,093
SUBTOTAL STATE OPERATIONS	3,764	4,052	4,737	4,737	4,737	4,749	4,749	4,749
PAYMENTS TO INDIVIDUALS			10	10	10	10	10	10
LOCAL ASSISTANCE	29	40	42	42	42	42	42	42
TOTAL EXPENDITURES	3,793	4,092	4,789	4,789	4,789	4,801	4,801	4,801
EXPENDITURES BY FUND:								
STATUTORY APPROPRIATIONS:								
SPECIAL REVENUE	388	716	712	712	712	724	724	724
STATE EMPLOYEES INSURANCE	3,405	3,376	4,077	4,077	4,077	4,077	4,077	4,077
TOTAL EXPENDITURES	3,793	4,092	4,789	4,789	4,789	4,801	4,801	4,801
REVENUE COLLECTED:								
DEDICATED:								
SPECIAL REVENUE	876	878	878	878	878	878	878	878
STATE EMPLOYEES INSURANCE	2,385	2,395	3,096	3,096	3,096	3,096	3,096	3,096
TOTAL REVENUES COLLECTED	3,261	3,273	3,974	3,974	3,974	3,974	3,974	3,974
FTE BY EMPLOYMENT TYPE:								
REGULAR	44.0	44.4	44.4	44.4	44.4	44.4	44.4	44.4
TEMP/SEAS/PART_TIME	1.7	1.7	1.7	1.7	1.7	1.7	1.7	1.7
OVERTIME	.6	.7	.6	.6	.6	.6	.6	.6
TOTAL FTE	46.3	46.8	46.7	46.7	46.7	46.7	46.7	46.7

1998-99 Biennial Budget

BUDGET ACTIVITY: Minnesota Employees Insurance Program (MEIP)
Public Employees Insurance Program (PEIP)
PROGRAM: Employee Insurance
AGENCY: Employee Relations, Department of

ACTIVITY DESCRIPTION:

MEIP (Minnesota Employees Insurance Program) and PEIP (Public Employees Insurance Program) are working models of public/private partnerships. They were created to improve the affordability, quality and accessibility of health care in Minnesota.

MEIP is a statewide health insurance purchasing tool, established for Minnesota-based private businesses as part of the 1992 MinnesotaCare health care legislation.

PEIP is a statewide health-dental-life insurance pool, which was established to help Minnesota's public employers (including counties, cities, townships, school districts, local units of government, and other jurisdictions) purchase health care coverage for employees.

The program negotiates insurance benefits and related contracts to provide appropriate coverage levels, efficient administration, and initiatives to prevent and control costs for MEIP and PEIP.

BUDGET ISSUES:

The MEIP enabling legislation provided a loan of \$2,075,000 to cover start-up costs and development from the Health Care Access Fund to be repaid in June 1998. Current projections indicate that a portion will be paid when due. MEIP is currently taking steps to address the issue. We will be better prepared to propose a repayment schedule during the next legislative session.

REVENUE:

These programs are funded primarily through employer and employee premiums. Combined revenues total approximately \$25 million each year.

1998-1999 B I E N N I A L B U D G E T
(DOLLARS IN THOUSANDS)

AGENCY: EMPLOYEE RELATIONS DEPT
PROGRAM: EMPLOYEE INSURANCE
ACTIVITY: PEIP

ACTIVITY SUMMARY	FY 1996	Est. FY 1997	FY 1998			FY 1999		
			Base Level	Agency Plan	Governor Recomm.	Base Level	Agency Plan	Governor Recomm.
=====	=====	=====	=====	=====	=====	=====	=====	=====
EXPENDITURES:								

DETAIL BY CATEGORY:								
STATE OPERATIONS:								
PERSONAL SERVICES	112	117	119	119	119	122	122	122
OPERATING EXPENSES	119	11,053	12,159	12,159	12,159	13,724	13,724	13,724
=====	=====	=====	=====	=====	=====	=====	=====	=====
SUBTOTAL STATE OPERATIONS	231	11,170	12,278	12,278	12,278	13,846	13,846	13,846
=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL EXPENDITURES	231	11,170	12,278	12,278	12,278	13,846	13,846	13,846
EXPENDITURES BY FUND:								

STATUTORY APPROPRIATIONS:								
STATE EMPLOYEES INSURANCE	231							
PUBLIC EMPLOYEES INSURANCE		11,170	12,278	12,278	12,278	13,846	13,846	13,846
=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL EXPENDITURES	231	11,170	12,278	12,278	12,278	13,846	13,846	13,846
REVENUE COLLECTED:								

DEDICATED:								
PUBLIC EMPLOYEES INSURANCE		660	677	677	677	695	695	695
NONDEDICATED:								
PUBLIC EMPLOYEES INSURANCE			320	320	320	320	320	320
=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL REVENUES COLLECTED		660	997	997	997	1,015	1,015	1,015
FTE BY EMPLOYMENT TYPE:								

REGULAR	2.5	2.5	2.5	2.5	2.5	2.5	2.5	2.5
=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL FTE	2.5	2.5	2.5	2.5	2.5	2.5	2.5	2.5

1998-1999 B I E N N I A L B U D G E T
(DOLLARS IN THOUSANDS)

AGENCY: EMPLOYEE RELATIONS DEPT
PROGRAM: EMPLOYEE INSURANCE
ACTIVITY: MEIP

ACTIVITY SUMMARY	FY 1996	Est. FY 1997	FY 1998			FY 1999		
			Base Level	Agency Plan	Governor Recomm.	Base Level	Agency Plan	Governor Recomm.
EXPENDITURES:								
DETAIL BY CATEGORY:								
STATE OPERATIONS:								
PERSONAL SERVICES	118	88	91	91	91	93	93	93
OPERATING EXPENSES	168	371	487	487	487	513	513	513
SUBTOTAL STATE OPERATIONS	286	459	578	578	578	606	606	606
TOTAL EXPENDITURES	286	459	578	578	578	606	606	606
EXPENDITURES BY FUND:								
STATUTORY APPROPRIATIONS:								
PRIVATE EMPLOYERS INSURANCE	286	459	578	578	578	606	606	606
TOTAL EXPENDITURES	286	459	578	578	578	606	606	606
REVENUE COLLECTED:								
DEDICATED:								
PRIVATE EMPLOYERS INSURANCE	113	116	118	118	118	118	118	118
TOTAL REVENUES COLLECTED	113	116	118	118	118	118	118	118
FTE BY EMPLOYMENT TYPE:								
REGULAR	2.1	1.5	1.5	1.5	1.5	1.5	1.5	1.5
TOTAL FTE	2.1	1.5	1.5	1.5	1.5	1.5	1.5	1.5

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1998-99 Biennial Budget

BUDGET ACTIVITY: Workers' Compensation Program
PROGRAM: Employee Insurance
AGENCY: Employee Relations, Department of

ACTIVITY DESCRIPTION:

This activity administers the state's self-insured workers' compensation program in compliance with M.S. 176. The activity is responsible for claims management including accepting and denying claims; payment of medical, legal and indemnity bills; coordination of rehabilitation and return-to-work activities; legal representation; coordination of utilization review and medical care management. It also provides consultive services in the areas of occupational safety, environmental hygiene, and injury prevention. The activity covers employees of the executive, legislative and judicial branches of state government and other public employees.

BUDGET ISSUES:

The major budget issue confronting this activity is the growth in expenditures associated with increases in operation costs. The program continues to operate on an administrative budget that was established for F.Y. 1993. Since then, the number of employees covered by our program has increased by 12%. While there have been increases in operating costs, primarily in the areas of salary, benefits and management information systems, there has not been an increase in the program's administrative fee charged to agencies. The program has left positions vacant and has been unable to appropriately respond to changing demands placed on return-to-work efforts for employees, which in recent years have become more complex because of the Americans with Disability Act (ADA) and other laws.

In order to continue to effectively and efficiently provide workers' compensation services to state agencies, the program needs to hire two Workers' Compensation Claims Management Specialists and a Qualified Rehabilitation Consultant (QRC) to provide claims management services, fund planned enhancements to the program's management information systems, continue proactive efforts in safety and industrial hygiene issues, and create a premium-based funding structure that will better enable state agencies to budget for their workers' compensation risk.

The program is requesting an increase in administrative fees of \$7.50 per employee per year for the 1998-1999 biennium. For subsequent years, administrative fees per employee should be increased by the amount of the overall increase in the regional medical CPI.

REVENUE:

Type of Revenue:
Dedicated - Special

This activity is supported by administrative fees charged to all participating state and quasi-state entities.

	<u>F.Y. 1994</u>	<u>F.Y. 1995</u>	<u>F.Y. 1996</u>	<u>F.Y. 1997</u>
Workers' compensation				
Administrative Fee	\$2,731,000	\$2,731,000	\$2,731,000	\$2,731,000
Average number of employees	48,000	49,047	50,199	54,707
Administrative cost per employee per year	57	56	54	50
BENEFIT COSTS				
Indemnity benefits	\$9,190,669	\$8,208,808	\$7,315,077	NA
Medical benefits	4,789,574	3,835,929	4,321,847	NA
Miscellaneous claim expenses	797,511	793,558	731,560	NA
Rehabilitation expenses	535,574	687,153	513,571	NA
Employee attorney fees	<u>548,677</u>	<u>656,776</u>	<u>576,313</u>	NA
TOTAL	\$15,862,006	\$14,182,224	\$13,458,368	NA
Savings over prior year	\$1,594,060	\$1,679,782	\$723,856	NA

1998-1999 B I E N N I A L B U D G E T
(DOLLARS IN THOUSANDS)

AGENCY: EMPLOYEE RELATIONS DEPT
PROGRAM: EMPLOYEE INSURANCE
ACTIVITY: STATE WORKERS' COMP

ACTIVITY SUMMARY	FY 1996	Est. FY 1997	FY 1998			FY 1999		
			Base Level	Agency Plan	Governor Recomm.	Base Level	Agency Plan	Governor Recomm.
=====	=====	=====	=====	=====	=====	=====	=====	=====
EXPENDITURES:								

DETAIL BY CATEGORY:								
STATE OPERATIONS:								
PERSONAL SERVICES	2,144	2,101	2,251	2,251	2,251	2,271	2,271	2,271
OPERATING EXPENSES	1,321	1,696	1,956	1,956	1,956	1,936	1,936	1,936
=====	=====	=====	=====	=====	=====	=====	=====	=====
SUBTOTAL STATE OPERATIONS	3,465	3,797	4,207	4,207	4,207	4,207	4,207	4,207
=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL EXPENDITURES	3,465	3,797	4,207	4,207	4,207	4,207	4,207	4,207
EXPENDITURES BY FUND:								

DIRECT APPROPRIATIONS:								
GENERAL	104	104	104	104	104	104	104	104
STATUTORY APPROPRIATIONS:								
SPECIAL REVENUE	3,361	3,693	4,103	4,103	4,103	4,103	4,103	4,103
=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL EXPENDITURES	3,465	3,797	4,207	4,207	4,207	4,207	4,207	4,207
REVENUE COLLECTED:								

DEDICATED:								
SPECIAL REVENUE	26	7,027	7,027	7,027	7,027	7,027	7,027	7,027
=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL REVENUES COLLECTED	26	7,027	7,027	7,027	7,027	7,027	7,027	7,027
FTE BY EMPLOYMENT TYPE:								

REGULAR	48.1	48.7	48.7	48.7	48.7	48.7	48.7	48.7
TEMP/SEAS/PART TIME	.1	.1	.1	.1	.1	.1	.1	.1
=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL FTE	48.2	48.8	48.8	48.8	48.8	48.8	48.8	48.8

1998-1999 B I E N N I A L B U D G E T
(DOLLARS IN THOUSANDS)

AGENCY: EMPLOYEE RELATIONS DEPT
PROGRAM: EMPLOYEE INSURANCE
ACTIVITY: CLAIMS & PREMIUM ACTIVITY

ACTIVITY SUMMARY	FY 1996	Est. FY 1997	FY 1998			FY 1999		
			Base Level	Agency Plan	Governor Recomm.	Base Level	Agency Plan	Governor Recomm.
EXPENDITURES:								
DETAIL BY CATEGORY:								
STATE OPERATIONS:								
PERSONAL SERVICES					1,000			
OPERATING EXPENSES	108,602	273,844	281,967	281,967	281,739	289,827	289,827	289,599
SUBTOTAL STATE OPERATIONS	108,602	273,844	281,967	281,967	282,739	289,827	289,827	289,599
PAYMENTS TO INDIVIDUALS	160,891							
TOTAL EXPENDITURES	269,493	273,844	281,967	281,967	282,739	289,827	289,827	289,599
GOV'S INITIATIVES:		FUND						
(B) WCRA PREMIUM HOLIDAY - MOVE TO OPEN APPR		GEN			<728>			<728>
(B) STATE WORKERS' COMP - SETTLEMENT RESERVE		GEN			1,000			
(B) STATE WORKERS' COMP - SETTLEMENT RESERVE		SR			500			500
TOTAL GOV'S INITIATIVES					772			<228>
EXPENDITURES BY FUND:								
DIRECT APPROPRIATIONS:								
GENERAL	555		728	728	1,000	728	728	
STATUTORY APPROPRIATIONS:								
SPECIAL REVENUE	15,455	20,000	20,000	20,000	20,500	20,000	20,000	20,500
PRIVATE EMPLOYERS INSURANCE	6,760	9,322	10,950	10,950	10,950	13,684	13,684	13,684
STATE EMPLOYEES INSURANCE	238,229	235,972	241,589	241,589	241,589	246,715	246,715	246,715
AGENCY	8,494	8,550	8,700	8,700	8,700	8,700	8,700	8,700
TOTAL EXPENDITURES	269,493	273,844	281,967	281,967	282,739	289,827	289,827	289,599
REVENUE COLLECTED:								
DEDICATED:								
SPECIAL REVENUE	18,545	18,563	18,558	18,558	19,058	18,559	18,559	19,059
PRIVATE EMPLOYERS INSURANCE	7,135	9,910	12,277	12,277	12,277	15,200	15,200	15,200

1998-1999 B I E N N I A L B U D G E T
(DOLLARS IN THOUSANDS)

AGENCY: EMPLOYEE RELATIONS DEPT
PROGRAM: EMPLOYEE INSURANCE
ACTIVITY: CLAIMS & PREMIUM ACTIVITY

			FY 1998			FY 1999		
ACTIVITY SUMMARY	FY 1996	Est. FY 1997	Base Level	Agency Plan	Governor Recomm.	Base Level	Agency Plan	Governor Recomm.
STATE EMPLOYEES INSURANCE	241,956	242,599	248,616	248,616	248,616	250,668	250,668	250,668
PUBLIC EMPLOYEES INSURANCE		10,940	12,041	12,041	12,041	13,131	13,131	13,131
AGENCY	8,588	8,625	8,700	8,700	8,700	8,700	8,700	8,700
TOTAL REVENUES COLLECTED	276,224	290,637	300,192	300,192	300,692	306,258	306,258	306,758
FTE BY EMPLOYMENT TYPE:								
TOTAL FTE								

F.Y. 1998-99 BUDGET INITIATIVE

AGENCY: Employee Relations, Department of (DOER)
PROGRAM: Employee Insurance
ACTIVITY: Claims and Premium Activity

ITEM TITLE: WCRA Premium Holiday Reduction / Convert to Open Appropriation

	<u>1998-99 Biennium</u>		<u>2000-01 Biennium</u>	
	<u>F.Y. 1998</u>	<u>F.Y. 1999</u>	<u>F.Y. 2000</u>	<u>F.Y. 2001</u>
Expenditures: (\$000s)				
General Fund				
- State Operations	\$ (728)	\$ (728)	\$ (459)	\$ (459)
Revenues: (\$000s)				
General Fund	\$ -0-	\$ -0-	\$ -0-	\$ -0-
Statutory Change? Yes <u>X</u> No <u> </u>				
If yes, statutes(s) affected: M.S. 79.34				

GOVERNOR'S RECOMMENDATION:

The Governor recommends a General Fund reduction of \$1,456,000 for the biennium to reflect reduced costs resulting from a premium holiday declared by the Workers' Compensation Reinsurance Association. In addition, the Governor recommends that this obligation be covered by open appropriation authority in statute, rather than the current direct appropriation means.

RATIONALE:

M.S. 79.34 requires all insurers and self-insured employers in Minnesota to participate as members in the WCRA, a non-profit organization created in statute. Re-insurance under the WCRA provides a capitation (level selected by the insured) on total lifetime *per claim* liabilities. The state, as a self-insured employer, has a per occurrence retention level of \$1,015,000. Hence, if over the lifetime of a claim the cumulative payouts exceed this amount, any future liability shifts to the re-insurer.

Currently the WCRA premium is paid from a direct annual General Fund appropriation in quarterly installments. The non-General Fund share of the overall exposure determining premia is approximately 60%. The Department of Finance assesses agencies for this non-General Fund share, and these non-dedicated receipts are collected back as a way of distributing risk-weighted payroll costs attributable to each fund.

Better loss ratios and investment returns have resulted in a reduction to the actuarial funding requirements of the WCRA. The state will experience a premium holiday during the upcoming biennium, for which period no net premium need be paid for reinsurance coverage. Therefore, the Governor recommends reducing the appropriation from the current base level of \$1,456,000 to zero in the 1998-99 biennium.

The premium paid by the state to the WCRA has come down dramatically over the last few years. This

is certainly a positive development. However, the actuarial status of the WCRA, payroll changes, and covered population dynamics all conspire to make predicting the year-to-year costs nearly impossible. Since the state is mandated to participate in the Reinsurance Association, the Department has no choice but to pay premia when due.

History of WCRA Expenditures

<u>Fiscal Year</u>	<u>Premium</u>
1984	795,130
1985	1,044,673
1986	1,337,326
1987	1,477,743
1988	1,675,376
1989	1,849,597
1990	1,675,480
1991	1,962,311
1992	1,713,000
1993	790,960
1994	844,161
1995	979,774
1996	555,000
1997	-0-
1998	-0- (est)
1999	-0- (est)
2000	269,000 (est)
2001	269,000 (est)

PROGRAM OUTCOMES:

The nature of this non-discretionary, variable obligation argues for establishing open appropriation authority. The Commissioner of Employee Relations would forecast expenditures for this item as part of future biennial budgets, rather than request a direct appropriation for each year. The Department of Finance would review DOER's estimates each forecast, report expenditures and forecasted outlays to the legislature, and continue to bill back the non-General Fund accounts for their risk-weighted share of the overall premium paid by DOER from the General Fund on their behalf.

This initiative results in savings of \$1,456,000 in the 1998-99 biennium, and is expected to reduce expenditures in F.Y. 2000-01 by approximately \$918,000. Moving to an open appropriation in the future will result in more rational, efficient management of this ongoing business expense of the state.

F.Y. 1998-99 BUDGET INITIATIVE

More rational management of claims for the state taking long-term total liabilities into perspective.
More predictable year-to-year costs for agencies.

AGENCY: Employee Relations, Department of
PROGRAM: Employee Insurance
ACTIVITY: Claims and Premium Activity

ITEM TITLE: Establish Contingency Reserve Account

	<u>1998-99 Biennium</u>		<u>2000-01 Biennium</u>	
	<u>F.Y. 1998</u>	<u>F.Y. 1999</u>	<u>F.Y. 2000</u>	<u>F.Y. 2001</u>
Expenditures: (\$000s)				
General Fund				
- State Operations	\$1,000	\$-0-	\$-0-	\$-0-
- Special Revenue	500	500	500	500
Revenues: (\$000s)				
Special Revenue	\$500	\$500	\$500	\$500

Statutory Change? Yes X No ____

If yes, statutes(s) affected: M.S. 43A

GOVERNOR'S RECOMMENDATION:

The Governor recommends a one-time appropriation of \$1,000,000 to establish a Workers' Compensation contingency and settlement reserve, to enable more cost effective management of catastrophic and long-term claims.

RATIONALE:

This account will reduce the state's long-term workers' compensation liabilities, assist agencies with payments on catastrophic claims, and pay claim expenses for agencies that have been abolished. In F.Y. 1996, the program settled approximately 100 claims, with settlement values ranging from \$1,000 to \$110,000, excluding any special assessments for the Department of Labor and Industry. The department projects \$500,000 in annual activity in order to forecast expenditures and revenues. This will vary from year to year depending on the number and scale of settlements, as well as large, one-time catastrophic claims. The reserve would be replenished each year through premiums assessed to agencies.

PROGRAM OUTCOMES:

The expected benefit would be a reduction in the number of open claims and a reduction in workers' compensation costs on old claims for the agencies. The account will also resolve budget problems caused by large, isolated catastrophic claims, especially difficult for small agencies to cover within limited appropriations.

LONG-TERM IMPACT:

Reduction in workers' compensation future liabilities, which were \$101.6 million as of 6-30-96.

AGENCY: Ethical Practices Board

AGENCY DESCRIPTION:

The Ethical Practices Board is the service and regulatory agency that develops and implements the administration and enforcement of state laws requiring registration and public disclosure by candidates, political committees and funds, and lobbyists attempting to influence state legislative action, administrative action, and the official action of metropolitan governmental units. Other programs provide for disclosure of economic interests and conflicts of interest for certain state and metropolitan officials. The board is also responsible for administration of the state's public subsidy program which provides public funding to qualified state candidates and the state committee of a political party.

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 subsidy laws and through developing programs which will increase public access to information filed with the board.

REVENUES:

Revenues collected by the Ethical Practices Board (\$48,000 per biennium) include:

- fees for the late filing of required statements and reports;
- civil fines assessed by the board for noncompliance with M.S. Ch.10A;
- contributions from anonymous sources for political committees and political funds; and
- gifts to the state from political committees upon termination.

ISSUES AFFECTING AGENCY'S OPERATIONS:

The board continues to experience increases in the number of clients registering with and reporting to the board and requesting advisory opinions from the board. The resulting levels of data which must be processed, severely strain the board's human and technology resources during much of each year.

The complexity of campaign finance laws makes it difficult for candidate committees and other political committees and funds to comply with the statutes and to file timely and accurate reports. At the same time, a board survey indicates that the computer resources of these committees are substantial and growing. Rather than a lack of hardware, it is the lack of appropriate software which prevents most committees from effectively using information technology to assist in compliance with the law and reporting to the board. More and more frequently, the board receives requests that it provide software to assist in complying with campaign finance statutes.

GOALS AND OBJECTIVES:

The board's objectives are to:

- facilitate easier and more universal compliance with the Ethics in Government Act, M.S. Ch.10A;
- continue to provide fair and consistent enforcement of the Ethics in Government Act;
- help citizens become better informed about public issues related to the Ethics in Government Act.

WORKLOAD/EFFICIENCY MEASUREMENTS:

Board staff will continue its efforts to secure and make available timely accurate filing of statements and reports required by statute. From F.Y. 1993-94 to F.Y. 1995-96:

- campaign finance reports that needed to be amended decreased from 21% to 9%;
- candidates who agreed to limit their campaign expenditures but exceeded those limits, decreased from 9 (from a possible 446 candidates) to 4 (from a possible 348 candidates);
- candidate committees that exceeded the applicable contribution limit decreased from 27 to 21; and
- candidate committees taking contributions from prohibited sources increased from 14 to 21.

The board sees the increase in contributions from prohibited sources as a result of new legislation that prohibits contributions between state candidate committees and state and local or federal candidate committees. The board will continue to monitor all compliance issues and educate clients in an attempt to further decrease the percentage of documents that are filed inaccurately or in noncompliance with the statute, and to increase the public's confidence in candidates for and holders of state elective offices. In order to further assist clients in compliance with this complex law the board undertook and completed rulemaking in F.Y. 1996 and is currently in the process of a second rulemaking procedure which will be completed in F.Y. 1997.

EXPLANATION OF AGENCY'S BUDGET PLAN:

Base level funding adjustments have been made for inflation at 2.5% for F.Ys. 1998 and 1999. A one-time appropriation is required for information technology systems enhancements.

The budget will allow the board to continue to administer compliance with M.S. Ch.10A by:

- providing effective client education programs and publications;
- using technology more effectively to provide information to clients; and
- facilitating a more effective use of technology by board clients.

The board is requesting a one-time appropriation of \$122,000 during this biennium to implement a client services/technology initiative. The appropriation would enable the board to develop, produce and distribute software which would assist political committees and funds in accounting for their campaign finance activities and reporting them to the board. The initiative would permit electronic filing of campaign finance reports, thus providing the board with the means to continue to meet its obligations as a disclosure agency without additional human resources.

Included in the initiative is a component to upgrade the board's own information technology systems to the level required to support electronic filing. Finally, a client education component is included which will permit the board to more effectively educate clients on the requirements of the law and will provide an effective means for training users in operation of the campaign finance management software to be provided by the board.

GOVERNOR'S RECOMMENDATION:

The Governor concurs with the agency's plan. The Information Policy Office in the Department of Administration reviewed and recommended approval of the board's technology budget request.

1998-1999 BIENNIAL BUDGET
(DOLLARS IN THOUSANDS)

AGENCY: ETHICAL PRACTICES BOARD
PROGRAM: ETHICAL PRACTICES BD

ACTIVITY RESOURCE ALLOCATION:	FY 1996	Est. FY 1997	FY 1998			FY 1999		
			Base Level	Agency Plan	Governor Recomm.	Base Level	Agency Plan	Governor Recomm.
=====	=====	=====	=====	=====	=====	=====	=====	=====
ETHICAL PRACTICES BD	422	485	471	593	593	483	483	483
PUBLIC FINANCING	118	4,363	141	141	141	4,379	4,379	4,379
=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL EXPENDITURES BY ACTIVITY	540	4,848	612	734	734	4,862	4,862	4,862
=====	=====	=====	=====	=====	=====	=====	=====	=====
AGENCY PLAN ITEMS:		FUND						
-----		-----						
TECHNOLOGY INITIATIVE		GEN		122				
=====		=====		=====			=====	
TOTAL AGENCY PLAN ITEMS				122				
=====								
EXPENDITURES BY FUND:								

DIRECT APPROPRIATIONS:								
GENERAL	422	485	471	593	593	483	483	483
STATUTORY APPROPRIATIONS:								
SPECIAL REVENUE	118	4,363	141	141	141	4,379	4,379	4,379
=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL EXPENDITURES	540	4,848	612	734	734	4,862	4,862	4,862
=====	=====	=====	=====	=====	=====	=====	=====	=====
FTE BY EMPLOYMENT TYPE:								

REGULAR	7.4	8.4	8.4	8.4	8.4	8.4	8.4	8.4
=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL FTE	7.4	8.4	8.4	8.4	8.4	8.4	8.4	8.4

STATE OF MINNESOTA - DEPARTMENT OF FINANCE
BIENNIAL BUDGET SYSTEM - BASE RECONCILIATION REPORT
BY SEC SEQ

AGENCY: ETHICAL PRACTICES BOARD

	ALL FUNDS		GENERAL FUND		OTHER STATE FUNDS		FEDERAL FUNDS	
	F.Y.98	F.Y.99	F.Y.98	F.Y.99	F.Y.98	F.Y.99	F.Y.98	F.Y.99
F.Y.97 APPROPRIATIONS	587	4,825	446	446	141	4,379		
BASE ADJUSTMENTS								
1997 SALARY SUPPLEMENT TRANSF	13	13	13	13				
1998-99 COMPENSATION INFLATIO	10	19	10	19				
SMALL AGENCY S & E INFLATION	2	5	2	5				
SUBTOTAL BASE ADJ.	25	37	25	37				
BASE LEVEL	612	4,862	471	483	141	4,379		

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1998-99 Biennial Budget

AGENCY: Minnesota Office of Technology

AGENCY DESCRIPTION:

In order to compete in the global economy of the 21st century, it is essential that Minnesota effectively integrate information and communications technology into every facet of our society — our homes, businesses, schools and communities. We must position ourselves to take advantage of the changes taking place by nurturing the evolving competitive market, by developing a technically literate society and by exploring new opportunities for public and private partnerships.

The Minnesota Office of Technology was created in Fall, 1996 to facilitate this transition. The office provides a single focal point for Minnesotans to address the infrastructure, policy, service and regulatory issues in the highly dynamic information and communications industry. Although it is a cabinet level agency in the executive branch, the office is accountable to the entire state for accomplishing its mission:

To provide statewide leadership and direction for information and communications technology.

Many public and private groups have and are continuing to develop policies, establish guidelines and implement strategies to address the myriad issues associated with the emerging technology age. The role of the Office of Technology is to facilitate the achievement of the state's common vision for information and communications technology by working collaboratively with these many interests. In some cases, the office will take a lead role and initiate new programs. In other circumstances, the office will help coordinate, support or participate in the efforts of the responsible parties. In yet other cases, the office will simply monitor the progress of new or ongoing projects.

REVENUES:

This activity generates no revenue.

ISSUES AFFECTING AGENCY'S OPERATIONS:

The pace and the magnitude of change in technology and related public policy at the global and national levels provide Minnesota with a unique window of opportunity to lead the nation by nurturing and capitalizing on the emerging free market in information and communications technology for the benefit of our citizens and businesses.

However, we face several challenges in achieving these objectives:

- An outdated, redundant and fragmented decision structure within all levels of government to address information and communications technology issues;
- An antiquated telecommunications regulatory structure that is hindering the essential development of additional capacity by focusing on competition for the existing infrastructure;
- An inadequate statutory framework to support electronic commerce and data interchange;
- Inadequate network capacity and connectivity, especially in Greater Minnesota; and
- Insufficient technical literacy, in all segments of the state's population.

In order to overcome these obstacles and capture the benefits of the emerging competitive market for our citizens and businesses we must:

- Better focus the responsibility and accountability for achieving Minnesota's common vision for information and communication technology;
- Move directly to an effectively competitive telecommunications market that encourages both infrastructure development and better service at the lowest possible cost;
- Refocus the state's regulatory framework on consumer protection; specifically access, service quality and antitrust issues;
- Enact education and lifelong learning initiatives to ensure that all Minnesotans have the technical literacy and access to ongoing learning resources to prosper in the next millennium;
- Enact information access and network initiatives to connect Minnesota's citizens and communities to each other, to their government and to the world; and
- Enact electronic commerce initiatives to ensure that Minnesota's businesses and citizens can successfully compete in the global economy, and that government agencies can effectively and efficiently serve their customers.

GOALS AND OBJECTIVES:

The Office of Technology has adopted two primary goals and objectives consistent with its overall mission:

- Minnesota will be established as a national and global leader in, and a nexus for, electronic commerce, including trade, distance learning, telemedicine and government services.
- Minnesota's citizens and businesses will universally benefit from the latest telecommunications services provided by an effectively competitive market, and enjoy the benefits of reasonable consumer protection and ubiquitous technical literacy.

EXPLANATION OF AGENCY'S BUDGET PLAN:

The Office of Technology consists of a small team of professionals with diverse skills and expertise covering all aspects of the industry. The Office of Technology is not a new government bureaucracy — it was initially staffed by existing state personnel, and expenses were covered by reallocating existing 1996-97 appropriations. In order to continue the essential work of the new office, a new appropriation for F.Y. 1998-99 is necessary.

The budget plan is largely for salaries and benefits of the professional staff. Other expenses include rent/utilities, office consumables, computer hardware and software, business-related travel, consulting services, professional development, and various office-related expenses.

1998-1999 B I E N N I A L B U D G E T
(DOLLARS IN THOUSANDS)

AGENCY: MN OFFICE OF TECHNOLOGY
PROGRAM: MN OFFICE OF TECHNOLOGY

			FY 1998			FY 1999		
			Base	Agency	Governor	Base	Agency	Governor
ACTIVITY RESOURCE ALLOCATION:	FY 1996	Est. FY 1997	Level	Plan	Recomm.	Level	Plan	Recomm.
MN OFFICE OF TECHNOLOGY					4,572			4,101
TOTAL EXPENDITURES BY ACTIVITY					4,572			4,101
GOV'S INITIATIVES:		FUND						
(B) MN OFFICE OF TECHNOLOGY		GEN			1,187			1,216
(B) VIRTUAL UNIVERSITY		GEN			1,000			1,000
(B) PUBLIC ACCESS - NORTH STAR II		GEN			635			635
(B) UN TRADE POINT		GEN			500			500
(B) INFORMATION TECHNOLOGY RESOURCE CENTERS		GEN			500			500
(B) MNCARD		GEN			250			250
(B) INTL TELECOMM UNION CONFERENCE		GEN			500			
TOTAL GOV'S INITIATIVES					4,572			4,101
EXPENDITURES BY FUND:								
DIRECT APPROPRIATIONS:								
GENERAL					4,572			4,101
TOTAL EXPENDITURES					4,572			4,101
FTE BY EMPLOYMENT TYPE:								
REGULAR					15.0			15.0
TOTAL FTE					15.0			15.0

F.Y. 1998-99 BUDGET INITIATIVE

AGENCY: Minnesota Office of Technology
PROGRAM: Minnesota Office of Technology
ACTIVITY: Minnesota Office of Technology

ITEM TITLE: Office Budget

	<u>1998-99 Biennium</u>		<u>2000-01 Biennium</u>	
	<u>F.Y. 1998</u>	<u>F.Y. 1999</u>	<u>F.Y. 2000</u>	<u>F.Y. 2001</u>
Expenditures: (\$000s)				
General Fund				
- State Operations	\$ 1,187	\$ 1,216	\$ 1,216	\$ 1,216
Revenues: (\$000s)				
General Fund	\$-0-	\$-0-	\$-0-	\$-0-

Statutory Change? Yes ____ No X

If yes, statutes(s) affected:

GOVERNOR'S RECOMMENDATION:

The Governor recommends \$2,403,000 to fund the operations of the Minnesota Office of Technology.

RATIONALE:

The appropriation requested is necessary to fund the operations of the Minnesota Office of Technology, and permit it to address the issues, goals, and objectives detailed in the agency narrative.

F.Y. 1998-99 BUDGET INITIATIVE

AGENCY: Minnesota Office of Technology (MOT), University of Minnesota (U of M),
Minnesota State Colleges and Universities (MnSCU)
PROGRAM: Minnesota Office of Technology (MOT)

ITEM TITLE: Virtual University

	<u>1998-99 Biennium</u>		<u>2000-01 Biennium</u>	
	<u>F.Y. 1998</u>	<u>F.Y. 1999</u>	<u>F.Y. 2000</u>	<u>F.Y. 2001</u>
Expenditures: (\$000s)				
General Fund				
- State Operations				
MOT	\$1,000	\$1,000	\$1,000	\$1,000
U of M	\$250	\$250	\$250	\$250
MnSCU	\$250	\$250	\$250	\$250
Revenues: (\$000s)				
General Fund	\$-0-	\$-0-	\$-0-	\$-0-
Statutory Change? Yes _____ No <u>X</u>				
If yes, statutes(s) affected:				

GOVERNOR'S RECOMMENDATION:

The Governor recommends total appropriations of \$3 million over the 1998-1999 biennium for the development and implementation of the Virtual University (Virtual U) by the Minnesota Office of Technology, the University of Minnesota, and the Minnesota State Colleges and Universities. This recommendation includes \$500,000 for the U of M to develop courses and programs that can be delivered on-line through the Virtual University. The Governor requests the University develop a plan for on-line distance learning for review and approval by the Minnesota Office of Technology.

RATIONALE:

This initiative will develop an Internet site through which Minnesotans can access the resources of all public and private higher education institutions in the state of Minnesota and beyond. The Virtual U will be a university without walls where Minnesotans can create customized learning opportunities and colleges and universities can market their courses to a global student market. The Virtual U will also provide easy access to comprehensive career planning and labor market information.

Alongside the development of the Virtual U Web site, this initiative proposes \$1 million in grants, \$500 thousand each to the University and MnSCU, to develop courses and degrees that can be delivered through the Internet. The grants will be awarded on a competitive basis, with review and approval by the Minnesota Office of Technology, to public colleges and universities and will require a dollar-for-dollar match by the institution or from private sources.

A steering committee appointed by the Minnesota Office of Technology with representatives from the University of Minnesota, MnSCU, private colleges, and private businesses will guide the development

of the Virtual U. The Office of Technology will coordinate and oversee all steering committee activities and recommend to the Governor a governance structure and financial plan for the on-going operation of the Virtual U.

PROGRAM OUTCOMES:

Virtual U will complement and build upon the distance learning network and programs already in place. From the Virtual U's Home Page, students will be able to enroll at multiple institutions within Minnesota and throughout the world and receive education and training "asynchronously" --- whenever and wherever they like.

The Virtual U will include the development of the following:

Shared Catalog: a statewide course catalog accessible through the web that will include course offerings from all participating public and private institutions;

One-Stop Registration System: a single entry point will permit students to enroll at several different institutions, register for desired courses and arrange for payment of tuition and fees;

Core Curriculum: establish core content leading to specific degrees and/or certificates;

Credit Bank: a process that will allow students to develop individualized learning portfolios that accommodate different institutional and curricular requirements.

Academic Advising and Student Support: systems for providing academic advising to and other support to virtual learners, including electronic mail, conferencing, and library access.

Access to the Minnesota Career and Education Planning System MnCEPS, a home page with hot links to web sites providing information on education and training program, workforce preparation, expected employment growth by occupation, and job opportunities.

LONG TERM IMPACT:

By empowering students to create their own customized program of learning, Virtual U will fundamentally change institutional behavior, driving colleges to become more student-centered. Virtual U will also expand opportunities for Minnesota colleges and universities by linking them to national and global student markets

F.Y. 1998-99 BUDGET INITIATIVE

AGENCY: Minnesota Office of Technology
PROGRAM: Minnesota Office of Technology
ACTIVITY: Minnesota Office of Technology

ITEM TITLE: Public Access - North Star II

	<u>1998-99 Biennium</u>		<u>2000-01 Biennium</u>	
	<u>F.Y. 1998</u>	<u>F.Y. 1999</u>	<u>F.Y. 2000</u>	<u>F.Y. 2001</u>
Expenditures: (\$000s)				
General Fund				
- State Operations	\$ 635	\$ 635	\$ 540	\$ 540
Revenues: (\$000s)				
General Fund	\$-0-	\$-0-	\$-0-	\$-0-

Statutory Change? Yes ____ No X

If yes, statutes(s) affected:

GOVERNOR'S RECOMMENDATION:

The Governor recommends an appropriation of \$1,270,000 to expand public access to government information and create a secured transaction gateway for electronic transactions with government.

RATIONALE:

The current version of North Star provides a directory to hundreds of government information resources on the Internet. The next generation of the North Star Project will provide the public with a user-friendly, "single-window" to Minnesota government services through the use of multiple information technologies.

Public Access - North Star II will provide a citizen-focused, service oriented, secure transaction gateway to services offered by multiple state and local government agencies. A database driven application at the top-level access point (<http://www.state.mn.us/>) will ensure that users can quickly access information and conduct transactions with all levels of government. North Star II will provide information and transactional capability to citizens concerned about the environment, business, citizen services, democracy, tourism, K-12 education (see educational technology proposals), local government, higher education, government "intranet", rural agriculture, libraries, and other issues.

While initial development will focus on the access through the world-wide web, future developments will ensure broad public access to "digital" information and service through the use of other new technologies. These include computers on the Internet, telephones, FAX machines, televisions with set-top boxes connected to the Internet and other technologies that ensure access for the disabled.

PROGRAM OUTCOMES:

Investment in Public Access - North Star II will result in the following benefits:

Provides public access to government information and services 24 hours a day, seven days a week. Allows the public to serve themselves, which may reduce telephone inquiries, travel to government offices, and printing and postage costs.

Improves government service delivery and supplies a mechanism for collaboration and coordinated developments.

Citizens have choice of technology in their interaction with government.

Meets public expectations of government service regardless of the source of that service (state, local, federal). Future options would allow geographic-based directories of government services through the use of database technology.

North Star becomes an information utility within government for use by staff in their information and referral needs. "Intranet" applications may be developed from the same platform.

Enables citizens to gain a better understanding of their government and to be more participatory.

Creates a fundamentally different foundation for audience or topic-based inter-governmental applications.

LONG-TERM IMPACT:

Besides making transactions with and information requests from government easier for our citizens, Public Access - North Star II has the potential to free for other uses government resources now used to provide service to citizens.

F.Y. 1998-99 BUDGET INITIATIVE

AGENCY: Minnesota Office of Technology
PROGRAM: Minnesota Office of Technology
ACTIVITY: Minnesota Office of Technology

ITEM TITLE: United Nations Trade Point

	<u>1998-99 Biennium</u>		<u>2000-01 Biennium</u>	
	<u>F.Y. 1998</u>	<u>F.Y. 1999</u>	<u>F.Y. 2000</u>	<u>F.Y. 2001</u>
Expenditures: (\$000s)				
General Fund				
- State Operations	\$500	\$500	\$500	\$500
Revenues: (\$000s)				
General Fund	\$-0-	\$-0-	\$-0-	\$-0-

Statutory Change? Yes ____ No X

If yes, statutes(s) affected:

GOVERNOR'S RECOMMENDATION:

The Governor recommends an appropriation of \$1,000,000 to provide seed money for the United Nations Trade Point, a transaction gateway to the United Nation's global trading network.

RATIONALE:

In this age of rapid globalization of markets, information is a strategic tool for traders worldwide. For any successful trade transaction, traders need to have in their possession a certain amount of key trade data including: Market information, transportation options and prices, insurance facilities, credit availability, customs requirements, import/export regulations etc. However, many potential traders (especially small and medium-sized enterprises) are still unable to reach trade-related information or to make their products known to would-be customers because they do not have the equipment and software necessary, or because such access is too expensive. Moreover, efficient use of information demands that the data be provided in a user-friendly and accessible format.

Trade points are designed to support and foster efforts made in many sectors (government, enterprise) to stimulate the trade competitiveness and trade efficiency of national economies. At trade points, the public and private sectors cooperate to improve efficiency in six main areas, namely: Customs, banking and insurance, transport, business information, business practices, and telecommunications. The work of individual trade points, however, will only generate its full benefits through the global interconnection of trade points, which will allow information to be exchanged on a rapid, cost-effective and worldwide basis. The Minnesota Trade Point will be connected to United Nations Trade Points around the world and will dramatically increase international trade opportunities for Minnesota small and medium size enterprises.

PROGRAM OUTCOMES:

The U.N. Trade Point will:

- Provide valuable information about emerging markets and trading opportunities for MN businesses, particularly small and medium-sized firms.
- Help establish Minnesota as a center of the emerging movement towards electronic commerce.
- Become a catalyst for increased exports from Minnesota businesses, adding to state economic growth.

LONG-TERM IMPACT:

In the long-term, participation by Minnesota businesses in the opportunities created by the U.N. Trade Point will promote exports and develop new markets for Minnesota products, adding to state economic growth.

F.Y. 1998-99 BUDGET INITIATIVE

AGENCY: Minnesota Office of Technology
PROGRAM: Minnesota Office of Technology
ACTIVITY: Minnesota Office of Technology

ITEM TITLE: Information Technology Community Resources Center

	1998-99 Biennium		2000-01 Biennium	
	F.Y. 1998	F.Y. 1999	F.Y. 2000	F.Y. 2001
Expenditures: (\$000s)				
General Fund				
- State Operations	\$ 500	\$ 500	\$ -0-	\$ -0-
Revenues: (\$000s)				
General Fund	\$-0-	\$-0-	\$-0-	\$-0-

Statutory Change? Yes _____ No X

If yes, statutes(s) affected:

GOVERNOR'S RECOMMENDATION:

The Governor recommends an appropriation of \$1,000,000 to create an Information Technology Community Resources Center to provide resources to communities seeking to enhance their development through use of the latest technologies.

RATIONALE:

The Information Technology Community Resource Center, physically located at one of the state's higher education institutions, will provide planning and technical assistance to Minnesota communities seeking to integrate technology into their community development efforts. Currently, many Minnesota communities are just beginning to explore the benefits of technology in the areas of communication, commerce and community development. The Information Technology Community Resources Center's mission will be to reach out to Minnesota communities and share information about the benefits of technology integration.

The Center will collect, organize, and disperse information that assists individuals, businesses, and communities to plan for, invest in, and implement information technology. To strengthen community peer-to-peer assistance, the center will showcase existing and emerging capacity-building efforts that harness information technology for sustainable community and economic development. The Center will help establish and/or support local and regional information technology task forces to assess and organize local and regional demand for IT services, such as local purchasing cooperatives in partnership with the public and private sectors.

The Center will also establish a cadre of "teleterns," students studying both community development and technology integration, to work with communities for extended periods of time, under the direction of existing local entities, such as MN Extension Offices, Small Business Development Center or MNSCU colleges. They would help coordinate expert team community visits by professional

technical consultants from the public sector, such as MNET or IISAC, and the private sector, such as the Minnesota Telephone Association or the Minnesota Internet Services Trade Association. Assistance may also be available through the Tech Corps, a VISTA/Peace Corps-type program for community technology assistance.

PROGRAM OUTCOMES:

The Center will:

- Help citizens, communities, and businesses increase their technical literacy and community-organizing skills so that they make wise and cost-efficient technology investments which ultimately benefit their community and the state.
- Unite existing but fragmented elements of community information technology planning.
- Promote public-private partnerships to improve community technology infrastructure.

LONG-TERM IMPACT:

Increased integration of technology into all Minnesota communities will improve business opportunities throughout the state, improve access to health and government services, promote communication throughout the state, both within and beyond, and provide increased opportunities for life-long learning.

F.Y. 1998-99 BUDGET INITIATIVE

AGENCY: Minnesota Office of Technology
PROGRAM: Minnesota Office of Technology
ACTIVITY: Minnesota Office of Technology

ITEM TITLE: MNCards

	<u>1998-99 Biennium</u>		<u>2000-01 Biennium</u>	
	<u>F.Y. 1998</u>	<u>F.Y. 1999</u>	<u>F.Y. 2000</u>	<u>F.Y. 2001</u>
Expenditures: (\$000s)				
General Fund				
- State Operations	\$ 250	\$ 250	\$ 250	\$ 250
Revenues: (\$000s)				
General Fund	\$-0-	\$-0-	\$-0-	\$-0-

Statutory Change? Yes ____ No X

If yes, statutes(s) affected:

GOVERNOR'S RECOMMENDATION:

The Governor recommends an appropriation of \$500,000 to pilot the use of smart card technology.

RATIONALE:

The MNCard development project will pilot the use of smart card technology among state employees. If successful, the program could eventually be expanded to give all Minnesota citizens the convenience of smart card transaction technology.

While the use of magnetic-stripe cards, such as ATM cards, has now become widespread, new "smart card" technology holds the promise of significantly expanding the types of transactions which can be conducted electronically. With smart cards, a single card integrates multiple applications: government, merchants, financial institutions, libraries, schools. Each account or service on the card is fully self-contained and more secure than current magnetic technology.

Over the next two years, MNCard will be implemented within state government. MNCard will combine the state employee ID card and other cards, such as building access cards, parking access cards, MNet calling cards, employee and dependent insurance carrier ID cards, etc., and allow debit for Capitol complex cafeterias, vending machines, bank/credit union debit card. Eventually, MNCard might be piloted for use as a driver's license or park permit. If successful, MNCard could then be expanded to the general population, possibly serving as an access device for government benefits.

PROGRAM OUTCOMES:

MNCard will make citizen's transactions with government simpler, more convenient, more efficient and more secure.

LONG-TERM IMPACT:

Besides making transactions with government easier and more secure for our citizens, MNCard has the potential to free for other uses government resources now used to provide service to citizens.

F.Y. 1998-99 BUDGET INITIATIVE

AGENCY: Minnesota Office of Technology
PROGRAM: Minnesota Office of Technology
ACTIVITY: Minnesota Office of Technology

ITEM TITLE: International Telecommunications Union Plenipotentiary Conference

	<u>1998-99 Biennium</u>		<u>2000-01 Biennium</u>	
	<u>F.Y. 1998</u>	<u>F.Y. 1999</u>	<u>F.Y. 2000</u>	<u>F.Y. 2001</u>
Expenditures: (\$000s)				
General Fund				
- State Operations	\$ 500	\$ -0-	\$ -0-	\$ -0-
Revenues: (\$000s)				
General Fund	\$-0-	\$-0-	\$-0-	\$-0-

Statutory Change? Yes _____ No X

If yes, statutes(s) affected:

GOVERNOR'S RECOMMENDATION:

The Governor recommends an appropriation of \$500,000 to support the International Telecommunications Union Plenipotentiary Conference.

RATIONALE:

The International Telecommunications Union (ITU) will be holding a plenipotentiary conference in 1998. The United States is the host country. Planning has already commenced at both state and federal levels, and Minnesota public and private sectors are expected to support related conference activities from October 8 - November 15, 1998.

Now is a critical time in the evolution of telecommunications and information technologies. The 1998 ITU conference will help Minnesota position itself as a world leader in advanced telecommunications.

PROGRAM OUTCOMES:

The conference will:

- Draw delegates from 182 countries representing senior officials in government and private organizations.
- Present the opportunity for the states to learn from international officials about major developments in the information and technology industries.
- Provide Minnesota with the opportunity to participate in global telecommunications infrastructure development, expand trade contacts, and sell related products and services from Minnesota-based companies.

LONG-TERM IMPACT:

The long-term benefit of organizations like the ITU is the establishment of common standards and policies, leading to greater opportunities in international business, education, communications and finance. The State of Minnesota will more immediately benefit by exposure to members of the information technology community throughout the world.

1998-99 BIENNIAL BUDGET

PROGRAM STRUCTURE

AGENCY: Revenue, Department of

PROGRAM

PAGE

MINNESOTA TAX SYSTEM MANAGEMENT

F-379

Income Tax System

Business Excise and Consumption Tax System

Property Tax and State Aid System

Tax Operations

Legal and Research

Administrative Support

ACCOUNTS RECEIVABLE MANAGEMENT

F-400

Minnesota Collection Enterprise

DEPARTMENT OF REVENUE

MINNESOTA TAX SYSTEM MANAGEMENT PROGRAM

Income Tax System

244.7 Positions

Business Excise and
Consumption Taxes
System

232.9 Positions

Property Tax and State
Aids System

50.4 Positions

Legal and Research
Services

58.5 Positions

Tax Operations

574.3 Positions

Administrative Support

78.6 Positions

ACCOUNTS RECEIVABLE MANAGEMENT PROGRAM

Minnesota Collection
Enterprise

28.5 Positions

Department of Revenue

June 30, 1996 FTE Employees: 1,268

1998-99 Biennial Budget Agency Budget Brief (\$ in thousands)

Agency: Revenue, Department of (DOR)

Fund: General

Summary of Agency Actions:

	<u>F.Y. 1998</u>	<u>F.Y. 1999</u>	<u>F.Y. 98-99</u>
<u>BASE-YEAR (F.Y. 1997)</u>			
Appropriations (F.Y. 1997)	\$77,711	\$77,711	\$155,422
<u>BASE ADJUSTMENT</u>			
One-Time Appropriations	(1,745)	(1,690)	(3,435)
Documented Rent/Lease Inc	125	960	1,085
F.Y. 1998-99 Compensation Inflation	<u>1,340</u>	<u>2,713</u>	<u>4,053</u>
<u>BASE LEVEL (for 1998 and 1999)</u>	\$77,431	\$79,694	\$157,125
<u>AGENCY DECISION ITEMS</u>			
MN/WI Tax Reciprocity Study	<u>80</u>	<u>-0-</u>	<u>80</u>
<u>AGENCY PLAN (for 1998 and 1999)</u>	\$77,511	\$79,694	\$157,205
 GOVERNOR'S RECOMMENDATIONS	 \$77,511	 \$79,694	 \$157,205

Brief Explanation of Agency Plan:

- The budget is decreased by \$1,745,000 for F.Y. 1998, and by \$1,690,000 for F.Y. 1999 to reflect the agency's completion of tasks associated with the Solid Waste Project (Laws of 1996, Ch. 471, Art. 2, Sec. 28), the partial completion of tasks associated with the 1996 Initiatives (Laws of 1996, Ch. 390, Sec. 7), the Minnesota/Wisconsin Reciprocity Study (Laws of 1995, Ch. 264, Art. 9, Sec. 14), the new fees and services pertaining to drycleaners (Laws of 1995, Ch. 252, Sec.6), the Minnesota Collection Enterprise (MCE) system delivery, and accounts receivable funding appropriated to the Department of Finance. F.Y. 1999 includes a budget increase of \$95,000 for the agency's cost associated with implementing and administering the property tax refund as a direct deduction on the property tax statement (Laws of 1995, Ch. 264, Art. 4, Sec. 19).
- The plan includes rent adjustments of \$125,000 for F.Y. 1998 and \$960,000 for F.Y. 1999.
- The plan includes compensation inflation of 2.5% for F.Y. 1998 and 5.06% for F.Y. 1999.
- The plan includes \$80,000 for the MN/WI Tax Reciprocity Study (Laws of 1995, Ch. 264, Art. 9, Sec.14). This is necessary to complete the study.

Revenue Summary:

No impact on revenue is anticipated.

GOVERNOR'S RECOMMENDATION:

The Governor concurs with the agency's plan.

**1998-99 Biennial Budget
Agency Budget Brief
(\$ in thousands)**

Agency: Revenue, Department of (DOR)

Fund: Health Care Access

Summary of Agency Actions:

	<u>F.Y. 1998</u>	<u>F.Y. 1999</u>	<u>F.Y. 98-99</u>
<u>BASE-YEAR (F.Y. 1997)</u>			
Appropriations (F.Y. 1997)	\$1,408	\$1,408	\$2,816
<u>BASE ADJUSTMENT</u>			
F.Y. 1998-99 Compensation Inflation	33	64	97
Documented Rent/Lease Inc	<u>180</u>	<u>196</u>	<u>376</u>
<u>BASE LEVEL (for 1998 and 1999)</u>	\$1,621	\$1,668	\$3,289
<u>AGENCY PLAN (for 1998 and 1999)</u>	\$1,621	\$1,668	\$3,289
GOVERNOR'S RECOMMENDATIONS	\$1,621	\$1,668	\$3,289

Brief Explanation of Agency Plan:

- The plan includes rent adjustments of \$180,000 for F.Y. 1998 and \$196,000 for F.Y. 1999.
- The plan includes compensation inflation of 2.5% for F.Y. 1998 and 5.06% for F.Y. 1999.

Revenue Summary:

No impact on revenue is anticipated.

GOVERNOR'S RECOMMENDATION:

The Governor concurs with the agency's plan.

**1998-99 Biennial Budget
Agency Budget Brief
(\$ in thousands)**

Agency: Revenue, Department of (DOR)

Fund: Highway User Tax Distribution

Summary of Agency Actions:

	<u>F.Y. 1998</u>	<u>F.Y. 1999</u>	<u>F.Y. 98-99</u>
<u>BASE-YEAR (F.Y. 1997)</u>			
Appropriations (F.Y. 1997)	\$1,754	\$1,754	\$3,508
<u>BASE ADJUSTMENT</u>			
F.Y. 1998-99 Compensation Inflation	29	60	89
Documented Rent/Lease Inc	<u>111</u>	<u>127</u>	<u>238</u>
<u>BASE LEVEL (for 1998 and 1999)</u>	\$1,894	\$1,941	\$3,835
<u>AGENCY DECISION ITEMS</u>			
Dyed Fuel Program	<u>150</u>	<u>150</u>	<u>150</u>
<u>AGENCY PLAN (for 1998 and 1999)</u>	\$2,044	\$2,091	\$4,135
GOVERNOR'S RECOMMENDATIONS	\$2,044	\$2,091	\$4,135

Brief Explanation of Agency Plan:

- The plan includes rent adjustments of \$111,000 for F.Y. 1998 and \$127,000 for F.Y. 1999.
- The plan includes compensation inflation of 2.5% for F.Y. 1998 and 5.06% for F.Y. 1999.
- The plan includes additional funding for the Dyed Fuel Program. This program, until recently funded by federal dollars, helps promote fuel tax compliance.

Revenue Summary:

Without funding for the Dyed Fuel Program, an unknown but significant amount of fuel tax revenue will be lost due to non-compliance. The additional appropriation will, at the very least, prevent a loss of revenue comparable to the cost of the program.

GOVERNOR'S RECOMMENDATION:

The Governor concurs with the agency's plan.

**1998-99 Biennial Budget
Agency Budget Brief
(\$ in thousands)**

Agency: Revenue, Department of (DOR)

Fund: Environmental

Summary of Agency Actions:

	<u>F.Y. 1998</u>	<u>F.Y. 1999</u>	<u>F.Y. 98-99</u>
<u>BASE-YEAR (F.Y. 1997)</u>			
Appropriations (F.Y. 1997)	\$94	\$94	\$188
<u>BASE ADJUSTMENT</u>			
F.Y. 1998-99 Compensation Inflation	<u>2</u>	<u>4</u>	<u>6</u>
<u>BASE LEVEL (for 1998 and 1999)</u>	\$96	\$98	\$194
<u>AGENCY PLAN (for 1998 and 1999)</u>	\$96	\$98	\$194
GOVERNOR'S RECOMMENDATIONS	\$96	\$98	\$194

Brief Explanation of Agency Plan:

- The plan includes compensation inflation of 2.5% for F.Y. 1998 and 5.06% for F.Y. 1999.

Revenue Summary:

No revenue impact is anticipated.

GOVERNOR'S RECOMMENDATION:

The Governor concurs with the agency's plan.

1998-99 Biennial Budget

AGENCY: Revenue, Department of (DOR)

AGENCY DESCRIPTION:

The Minnesota Department of Revenue's primary mission is to achieve compliance with Minnesota's tax laws as described primarily in Minnesota Statutes chapters 270 through 298. We work to achieve 3 key outcomes as an agency:

- every taxpayer pays the legally required amount of tax, no more, no less;
- taxpayers are satisfied because they are treated like customers and receive the services they need to help them meet their tax filing and payment obligations;
- we contribute to making the state and local revenue system more fair, efficient, reliable, competitive, and understandable in both design and operation.

An essential ingredient to achieving these outcomes, identified in our strategic plan, is that Revenue employees are well-trained and have the tools they need to provide effective service.

The department budget is organized into 2 main agency programs: Minnesota Tax System Management, and Minnesota Collection Enterprise (MCE). Minnesota Tax System Management is composed of 6 budget activities corresponding to the 3 principal tax systems and 3 tax system support areas. The Minnesota Collection Enterprise (MCE), supports the management of the statewide accounts receivable program.

Minnesota Tax Systems:

1. Income Tax System
2. Business Excise and Consumption Tax System
3. Property Tax and State Aid System

Tax System Support Areas:

4. Tax Operations
5. Legal and Research
6. Administrative Support

Accounts Receivable Management

7. Minnesota Collection Enterprise

In addition to the St. Paul headquarters, Revenue has offices in 14 regional sites located throughout Minnesota and 10 out-of-state offices located in Atlanta, Chicago, Cleveland, Dallas, Los Angeles, New York, Pittsburgh, St. Louis, San Francisco and Washington.

AGENCY ISSUES:

In developing our policies and strategies for the future, we anticipate the following challenges:

- *Changes in technology.* Increasingly, financial transactions will be made electronically, and records of the transactions will be processed, stored and retrieved electronically. We will continue to integrate new technology relating to electronic payment and filing into our operations.

This includes appropriate use of taxpayer access options such as the Internet and value-added access programs. Electronic filing and payment systems and access methods will decrease the time and cost required to receive, process and record taxpayer transactions. As a result, information will be available sooner to department employees, taxpayers and policy makers, and processing costs will be reduced over the long term. To support these emerging business practices and efficiently manage traditional processing activities, we will need to modify or replace outdated and fragile computer systems with secure and flexible new information access and processing systems. In addition, we must develop new ways to audit the increasingly computerized accounting, filing and payment systems used by taxpayers. This is an opportunity for less intrusive audit processes, requiring a higher degree of information technology expertise in our auditors. In developing computer systems, using new technology will require continual upgrading of existing computer hardware and software. The department has completed an update of its strategic information systems technology plan to complement and support our strategic business plan and objectives.

- *Workforce development and transition planning.* Like most state agencies, we have a very stable, highly experienced staff of long-term employees. While this is a tremendous asset in terms of the knowledge and experience base they provide, it also poses continual challenges as we adopt new technologies, develop new products and services to meet taxpayers' demands, and transition out of traditional paper-based filing and processing functions. A key determinant of our ability to meet our performance goals for the revenue system is whether we will be able to continue to provide our employees with opportunities to develop the skills they will need to take on new and different kinds of work. As an initiative to maintain and develop our capacity for continuous improvement and innovation, we have embarked on a pioneering public-sector assessment with the Minnesota Quality Council to apply best-practices analysis and the rigors of assessment against Baldrige award criteria to our department.
- *Minnesota Collection Enterprise (MCE).* As part of the Department of Finance's Accounts Receivable Management program, we undertook the stewardship of a centralized collection activity for other agencies' receivables, the Minnesota Collection Enterprise. The MCE is now part of Revenue, and we are implementing a new automated collection case management system and predictive dialing to make our collectors as efficient as possible in recovering debts owed to the state and courts. This program, for reasons of accountability and identity, is separate from the collection division of Revenue in finance, personnel and operations, but benefits from our infrastructure and expertise in both collections and technology.
- *Compliance measurement and tracking.* The compliance research program, implemented 2 years ago, tested methods for improving voluntary compliance. It has been very successful, winning both local support and national recognition for its contributions. Finding more effective ways to identify and respond to non-compliance requires continuing investments in both compliance research and operational analysis.

Tracking specific compliance outcomes from individual education, service, audit, and enforcement activities remains a long-term issue as well. As we noted in the last budget, "We have committed to long-term tracking of the receipts and results attributable to various 1993 legislative initiatives. Until we have made significant investments in our taxpayer accounting and collections systems, and complemented these with an audit tracking system, we will have to do this by a combination of *ad hoc* reporting tools, system fixes and manual processes. The magnitude of the problem will grow with time because of the cumulative complexity of multiple funding, project target and revenue sources. Continuous tracking of specific project appropriations in various new projects beyond the original period will be extremely costly and complex." The department continues to receive and act on assignments and appropriations with specific revenue-producing targets, as it has over the past several biennia. Although we try to track results from these appropriations for

1998-99 Biennial Budget

AGENCY: Revenue, Department of (DOR)
(Continuation)

a period of 6 years as directed, the nature of these revenue initiatives is such that we realize the projected high rate of return within the project life, and then deploy the resources to other, but similar, projects with greater potential return that are consistent with initial program goals.

- **Department location.** The lease on the current department headquarters building will expire on December-1-1998. The department is currently engaged in lease extension negotiations, planning for an alternative leased site, and design processes for a permanent state building to house the department. These efforts give some indication of the financial and operational importance of a properly designed and situated facility to our operations. The final direction for this effort -- to lease or purchase the current facility, move to another leased facility or to a state-owned new or remodeled building -- must be decided during this legislative session and appropriate financial commitments made.

AGENCY STRATEGIES:

The financial foundation for all state government activities lies in citizens voluntarily complying with the tax laws and meeting their payment obligations. Revenue's fundamental business strategy is to support and extend voluntary compliance. To do so, we have identified a 5-step "achieving compliance cycle," common to our tax administration and collections activities, that begins with sound policy and operations, and includes education, service, feedback, and progressive enforcement. This is our basic blueprint for administering any tax or collecting any public debt.

1. **We work to develop sound policy and operations**, based on principles of fairness, efficiency, reliability, competitiveness, and understandability. We recognize that sound policy and operations support both tax compliance and a healthy Minnesota economy, and that policy includes internal department policies and rules as well as the state tax laws.
2. **We educate citizens about their rights and obligations** under the state's tax laws, and the consequences of non-compliance. We communicate our expectations and intentions clearly.
3. **We serve our customers to help them comply with the law** by learning what they need to meet their obligations, and then providing it through convenient, understandable, accurate and timely forms and instructions; responding promptly to questions; processing transactions efficiently, accurately, and in a timely manner maintaining accurate account records; and promptly depositing and crediting payments.
4. **We give feedback through auditing and other means** on how well taxpayers are complying with their tax and payment obligations. We also develop and share information on the extent of compliance and on the performance of Minnesota's revenue system.
5. **We use progressively tougher enforcement measures** as necessary when taxpayers fail to meet their obligations to accurately file and pay, individually tailoring our response as much as possible. Our priority is those who have knowingly or repeatedly evaded their obligations.

REVENUE SUMMARY:

While the Department of Revenue collects a variety of taxes, fees and charges, only a few are directly related to agency operations:

Non-Dedicated Revenues

- **Departmental Earnings (Cambridge Deposit Fund)** - Several departmental earnings are collected to offset costs associated with the administration of these programs. Because these revenues are non-dedicated, they are deposited at the fund level and not used directly by the department in its operations. Additional details can be found in the Department Earnings Report.
- **Other Revenues/General** - This revenue is primarily funds recovered from the sale of seized property to offset costs of seizure, and reimbursements from local government for the costs of administering the taconite tax relief program.

Dedicated Revenues

- **Other Special Revenue** - This dedicated revenue is used by the department to administer the local option sales tax.

All other revenue displayed in the agency level revenue summary is either non-dedicated receipts, collected at the fund level to finance other agencies' programs, or dedicated revenue collected for other agencies and transferred to them.

SUMMARY OF BUDGET REQUEST:

- The budget is decreased by \$1,745,000 for F.Y. 1998, and by \$1,690,000 for F.Y. 1999 to reflect the agency's completion of tasks associated with the Solid Waste Project (Laws of 1996, Ch. 471, Art. 2, Sec. 28), the partial completion of tasks associated with the 1996 Initiatives (Laws of 1996, Ch. 390, Sec. 7), the Minnesota/Wisconsin Reciprocity Study (Laws of 1995, Ch. 264, Art. 9, Sec. 14), the new fees and services pertaining to drycleaners (Laws of 1995, Ch. 252, Sec. 6), the Minnesota Collection Enterprise (MCE) system delivery, and accounts receivable funds, appropriated to the Department of Finance. F.Y. 1999 includes a budget increase of \$95,000 for the agency's cost associated with implementing and administering the property tax refund as a direct deduction on the property tax statement (Laws of 1995, Ch. 264, Art. 4, Sec. 19).
- The plan includes rent increases of \$125,000 for F.Y. 1998 and \$960,000 for F.Y. 1999.
- The plan includes compensation inflation of 2.5% for F.Y. 1998 and 5.06% for F.Y. 1999.
- The plan includes \$80,000 for the MN/WI Tax Reciprocity Study (Laws of 1995, Ch. 264, Art. 9, Sec. 14). This is necessary to complete the study.
- The plan includes additional funding for the Dyed Fuel Program. This program, until recently funded by federal dollars, helps promote fuel tax compliance.

GOVERNOR'S RECOMMENDATION:

The Governor concurs with the agency's plan.

1998-1999 B I E N N I A L B U D G E T
(DOLLARS IN THOUSANDS)

AGENCY: REVENUE DEPT

PROGRAM RESOURCE ALLOCATION:	FY 1996	Est. FY 1997	FY 1998			FY 1999		
			Base Level	Agency Plan	Governor Recomm.	Base Level	Agency Plan	Governor Recomm.
=====	=====	=====	=====	=====	=====	=====	=====	=====
MINN TAX SYSTEM MANAGEMENT	77,627	82,594	80,963	81,043	81,193	83,284	83,284	83,434
ACCOUNTS RECEIVABLE MANAGEMENT	3,953	6,422	5,123	5,123	5,123	5,161	5,161	5,161
=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL EXPENDITURES BY PROGRAM	81,580	89,016	86,086	86,166	86,316	88,445	88,445	88,595
EXPENDITURES BY FUND:								

DIRECT APPROPRIATIONS:								
LOCAL GOVERNMENT TRUST	326							
GENERAL	74,968	79,216	77,431	77,511	77,511	79,694	79,694	79,694
HEALTH CARE ACCESS	1,133	1,660	1,621	1,621	1,621	1,668	1,668	1,668
HIGHWAY USERS TAX DISTRIBUTION	1,625	1,841	1,894	1,894	2,044	1,941	1,941	2,091
ENVIRONMENTAL	85	102	96	96	96	98	98	98
SOLID WASTE CLEANUP	45	55						
OPEN APPROPRIATIONS:								
GENERAL	1,000	1,400	1,400	1,400	1,400	1,400	1,400	1,400
STATUTORY APPROPRIATIONS:								
SPECIAL REVENUE	924	962	644	644	644	644	644	644
FEDERAL	136	103						
AGENCY	1,338	3,677	3,000	3,000	3,000	3,000	3,000	3,000
=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL EXPENDITURES	81,580	89,016	86,086	86,166	86,316	88,445	88,445	88,595
FTE BY EMPLOYMENT TYPE:								

REGULAR	1,145.4	1,180.4	1,180.4	1,180.4	1,180.4	1,180.4	1,180.4	1,180.4
TEMP/SEAS/PART_TIME	99.8	82.2	82.2	82.2	82.2	82.2	82.2	82.2
OVERTIME	5.3	5.3	5.3	5.3	5.3	5.3	5.3	5.3
=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL FTE	1,250.5	1,267.9	1,267.9	1,267.9	1,267.9	1,267.9	1,267.9	1,267.9

1998-1999 B I E N N I A L B U D G E T
(DOLLARS IN THOUSANDS)

AGENCY: REVENUE DEPT

	FY 1998			FY 1999		
		Est.		Agency	Governor	
SUMMARY OF AGENCY REVENUES	FY 1996	FY 1997	Forecast	Plan	Recomm.	Forecast
NON-DEDICATED REVENUE:						

DEPARTMENTAL EARNINGS:						
GENERAL	102	22				
PETROLEUM TANK RELEASE CLEANUP	12,042	70,000	70,000	70,000	70,000	70,000
CAMBRIDGE DEPOSIT FUND	3,957	3,995	4,002	4,002	4,002	4,032
SOLID WASTE CLEANUP	20,086	20,089	20,089	20,089	20,089	20,089
OTHER REVENUES:						
GENERAL	346	280	280	280	280	280
=====						
TOTAL NON-DEDICATED RECEIPTS	36,533	94,386	94,371	94,371	94,371	94,401
DEDICATED RECEIPTS:						

DEPARTMENTAL EARNINGS:						
ENVIRONMENTAL	546	450	656	656	656	1,000
GRANTS:						
FEDERAL	158	44				
OTHER REVENUES:						
SPECIAL REVENUE	760	683	644	644	644	644
TAXES:						
AGENCY	1,682	3,000	3,000	3,000	3,000	3,000
=====						
TOTAL DEDICATED RECEIPTS	3,146	4,177	4,300	4,300	4,300	4,644
=====						
AGENCY TOTAL REVENUES	39,679	98,563	98,671	98,671	98,671	99,045

PROGRAM: Minnesota Tax System Management
AGENCY: Revenue, Department of (DOR)

PROGRAM DESCRIPTION:

Minnesota Tax System Management is composed of 3 tax systems: Income, Business Excise and Consumption, and Property and State Aids. The Income Tax System includes taxes on individuals, corporations, payroll, small businesses, partnerships, fiduciaries, estates, limited liability companies, and refunds. The Business Excise and Consumption Tax System includes sales and use taxes, petroleum tax, special taxes, and MinnesotaCare. The Property Tax and State Aids System includes management and oversight of the local property tax system and state tax relief payments to individuals and local governments. During F.Y. 1996, the Department of Revenue managed 31 separate taxes flowing through over 150 distinct revenue streams. The income tax system served over 3 million taxpayers; the business excise and consumption tax system served close to 200,000 businesses that collect tax on behalf of the state; and the property tax system served 3,396 county, city, town, school district and special taxing districts.

The tax systems are supported by Tax Operations, including communications, computer systems, document processing, taxpayer registration and accounting, and collections; Legal and Research Services, including taxpayer appeals resolution and tax research and fiscal analysis; and Administrative Support.

Minnesota Tax System Management encompasses all facets of the compliance cycle. First tax laws and current policy are analyzed to define taxpayer obligations and rights. Forms, instructions and other informational material are then created to educate taxpayers and to enable them to file and pay their tax obligations. Taxpayer inquiries, correspondence, returns and payments are processed, edited and stored. Audit activities provide the taxpayer with feedback on whether or not tax obligations are being met. Finally, collection and non-filer activities are used when taxpayers choose not to comply with the laws.

Current issues affecting Tax System Management are:

- *Complex tax system.* The complexity of state and local taxes and other means of financing government services increases the likelihood of taxpayer errors, makes full compliance with the tax laws difficult and costly for both the department and taxpayers, and impedes citizen participation in government spending and taxing decisions. The department needs to continue to work in close cooperation with tax policy makers and local units of government to promote the understandability, accountability and efficiency of the state's tax system. We hope that increased use of alternative communication systems such as the Internet will help in disseminating information, answering taxpayer questions and encouraging taxpayer participation in policy discussions. Court cases and legislation in Minnesota, other states, or at the federal level can greatly add to the burden of administering the tax system. Court decisions and legislation at the national level create conditions that are confusing to taxpayers or set directions that are contrary to Minnesota's laws. As a result, we must seek corrective legislation, draft rules clarifying our position, address additional appeals resulting from the decision, revise forms and instructions, and process refund claims or tax orders based on the decision. In the current environment of constrained public resources, the legislature is also expanding the use of earmarked special-purpose taxes. These taxes are often limited to specific industries or products, such as legal gambling, health care or environmentally-related activities. Such taxes cost more to collect than broad-based general taxes.

- *Changing profile of individual and business taxpayers.* Taxpayer mobility can increase the cost of service, compliance and administration. Increasingly, people work in one state and live in another, or live in more than one location, complicating their tax status. The steady growth of our over-65 and non-English-speaking population and the greater variety in family composition are some of the demographic changes to which we must respond.

The complexity of business organizations and practices is also increasing. More and more businesses are national and even international in scope, and increasing numbers of transactions are occurring across state and national borders. Many of these transactions are made by means of mail order catalogues or telecommunications. These 2 factors make it more difficult for states to detect transactions and determine responsibility for the payment of taxes. This requires us to work for increased cooperation among states, including the formation of partnerships with other states to develop more uniform reporting and record-keeping procedures, better methods for the exchange of information, and expanded information and education programs. In addition, the state revenue system faces increased legal challenges as businesses in particular more aggressively challenge state tax laws and department interpretations, or practice tax avoidance as a means of reducing operating costs. In response to these challenges, we must continually seek to clarify existing laws, rules, and regulations, and develop new ones that are clear and unambiguous; promote comprehensive customer management approaches such as our *Revenue Tax Specialist* concept; utilize managed audits and other measures that rely more heavily on taxpayers to identify and resolve their own compliance issues where appropriate, in order to free department resources for less routine activities; and devote additional resources to detection of nonfilers and underreported income.

- *Federal budget impacts.* Minnesota's income tax system is tightly bound to the federal tax system due to both our close conformity to the federal definition of taxable income as well as our heavy reliance on IRS federal audit reports as the basis for state-level income tax compliance activities. The level of assistance taxpayers receive from the IRS to complete their federal returns and the magnitude of IRS audit and compliance activities have direct impacts on the demand for our own taxpayer service functions and on our ability to perform state-level compliance functions. Significant decreases are already occurring in IRS funding levels with resulting impacts on their service, audit and examination activities. We face the challenge of filling the service gaps caused by federal budget reductions in order to preserve current levels of compliance and taxpayer service in Minnesota's state income tax system. Other federal funding sources that support specialized state compliance activities, such as motor fuel tax enforcement, are also being reduced or eliminated.
- *Technology--challenges and opportunities.* While technological changes such as electronic commerce pose continuing challenges for both tax policy and administration, rapid technological change also presents new opportunities to provide taxpayers with information and service. Offering taxpayers the latest methods for filing, paying and getting information puts a strain on departmental resources and adds to our concern for effective taxpayer service. Although electronic funds transfer and electronic filing have the potential for improving efficiency in the department, many taxpayers are unable or unwilling to jump into the technological age. The department, therefore, must maintain 2 separate systems for filing and paying--the traditional paper-based system and the modern electronic system. Emerging technologies such as the Internet further expand both the possibilities and the complications of technological advances. Information technology and interagency cooperation can reduce both the real burden and negative feelings of taxpayers involved in similar processes with multiple agencies. The department continues to explore new opportunities to use these new technologies in ways that provide better service to taxpayers.

1998-99 Biennial Budget

PROGRAM: Minnesota Tax System Management
AGENCY: Revenue, Department of (DOR)
(Continuation)

PROGRAM STATUS:

All of the tax system activities interact cyclically to achieve tax compliance so that state and local government services are funded.

The purpose of the tax system management program and its supporting activities is to insure:

- everyone is paying what is owed, no more, no less
- our customers--taxpayers-- are satisfied
- the revenue system is efficient in process and administration

These are the ideals--the vision--we are trying to reach.

PLANNED RESULTS:

The agency budget plan will enable the performance measures in our 1996 Performance Report to be accomplished or accelerated as follows. These results are linked to our 3 key performance areas:

Everyone is paying what is owed, no more, no less:

- Continuing overall education and service levels for current individual income tax filers will maintain the overall percentage of M1 and M1A returns that pass initial accuracy and completeness checks in processing at 97% through F.Y. 1999.
- Nonfiler discovery activities and more intensive evaluation of recidivism will maintain the annual number of individual income tax nonfilers discovered at 3,000 per year through F.Y. 1999, with 60% maintained as subsequent voluntary filers.
- Through targeted discovery, education, and audit activities, the percentage of total sales tax correctly collected and remitted by selected business sectors will increase to 99%, and the percentage of total use tax correctly paid by selected business sectors will increase to 85%.
- In the corporate franchise tax, with expiration of prior initiatives, the agency plan will result in nonfiler discovery and audit activities at approximately the F.Y. 1995 level--resolution of 750 periods for corporate nonfilers and audit of 5,500 periods from current filers each year.

Our customers' requirements for timely and accurate service, fair treatment, and minimal compliance burden are satisfied:

- The budget plan provides for sufficient resources and technology investments to maintain individual taxpayer phone service levels at 97% through F.Y. 1998/99, even anticipating some increases in demand due to federal service reductions. The plan will increase business taxpayer phone service levels from 83% in F.Y. 1996 to 95% by F.Y. 1999.
- The plan will result in individual income tax refunds for returns filed prior to April 1 to be paid within 30 days through F.Y. 1999.

- The agency plan includes steps targeted to improve levels of directly-reported taxpayer satisfaction with our sales and use tax audits to 92%, and overall satisfaction with our collections activities to 90% in F.Y. 1999.

The revenue system is efficient in process and administration

- The department's total cost per \$100 of tax receipts was 89 cents in F.Y. 1996. The plan projects costs per \$100 to continue to decline through F.Y. 1998/99 biennium.
- A critical performance element for overall state financial management is speed in processing and depositing remittances. The agency plan promotes increased reliance on electronic remittances from taxpayers to the state, through a combination of public education and technology investments. Under the plan, the percentage of tax remittances deposited to state accounts within one business day after receipt is projected to increase from 80% in F.Y. 1996 to 85% in F.Y. 1999.
- Continued aggressive management of tax-related accounts receivable is projected to reduce the total volume of receivables available for collection from \$237 million in F.Y. 1996 to \$200 million in F.Y. 1998, and reduce the percentage that is aged over one year from 73% in F.Y. 1996 to 60% in F.Y. 1998.

BUDGET AND REVENUE SUMMARY:

- The plan includes \$300,000 from the Highway User Fund for the Dyed Fuel Program, an effort to sustain motor fuel tax enforcement efforts and compliance levels. The Dyed Fuel Program was previously supported by federal funding.

1998-1999 B I E N N I A L B U D G E T
(DOLLARS IN THOUSANDS)

AGENCY: REVENUE DEPT
PROGRAM: MINN TAX SYSTEM MANAGEMENT

ACTIVITY RESOURCE ALLOCATION:	FY 1996	Est. FY 1997	FY 1998			FY 1999		
			Base Level	Agency Plan	Governor Recomm.	Base Level	Agency Plan	Governor Recomm.
ADMINISTRATIVE SUPPORT	14,062	17,356	16,077	16,077	16,077	17,017	17,017	17,017
LEGAL & RESEARCH	3,575	3,938	3,872	3,952	3,952	3,955	3,955	3,955
PROPERTY TAX & STATE AID	2,768	2,810	2,869	2,869	2,869	3,026	3,026	3,026
TAX OPERATIONS	28,688	28,314	28,629	28,629	28,629	29,157	29,157	29,157
INCOME TAX SYSTEM	14,096	14,833	14,297	14,297	14,297	14,549	14,549	14,549
BUSINESS EXCISE & CONSUMPTION	14,438	15,343	15,219	15,219	15,369	15,580	15,580	15,730
TOTAL EXPENDITURES BY ACTIVITY	77,627	82,594	80,963	81,043	81,193	83,284	83,284	83,434
AGENCY PLAN ITEMS:		FUND						
MN/WI TAX RECIPROCITY		GEN		80				
DYED FUEL PROGRAM		HUT		150			150	
TOTAL AGENCY PLAN ITEMS				230			150	
EXPENDITURES BY FUND:								
DIRECT APPROPRIATIONS:								
LOCAL GOVERNMENT TRUST	326							
GENERAL	72,353	76,470	75,308	75,388	75,388	77,533	77,533	77,533
HEALTH CARE ACCESS	1,133	1,660	1,621	1,621	1,621	1,668	1,668	1,668
HIGHWAY USERS TAX DISTRIBUTION	1,625	1,841	1,894	1,894	2,044	1,941	1,941	2,091
ENVIRONMENTAL	85	102	96	96	96	98	98	98
SOLID WASTE CLEANUP	45	55						
OPEN APPROPRIATIONS:								
GENERAL	1,000	1,400	1,400	1,400	1,400	1,400	1,400	1,400
STATUTORY APPROPRIATIONS:								
SPECIAL REVENUE	924	962	644	644	644	644	644	644
FEDERAL	136	103						
AGENCY		1						
TOTAL EXPENDITURES	77,627	82,594	80,963	81,043	81,193	83,284	83,284	83,434
FTE BY EMPLOYMENT TYPE:								
REGULAR	1,116.9	1,151.9	1,151.9	1,151.9	1,151.9	1,151.9	1,151.9	1,151.9
TEMP/SEAS/PART_TIME	99.8	82.2	82.2	82.2	82.2	82.2	82.2	82.2

1998-1999 BIENNIAL BUDGET
(DOLLARS IN THOUSANDS)

AGENCY: REVENUE DEPT
PROGRAM: MINN TAX SYSTEM MANAGEMENT

ACTIVITY RESOURCE ALLOCATION:	FY 1996	Est. FY 1997	FY 1998			FY 1999		
			Base Level	Agency Plan	Governor Recomm.	Base Level	Agency Plan	Governor Recomm.
OVERTIME	5.3	5.3	5.3	5.3	5.3	5.3	5.3	5.3
TOTAL FTE	1,222.0	1,239.4	1,239.4	1,239.4	1,239.4	1,239.4	1,239.4	1,239.4

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1998-99 Biennial Budget

BUDGET ACTIVITY: Income Tax System
PROGRAM: Minnesota Tax System Management
AGENCY: Revenue, Department of (DOR)

ACTIVITY DESCRIPTION:

The Income Tax System administers the individual income tax (including payroll withholding), corporate franchise or income tax, and small business, partnership, fiduciary, estate, and limited liability company taxes. Refund administration for property taxes and political contributions is also included in this activity.

The Income Tax System serves over 3.1 million taxpayers annually, including 2.1 million individual income tax filers, and accounts for nearly half of the state's total tax collections each year.

BUDGET ISSUES:

Minnesota's individual income tax system is closely linked to the federal income tax in a number of ways—including the federal definition of taxable income to which we largely conform at the state level, the shared burden in education and service, common information reporting requirements placed on employers, financial institutions, and other income sources, and our traditionally heavy reliance on federal audit reports as the basis for our own individual income tax compliance activities at the state level.

Significant budget issues may result from planned or potential changes in IRS policies or activities, driven in part by flat or reduced funding levels. Among the more important issues are:

- In recent years we have achieved major improvements in our response levels to telephone calls seeking assistance with income tax filing questions. We intend to sustain these high service levels, but this could prove an increasing challenge if IRS resources, and consequently service levels, diminish. The result may be increasing demand at the state level for assistance with both federal and state tax questions.
- Uncertainty over the level of IRS audit activities over the coming years, again due to federal funding levels, has implications for both state-level revenue production and cost as we attempt to fill the gap and maintain a positive audit presence. Increased reliance on state audit activities will make our ongoing compliance research program even more critical, as we evaluate the relative impacts of audit, taxpayer service and education, and other activities on levels of voluntary compliance.

The vast majority of state income taxes are received through payroll withholding. We are working at both the state and national levels to modernize and improve this system. At the state level, we have completed a review of customer needs and have begun a major system overhaul that will be completed as funds permit. At the national level, we are participating in a joint state-federal effort to reduce filing, reporting, and payment burdens on employers. Our participation in this effort will allow us to improve compliance with withholding tax requirements as well as respond to concerns raised by the Legislative Auditor about the extent of our use of wage data from employers.

A major corporate franchise tax issue is the effect of tax code complexity on the allocation of multistate or multinational corporate income back to Minnesota for taxation here. Tax Code complexity creates opportunities for increasingly aggressive tax avoidance strategies by some

taxpayers. The result is measurably lower compliance rates, higher costs for audit and enforcement activities, and large numbers of complex administrative appeals. In addition, there are substantial numbers of out-of-state corporations that exploit Minnesota's marketplace and do not file corporate franchise tax returns. We face significant challenges in aligning our available resources to increase corporate franchise tax compliance levels.

REVENUE:

This activity generates non-dedicated receipts from individual income tax payments, corporate income tax payments and individual income tax withholding.

	Dollars in Thousands	
	F.Y. 1995	F.Y. 1996*
Individual Income Tax:		
Withholding	\$3,272,081	\$3,517,454
Estimated	608,757	640,243
Tax Payments	368,232	477,790
Tax Refunds	(495,810)	(524,018)
Estate Tax	34,784	42,898
Corporation Income Tax	665,710	692,117
Type of Revenue:		
Non-dedicated - General	4,453,754	4,846,484
Non-dedicated - State Government	-0-	-0-
Dedicated - Special	-0-	-0-
Dedicated - Federal	-0-	-0-
TOTAL	\$4,453,754	\$4,846,484

* F.Y. 1996 data is preliminary.

1998-1999 B I E N N I A L B U D G E T
(DOLLARS IN THOUSANDS)

AGENCY: REVENUE DEPT
PROGRAM: MINN TAX SYSTEM MANAGEMENT
ACTIVITY: INCOME TAX SYSTEM

ACTIVITY SUMMARY	FY 1996	Est. FY 1997	FY 1998			FY 1999		
			Base Level	Agency Plan	Governor Recomm.	Base Level	Agency Plan	Governor Recomm.
EXPENDITURES:								
DETAIL BY CATEGORY:								
STATE OPERATIONS:								
PERSONAL SERVICES	10,871	11,585	11,413	11,413	11,413	11,659	11,659	11,659
OPERATING EXPENSES	3,224	3,248	2,884	2,884	2,884	2,890	2,890	2,890
CAPITAL OUTLAY	1							
SUBTOTAL STATE OPERATIONS	14,096	14,833	14,297	14,297	14,297	14,549	14,549	14,549
TOTAL EXPENDITURES	14,096	14,833	14,297	14,297	14,297	14,549	14,549	14,549
EXPENDITURES BY FUND:								
DIRECT APPROPRIATIONS:								
GENERAL	14,096	14,833	14,297	14,297	14,297	14,549	14,549	14,549
TOTAL EXPENDITURES	14,096	14,833	14,297	14,297	14,297	14,549	14,549	14,549
REVENUE COLLECTED:								
NONDEDICATED:								
GENERAL		75	75	75	75	75	75	75
TOTAL REVENUES COLLECTED		75	75	75	75	75	75	75
FTE BY EMPLOYMENT TYPE:								
REGULAR	232.9	240.4	240.4	240.4	240.4	240.4	240.4	240.4
TEMP/SEAS/PART_TIME	3.4	3.4	3.4	3.4	3.4	3.4	3.4	3.4
OVERTIME	.9	.9	.9	.9	.9	.9	.9	.9
TOTAL FTE	237.2	244.7	244.7	244.7	244.7	244.7	244.7	244.7

1998-99 Biennial Budget

BUDGET ACTIVITY: Business, Excise and Consumption Tax System
PROGRAM: Minnesota Tax System Management
AGENCY: Revenue, Department of (DOR)

ACTIVITY DESCRIPTION:

The Business, Excise, and Consumption Tax System administers the following taxes: sales and use, petroleum, MinnesotaCare, gross insurance premium, lawful gambling, tobacco and liquor; and environmental taxes and fees. While most of these taxes are ultimately paid by the consumers of these products, they are collected and remitted on behalf of the state by the businesses that distribute or sell them.

This activity serves 150,000 businesses that collect \$2.9 billion in sales and use taxes annually. The petroleum tax raises \$580 million annually from 1,000 distributors. The MinnesotaCare tax generates \$152 million from a taxpayer base of 8,000 hospitals, health care providers, and medical supplies and equipment sellers. Insurance gross premium taxes total \$154 million from about 1,500 insurance companies. Lawful gambling taxes are paid by 1,700 organizations and 25 pulltab and tipboard distributors and total \$67 million per year. Cigarette and tobacco taxes total \$188 million annually from 70 distributors; wine, beer, and liquor taxes total \$56 million from 160 brewers, importers, and distributors. 11,000 businesses pay hazardous waste generator and solid waste taxes, and landfill abatement and dry cleaner fees, totaling \$32 million annually.

BUDGET ISSUES:

Studies we have conducted reveal low compliance with sales and use tax in several specific areas, including businesses that order equipment and supplies from out of state but do not pay Minnesota's use tax, and out-of-state firms that make sales to consumers in Minnesota but do not collect and remit our sales tax. We also lack significant audit presence among taxpayers required to collect environmental taxes and fees.

Within our available resources, we will continue to pursue a balanced program of taxpayer education and service, audit, and enforcement activities designed to achieve a high level of compliance with the tax laws. We will also emphasize continuous testing and evaluation of alternative compliance and service approaches for the best combinations of cost and effectiveness. In particular, we will examine a number of methods to improve and expand our audit program within current staffing levels, including:

- expanding our audit presence through "managed audits," in which taxpayers conduct their own audits following department guidelines.
- exploring the feasibility of allowing taxpayers to hire department-certified tax preparers to conduct self-audits.
- conducting partial audits in specific areas where noncompliance has been identified.
- improving our internal coordination so one employee is able to review a taxpayer's compliance with several tax types.
- conducting joint audits with other states where a business operates in both states.
- targeting audits to types of businesses with a history of noncompliance.

While these efforts should help maintain current compliance levels and improve them in some selected areas, they are not expected to significantly address overall compliance problems related to out-of-state purchases of business supplies and equipment, or sales within Minnesota by out-of-state firms

that fail to collect and remit our tax. Current resource levels will also continue to preclude a significant audit presence among payers of some environmental taxes.

REVENUE:

This activity generates dedicated and non-dedicated revenue.

	Dollars in Thousands	
	F.Y. 1995	F.Y. 1996*
Non-Dedicated Revenue:		
Sales and Use	1,860,974	2,067,664
Cigarette	162,439	162,236
Insurance Premiums	146,591	147,909
Mortgage Registration	34,224	46,831
Lawful Gambling	62,739	66,945
Alcoholic Beverage	55,009	55,732
Deed	36,723	41,154
Tobacco Products	10,205	11,300
Motor Vehicle Lease	7,317	8,601
Telephone Gross Earnings	(2)	-0-
Controlled Substances	233	135
Dedicated Revenue:		
Sales and Use	861,407	918,963
Motor Fuels Excise	504,228	517,959
Health Care Providers	252,720	264,754
Cigarette	14,589	14,060
Solid Waste Landfill Fee	3,255	1,023
Hazardous Waste	1,858	1,906
Type of Revenue:		
Non-Dedicated - Gen'l	2,376,452	2,608,507
Non-Dedicated State Gov't		
Dedicated Special	1,638,057	1,718,665
Dedicated Federal		
TOTAL	\$4,014,509	\$4,327,172

* F.Y. 1996 data is preliminary.

1998-1999 B I E N N I A L B U D G E T
(DOLLARS IN THOUSANDS)

AGENCY: REVENUE DEPT
PROGRAM: MINN TAX SYSTEM MANAGEMENT
ACTIVITY: BUSINESS EXCISE & CONSUMPTION

ACTIVITY SUMMARY	FY 1996	Est. FY 1997	FY 1998			FY 1999		
			Base Level	Agency Plan	Governor Recomm.	Base Level	Agency Plan	Governor Recomm.
EXPENDITURES:								
DETAIL BY CATEGORY:								
STATE OPERATIONS:								
PERSONAL SERVICES	11,614	12,528	12,594	12,594	12,744	12,908	12,908	13,058
OPERATING EXPENSES	2,824	2,815	2,675	2,675	2,675	2,722	2,722	2,722
TRANSFERS			<50>	<50>	<50>	<50>	<50>	<50>
SUBTOTAL STATE OPERATIONS	14,438	15,343	15,219	15,219	15,369	15,580	15,580	15,730
TOTAL EXPENDITURES	14,438	15,343	15,219	15,219	15,369	15,580	15,580	15,730
AGENCY PLAN ITEMS:		FUND						
DYED FUEL PROGRAM		HUT		150			150	
TOTAL AGENCY PLAN ITEMS				150			150	
EXPENDITURES BY FUND:								
DIRECT APPROPRIATIONS:								
LOCAL GOVERNMENT TRUST	84							
GENERAL	11,302	11,486	11,517	11,517	11,517	11,783	11,783	11,783
HEALTH CARE ACCESS	911	1,417	1,374	1,374	1,374	1,420	1,420	1,420
HIGHWAY USERS TAX DISTRIBUTION	1,550	1,841	1,894	1,894	2,044	1,941	1,941	2,091
ENVIRONMENTAL	85	102	96	96	96	98	98	98
SOLID WASTE CLEANUP	45	55						
STATUTORY APPROPRIATIONS:								
SPECIAL REVENUE	325	339	338	338	338	338	338	338
FEDERAL	136	103						
TOTAL EXPENDITURES	14,438	15,343	15,219	15,219	15,369	15,580	15,580	15,730
REVENUE COLLECTED:								
DEDICATED:								
FEDERAL		44						

1998-1999 B I E N N I A L B U D G E T
(DOLLARS IN THOUSANDS)

AGENCY: REVENUE DEPT
PROGRAM: MINN TAX SYSTEM MANAGEMENT
ACTIVITY: BUSINESS EXCISE & CONSUMPTION

			FY 1998			FY 1999		
ACTIVITY SUMMARY	FY 1996	Est. FY 1997	Base Level	Agency Plan	Governor Recomm.	Base Level	Agency Plan	Governor Recomm.
=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL REVENUES COLLECTED		44						
FTE BY EMPLOYMENT TYPE:								
=====								
REGULAR	247.5	232.7	232.7	232.7	232.7	232.7	232.7	232.7
TEMP/SEAS/PART_TIME	.1	.1	.1	.1	.1	.1	.1	.1
OVERTIME	.1	.1	.1	.1	.1	.1	.1	.1
=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL FTE	247.7	232.9	232.9	232.9	232.9	232.9	232.9	232.9

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1998-99 Biennial Budget

BUDGET ACTIVITY: Property Tax and State Aid System
PROGRAM: Minnesota Tax System Management
AGENCY: Revenue, Department of (DOR)

ACTIVITY DESCRIPTION:

The Property Tax and State Aid System includes support, evaluation, and oversight over Minnesota's locally administered property tax system; computation and payment of state-paid property tax relief payments to local governments; and administration of minerals taxes.

In the local property tax area, the activity assists and oversees county and city assessors in the complete and accurate identification of taxable property, its proper classification and valuation, and equalization of assessments among taxing districts; provides information to individual taxpayers and local government officials about the property tax process; conducts annual assessment-sales ratio studies to measure and ensure the uniformity of assessment levels, and determines the basis for state aid payments to school districts; provides support to the State Board of Assessors, responsible for assessor education and licensure; staffs the State Board of Equalization, responsible for monitoring assessment levels for accuracy and uniformity and for issuing corrective orders where necessary; and directly assesses railroads, public utilities, and airflight property on a statewide basis as required by law.

Administering state aids to local government requires the activity to determine state aid payments for each county, city, town and special taxing district under a variety of statutory formulas, and to make those payments by statutory deadlines each year. The following state aids are paid to local units of government:

	<u>Stat. Auth.</u>	<u>Recipients</u>	<u>Dist. Criteria</u>
Homestead Agricultural Credit Aid (HACA)	273.1398 273.166	local governments	set by law
Local Government Aid	477A	local governments	set by law
County Criminal Justice Aid	477A	counties	set by law
Disaster Credit	273.123	homeowners	set by law
Agricultural Preserve Credit	473H.10	farm owners	set by law
County Conservation Credit	273.119	farm owners	set by law
Enterprise Zone Credit	469.170	business owners	set by law
Disparity Reduction Credit	273.1398	business and apartment owners	set by law
Supplemental Taconite Homestead Credit	273.1391	homeowners in taconite relief areas	set by law
Disparity Reduction Aid	273.1398	local governments	set by law
Family Preservation Aid	477A.0122	counties	set by law
St. Paul Rental Tax Credit	Laws 1994	St. Paul taxing districts	set by law

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In addition, the activity collects and maintains assessment and levy information from all local taxing authorities each year; assists and monitors local governments in implementing the annual Truth in Taxation process; verifies and issues state deeds for tax forfeited property; determines annual levy limits for those taxing authorities subject to them; and educates and assists county auditors and treasurers on requirements and procedures for tax computation and collection.

The minerals tax activity administers taxes on the mining industry, the bulk of which flow to local governments in lieu of property taxes. These include the taconite production tax (the largest by far in terms of revenue), the occupation tax on taconite, semi-taconite, and iron ore (levied in lieu of the corporate income tax), aggregate material (gravel) tax, and ad valorem taxes on taconite railroads, unmined taconite, auxiliary mining lands for taconite operations, natural iron ore, and severed mineral interests.

BUDGET ISSUES:

This activity administers Minnesota's complex, frequently changing property tax and local government aids system. The complexity and instability of the system, coupled with varying human and technical resources among local tax administrators, results in the inconsistent application of the property tax laws and procedures among Minnesota's 87 counties. Correcting this problem requires continued investment in education and development of local staff capabilities and improvements to data transmission and processing systems to overcome technical limitations, reduce costs, and improve performance.

Within available resources this activity will:

- Promote more uniform local assessment by emphasizing training and meaningful performance feedback to county and city assessors to improve understanding of and compliance with property classification and valuation provisions.
- Provide county auditors and treasurers with training and technical support to ensure that they are able to fulfill their obligations for tax computation, billing, and collections in an accurate and timely manner.
- Reduce local government reporting burdens by developing more highly automated systems for transferring assessment and tax levy data from local governments to the department, and improve the quality and timeliness of data available.

REVENUE:

This activity generates dedicated and non-dedicated revenue. This activity makes state aid payments to units of local government. The air flight property tax generates dedicated revenue for the airport fund.

	<u>Dollars in Thousands</u>	
	<u>F.Y. 1995</u>	<u>F.Y. 1996*</u>
Non-dedicated Revenue:		
Occupation Tax (Minerals)	2,370	\$3,197
Taconite RR Gross Earnings Tax	-0-	-0-
Dedicated Revenue:		
Airflight Property Tax	8,532	8,286
Type of Revenue:		
Non-dedicated - Gen'l	2,370	3,197
Non-dedicated - State Gov't		
Dedicated - Special	8,532	8,286
Dedicated - Federal		
Total	\$10,902	\$11,483

* F.Y. 1996 data is preliminary.

1998-1999 B I E N N I A L B U D G E T
(DOLLARS IN THOUSANDS)

AGENCY: REVENUE DEPT
PROGRAM: MINN TAX SYSTEM MANAGEMENT
ACTIVITY: PROPERTY TAX & STATE AID

			FY 1998			FY 1999		
ACTIVITY SUMMARY	FY 1996	Est. FY 1997	Base Level	Agency Plan	Governor Recomm.	Base Level	Agency Plan	Governor Recomm.
=====	=====	=====	=====	=====	=====	=====	=====	=====
EXPENDITURES:								

DETAIL BY CATEGORY:								
STATE OPERATIONS:								
PERSONAL SERVICES	2,400	2,479	2,540	2,540	2,540	2,696	2,696	2,696
OPERATING EXPENSES	368	331	329	329	329	330	330	330
=====	=====	=====	=====	=====	=====	=====	=====	=====
SUBTOTAL STATE OPERATIONS	2,768	2,810	2,869	2,869	2,869	3,026	3,026	3,026
=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL EXPENDITURES	2,768	2,810	2,869	2,869	2,869	3,026	3,026	3,026
EXPENDITURES BY FUND:								

DIRECT APPROPRIATIONS:								
LOCAL GOVERNMENT TRUST	25							
GENERAL	2,743	2,810	2,869	2,869	2,869	3,026	3,026	3,026
=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL EXPENDITURES	2,768	2,810	2,869	2,869	2,869	3,026	3,026	3,026
REVENUE COLLECTED:								

DEDICATED:								
FEDERAL	158							
NONDEDICATED:								
GENERAL	75							
=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL REVENUES COLLECTED	233							
FTE BY EMPLOYMENT TYPE:								

REGULAR	49.1	49.9	49.9	49.9	49.9	49.9	49.9	49.9
TEMP/SEAS/PART TIME	.5	.5	.5	.5	.5	.5	.5	.5
=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL FTE	49.6	50.4	50.4	50.4	50.4	50.4	50.4	50.4

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BUDGET ACTIVITY: Tax Operations
PROGRAM: Minnesota Tax System Management
AGENCY: Revenue, Department of (DOR)

ACTIVITY DESCRIPTION:

Tax Operation functions lay the foundation for the income tax, business, excise and consumption tax, and property tax and state aid systems. The Tax Operations activity includes:

Communications:

- designs and produces 275 different tax forms and instructions
- provides taxpayer education through the media and other means of mass communication
- develops and manages the department's world wide web services to taxpayers

Forms distribution and mail receiving:

- mails tax forms to taxpayers and processes other outgoing mail
- receives and sorts 4.9 million pieces of incoming mail annually

Taxpayer registration:

- registers 63,000 new businesses with 244,000 changes to business registrations annually
- manages registration of 4.4 million individual taxpayers with 250,000 changes annually
- manages the confidentiality and protection of taxpayer data
- stores and provides access to taxpayer returns

Processing and taxpayer accounting:

- processes paper and electronic returns and payments
- accounts for \$9.6 billion in receipts
- issues 2.1 million tax refunds totaling \$1.1 billion
- processes and distributes \$52 million in local option tax receipts for local governments
- administers revenue recapture for 314 federal, state and county agencies, which last year recaptured \$19.8 million from 82,505 refunds

Collections:

- identifies and collects from known taxpayers who failed to file returns collecting \$12.6 million in F.Y. 1996
- identifies, verifies and collects unpaid individual and business taxes collecting \$108 million in F.Y. 1996

Information systems management:

- manages computing systems for administering the tax system including more than 1,300 workstations
- maintains tax system portfolio of more than 130 computer applications on 15 different platforms

BUDGET ISSUES:

Tax Operations functions have traditionally relied on paper documents as the basis for everything from tax forms and instructions to billing of accounts. Because of rising costs for both producing and processing paper documents, we are continually exploring new ways to reduce reliance on paper. As

a result, we have developed ways to utilize electronic data exchange (EDI) in many of our work processes. These electronic processes not only reduce our reliance on paper but also result in greater operating efficiency and higher service levels to taxpayers.

Within our current resources, we are developing, testing, or expanding our use of EDI processes including electronic filing of returns (EFS), filing returns by touch-tone telephone, optically scanning returns, computer-to-computer filing and paying, and electronic funds transfer (EFT). While it is likely that the new computer systems needed to offer these services will be more expensive to operate than the limited function systems they replace, those costs will be largely offset by resultant savings in document handling, data entry and storage. In tax collections, we added predictive dialing in the Ely office, which means the computer dials taxpayer phone numbers and makes a connection before forwarding the call to a collector. This system has doubled our ability to contact debtors and enabled collection resources to be directed toward new areas of non-compliance such as non-filers. These incremental changes toward increased electronic services advance the department's long range strategy to improve taxpayer access to a majority of Revenue's services.

Because the department relies heavily on advanced technology and there are significant consequences of failure, sophisticated management of both the system processes and technology is imperative. Additionally, in an effort to ease taxpayer burdens, we are actively participating in a major national effort with federal and other state agencies to reduce filing, reporting and payment burdens for employers. Significant budget issues exist in 3 related areas:

- A reengineering of the sales tax system, using scanning, imaging, telefiling, and electronic storage of data, is complete and functioning well. We will also complete minor improvements to processing withholding returns in F.Y. 1997. Our long range strategy is to expand such EDI innovations to other tax type processing systems (with accompanying performance improvements). The current level of funding will not allow the department to introduce additional significant EDI innovations this biennium.
- The processing system for individual income tax returns is one of the oldest in state government, and is badly in need of a major overhaul. Other systems are in need of upgrading or replacing as well. Without additional funding, the department will be limited in its ability to upgrade and/or replace these systems. Old systems require a high level of support, are expensive to operate, and are prone to errors and disruption of service. Many are not year 2000 compliant, and are not integrated into our current technical infrastructure. We have nearly completed a long range strategic technology plan to address this issue.
- The need for regular replacement of personal computers and software and upgrading of the technology infrastructure throughout the agency is a growing concern. Service to our taxpayers has improved because more information is available, more quickly and more accurately. Revenue is heavily reliant on technology, with approximately \$10 million worth of technical infrastructure: workstations, servers, network equipment, and software. Most taxpayer data is accessed through our computer systems with the increasing technical sophistication of our computer network, supporting our Greater Minnesota cities is a special challenge. Technology keeps our greater Minnesota offices operating efficiently. To maintain service levels, we must plan for the annual replacement of approximately one-third of the agency technical infrastructure.

REVENUE:

This activity generates no revenue.

1998-1999 B I E N N I A L B U D G E T
(DOLLARS IN THOUSANDS)

AGENCY: REVENUE DEPT
PROGRAM: MINN TAX SYSTEM MANAGEMENT
ACTIVITY: TAX OPERATIONS

ACTIVITY SUMMARY	FY 1996	Est. FY 1997	FY 1998			FY 1999		
			Base Level	Agency Plan	Governor Recomm.	Base Level	Agency Plan	Governor Recomm.
EXPENDITURES:								
DETAIL BY CATEGORY:								
STATE OPERATIONS:								
PERSONAL SERVICES	20,224	20,529	21,076	21,076	21,076	21,589	21,589	21,589
OPERATING EXPENSES	8,461	7,785	7,553	7,553	7,553	7,568	7,568	7,568
CAPITAL OUTLAY	3							
SUBTOTAL STATE OPERATIONS	28,688	28,314	28,629	28,629	28,629	29,157	29,157	29,157
TOTAL EXPENDITURES	28,688	28,314	28,629	28,629	28,629	29,157	29,157	29,157
EXPENDITURES BY FUND:								
DIRECT APPROPRIATIONS:								
LOCAL GOVERNMENT TRUST	73							
GENERAL	27,341	26,674	26,988	26,988	26,988	27,516	27,516	27,516
HEALTH CARE ACCESS	129	130	132	132	132	132	132	132
HIGHWAY USERS TAX DISTRIBUTION	32							
OPEN APPROPRIATIONS:								
GENERAL	1,000	1,400	1,400	1,400	1,400	1,400	1,400	1,400
STATUTORY APPROPRIATIONS:								
SPECIAL REVENUE	113	109	109	109	109	109	109	109
AGENCY		1						
TOTAL EXPENDITURES	28,688	28,314	28,629	28,629	28,629	29,157	29,157	29,157
REVENUE COLLECTED:								
DEDICATED:								
AGENCY		3,000	3,000	3,000	3,000	3,000	3,000	3,000
NONDEDICATED:								
GENERAL		205	205	205	205	205	205	205
CAMBRIDGE DEPOSIT FUND	265	300	300	300	300	300	300	300
TOTAL REVENUES COLLECTED	265	3,505	3,505	3,505	3,505	3,505	3,505	3,505

1998-1999 B I E N N I A L B U D G E T
(DOLLARS IN THOUSANDS)

AGENCY: REVENUE DEPT
PROGRAM: MINN TAX SYSTEM MANAGEMENT
ACTIVITY: TAX OPERATIONS

			FY 1998			FY 1999		
ACTIVITY SUMMARY	FY 1996	Est. FY 1997	Base Level	Agency Plan	Governor Recomm.	Base Level	Agency Plan	Governor Recomm.
=====								
FTE BY EMPLOYMENT TYPE:								
REGULAR	426.3	497.1	497.1	497.1	497.1	497.1	497.1	497.1
TEMP/SEAS/PART_TIME	75.0	75.0	75.0	75.0	75.0	75.0	75.0	75.0
OVERTIME	2.2	2.2	2.2	2.2	2.2	2.2	2.2	2.2
=====								
TOTAL FTE	503.5	574.3	574.3	574.3	574.3	574.3	574.3	574.3

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1998-99 Biennial Budget

BUDGET ACTIVITY: Legal and Research
PROGRAM: Minnesota Tax System Management
AGENCY: Revenue, Department of (DOR)

ACTIVITY DESCRIPTION:

The Legal and Research activity includes the legal services, appeals, criminal investigations, and tax research functions that support both tax administration and the development of state and local fiscal policies.

Legal services provides support to the tax systems through research and analysis of tax laws and policy, and represents the department at contested administrative and rule making hearings. Legal services also works closely with the legislature and legislative staffs and taxpayer and practitioner groups, drafts legislation, administrative rules and revenue notices, and provides support to the Attorney General in tax litigation matters.

Administrative appeals are provided to taxpayers to ensure that tax assessments and claims for refund denials are accurate and conform to the law. The mission of appeals is to provide an efficient, impartial forum for reconsideration of tax determinations. The administrative appeals process is available to taxpayers as an informal, less costly alternative to litigation.

The criminal investigation unit investigates potential tax crimes and determines whether the facts warrant referral to a prosecutor. It also assists the rest of the department in managing threat/assault risks against our staff.

Tax Research assists in the development of tax policy through objective research, analysis and measurement of tax and revenue information. Tax Research publishes many reports, such as the Tax Incidence Study and the Tax Expenditure Study, that help to measure the performance of state and local tax systems. Many of these reports are mandated by the legislature. Tax Research also supports the state revenue forecast by measuring revenues from specific tax sources and by creating an annual income tax sample.

BUDGET ISSUES:

This activity provides the legal and research support for the complex and frequently changing state and local tax laws. Each year, many new tax laws are created or proposed, while hundreds of amendments are made to existing laws. In addition, outdated tax laws generate appeals of previously unchallenged issues and create the need for additional policy analysis and legislation.

- The legislature and other customers have significantly increased their requests for research and analysis of tax information, mandated tax studies, and reporting requirements. In F.Y. 1993 the research division handled 200 such requests. In F.Y. 1995 the number of requests had grown to 250. This trend is expected to continue. To meet this demand, services in tax research that do not support the direct activities of the DOR will need to be reduced. The research division will provide less support to citizen organizations, business, the public and other non-legislative or non-DOR requests.
- Increased funding for audit and collections activities for F.Y. 1994-95 has resulted in increasing efforts to audit taxpayers and groups of taxpayers who have previously not complied on a voluntary basis. Cases have become more complex and time consuming as taxpayers are more

aggressively challenging state tax laws and departmental interpretations and as noncooperative taxpayers increasingly use sophisticated avoidance strategies. In addition, tax reform provisions under consideration at the state and federal level may increase complexity and uncertainty in the tax system. This trend is expected to continue at least through the 1998-99 biennium. The appeals unit has also noticed the growing impact of tax protesters.

- As tax protesters extend their activity in Minnesota, the criminal investigation staff is increasingly called upon to deal with those issues as well as threat and assault concerns. Time spent on these activities diminishes this unit's available resources for investigating tax crimes.
- Legal services will be shifted away from direct customer service activities in order to meet the growing demands for in-depth policy analysis and legal research of increasingly complex tax issues. Attorneys will become less available to answer questions from tax practitioners and other non-DOR or legislative sources. This could translate into increased response times and in some instances may mean that some questions are unable to be answered by the department.

REVENUE:

This activity generates no revenue.

1998-1999 B I E N N I A L B U D G E T
(DOLLARS IN THOUSANDS)

AGENCY: REVENUE DEPT
PROGRAM: MINN TAX SYSTEM MANAGEMENT
ACTIVITY: LEGAL & RESEARCH

ACTIVITY SUMMARY	FY 1996	Est. FY 1997	FY 1998			FY 1999		
			Base Level	Agency Plan	Governor Recomm.	Base Level	Agency Plan	Governor Recomm.
=====	=====	=====	=====	=====	=====	=====	=====	=====
EXPENDITURES:								

DETAIL BY CATEGORY:								
STATE OPERATIONS:								
PERSONAL SERVICES	3,116	3,569	3,551	3,604	3,604	3,634	3,634	3,634
OPERATING EXPENSES	459	369	321	348	348	321	321	321
=====	=====	=====	=====	=====	=====	=====	=====	=====
SUBTOTAL STATE OPERATIONS	3,575	3,938	3,872	3,952	3,952	3,955	3,955	3,955
=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL EXPENDITURES	3,575	3,938	3,872	3,952	3,952	3,955	3,955	3,955
=====	=====	=====	=====	=====	=====	=====	=====	=====
AGENCY PLAN ITEMS:		FUND						
-----		-----						
MN/WI TAX RECIPROCITY		GEN		80				
=====		=====		=====			=====	
TOTAL AGENCY PLAN ITEMS				80				
=====								
EXPENDITURES BY FUND:								

DIRECT APPROPRIATIONS:								
LOCAL GOVERNMENT TRUST	39							
GENERAL	3,393	3,818	3,750	3,830	3,830	3,832	3,832	3,832
HEALTH CARE ACCESS	93	113	115	115	115	116	116	116
HIGHWAY USERS TAX DISTRIBUTION	43							
STATUTORY APPROPRIATIONS:								
SPECIAL REVENUE	7	7	7	7	7	7	7	7
=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL EXPENDITURES	3,575	3,938	3,872	3,952	3,952	3,955	3,955	3,955
=====	=====	=====	=====	=====	=====	=====	=====	=====
FTE BY EMPLOYMENT TYPE:								

REGULAR	58.0	58.1	58.1	58.1	58.1	58.1	58.1	58.1
TEMP/SEAS/PART TIME	.4	.4	.4	.4	.4	.4	.4	.4
=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL FTE	58.4	58.5	58.5	58.5	58.5	58.5	58.5	58.5
=====	=====	=====	=====	=====	=====	=====	=====	=====

1998-99 Biennial Budget

REVENUE:

This activity generates no revenue.

BUDGET ACTIVITY: Administrative Support
PROGRAM: Minnesota Tax System Management
AGENCY: Revenue, Department of (DOR)

ACTIVITY DESCRIPTION:

The Administrative Support activity includes the agency-wide functions that support the department and its programs. These functions fall into 3 primary categories:

- direct services to managers and employees to support them in accomplishing their mission;
- institutional support for the agency and for the tax system management program; and
- management oversight and process control in areas affecting department resources, transactions and programs.

Service activities include personnel transactions and human resource management functions (job definition, classification, testing and recruitment); contract management (employee benefits and labor relations); training, performance management and employee development; purchasing and maintenance; building and equipment management; taxpayer problem resolution; and office automation and communication services and support.

Institutional support functions include agency executive functions (central coordination of agency operations, strategic and business planning, and organizational development); facilities administration for operations in the metro area, Greater Minnesota and 8 other states (lease terms and rent, facility maintenance, space planning); contract administration and evaluation processes; AA/EEOC, ADA and diversity programs; project management, program evaluation, and performance measurement programs at the agency and individual level; and interagency and intergovernmental coordination.

Management and control activities include process monitoring, internal audit, operations research and investigations. These are accomplished through ongoing application of agency, statewide and federal standards in the administrative disciplines of personnel, finance and procurement. This is done by establishing and monitoring use of approved systems and procedures, application of appropriate review and approval processes, operation of statewide programs on behalf of the department, and internal educational and review/feedback programs.

The duplicate identification of some of these items in service, institutional support and control categories is an indication of the dual nature of the responsibilities of this activity: providing service, but within defined parameters and external requirements. The diversity, complexity and interaction of these activities require the agency to achieve a dynamic balance of service levels and effective control functions.

BUDGET ISSUES:

This activity was significantly affected by the implementation of the new statewide accounting, personnel, payroll and procurement systems. Together with normal implementation costs, the cost of extension and decentralization of business functions, employee training, and internal support program development costs during the ensuing year have strained the budgets of these functions. However, we have partially compensated for this problem through internal reorganization, streamlining our support operation to better manage changed processes under the new system.

1998-1999 B I E N N I A L B U D G E T
(DOLLARS IN THOUSANDS)

AGENCY: REVENUE DEPT
PROGRAM: MINN TAX SYSTEM MANAGEMENT
ACTIVITY: ADMINISTRATIVE SUPPORT

ACTIVITY SUMMARY	FY 1996	Est. FY 1997	FY 1998			FY 1999		
			Base Level	Agency Plan	Governor Recomm.	Base Level	Agency Plan	Governor Recomm.
=====	=====	=====	=====	=====	=====	=====	=====	=====
EXPENDITURES:								

DETAIL BY CATEGORY:								
STATE OPERATIONS:								
PERSONAL SERVICES	5,235	5,974	6,211	6,211	6,211	6,353	6,353	6,353
OPERATING EXPENSES	8,827	11,382	9,866	9,866	9,866	10,664	10,664	10,664
=====	=====	=====	=====	=====	=====	=====	=====	=====
SUBTOTAL STATE OPERATIONS	14,062	17,356	16,077	16,077	16,077	17,017	17,017	17,017
=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL EXPENDITURES	14,062	17,356	16,077	16,077	16,077	17,017	17,017	17,017
=====	=====	=====	=====	=====	=====	=====	=====	=====
EXPENDITURES BY FUND:								

DIRECT APPROPRIATIONS:								
LOCAL GOVERNMENT TRUST	105							
GENERAL	13,478	16,849	15,887	15,887	15,887	16,827	16,827	16,827
STATUTORY APPROPRIATIONS:								
SPECIAL REVENUE	479	507	190	190	190	190	190	190
=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL EXPENDITURES	14,062	17,356	16,077	16,077	16,077	17,017	17,017	17,017
=====	=====	=====	=====	=====	=====	=====	=====	=====
REVENUE COLLECTED:								

DEDICATED:								
SPECIAL REVENUE	760	683	644	644	644	644	644	644
NONDEDICATED:								
GENERAL	7							
=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL REVENUES COLLECTED	767	683	644	644	644	644	644	644
=====	=====	=====	=====	=====	=====	=====	=====	=====
FTE BY EMPLOYMENT TYPE:								

REGULAR	103.1	73.7	73.7	73.7	73.7	73.7	73.7	73.7
TEMP/SEAS/PART_TIME	20.4	2.8	2.8	2.8	2.8	2.8	2.8	2.8
OVERTIME	2.1	2.1	2.1	2.1	2.1	2.1	2.1	2.1
=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL FTE	125.6	78.6	78.6	78.6	78.6	78.6	78.6	78.6
=====	=====	=====	=====	=====	=====	=====	=====	=====

1998-99 Biennial Budget

PROGRAM: Accounts Receivable Management
AGENCY: Revenue, Department of (DOR)

PROGRAM DESCRIPTION:

A February 1993 report to the legislature illustrated the state's need for better management of its efforts to collect its accounts receivables. One recommendation to ensure funds owed to the state would be received in a timely manner was to establish a state collection service to help agencies collect their accounts receivable. This collection service, the Minnesota Collection Enterprise (MCE), was created in July 1994.

The goal of the MCE is to increase state revenues through the centralized collection of identified public receivables. MCE offers low-cost collection services that state agencies and courts may choose to use. Relevant to the needs of each agency or court, MCE will provide all or some of the collection services for established and verified debts. MCE, a professional collection organization, performs the collection services, enabling other public entities to concentrate on pursuing their primary mission.

MCE is only one component of the state's effort to improve the collection of its accounts receivable. Other efforts funded in F. Y. 1994 include:

- additional authority and funding to the Department of Finance for aggressive management of the total state accounts receivable,
- \$1.16 million to the DOR for collecting older cases of low debt,
- \$520,000 to the Department of Human Services for improved management practices and consolidation of efforts,
- adding expert legal resources to the Attorney General's Office for legal advice and litigation to state agencies including MCE.

PROGRAM STATUS:

The legislature created the MCE under the jurisdiction of the Department of Finance. The Department of Finance contracted with the Department of Revenue (DOR) to manage the implementation of MCE. In 1996, the legislature, following a recommendation from the Department of Finance, permanently placed MCE with the DOR. MCE became fully operational in July 1995, with staff located in Ely and St. Paul.

Originally, legislation provided that MCE would also be available to the University of Minnesota, but this provision was removed by the 1996 Legislature. Additionally, the Department of Finance was directed to complete a study comparing the efficiency and effectiveness of MCE with that of private collection agencies. Results of the study, scheduled to be released to the 1997 Legislature, will enable the legislature to judge the value of expanding and encouraging access to MCE by other public entities.

PLANNED RESULTS:

MCE's vision is to deliver collection services that meet our customer's expectations. We also expect that everyone pays what is owed, no more, no less. MCE will accomplish these results during this biennium:

- expand the number of agencies and courts referring debt from 13 in F.Y. 1996 to 20 in F.Y. 1998

- expand the amount of debt referred
- increase the number of cases resolved from 29,000 in F.Y. 1996 to 30,000 in F.Y. 1998
- assist agencies in developing practices to manage their own debt effectively
- improve MCE collection practices based on experience with non-tax debt
- begin filing bankruptcy claims by July 1997
- increase the percentage of dollars collected out of the amount available for tax debt collection from 63% in F.Y. 1995 to 85% in F.Y. 1998
- increase the percentage of dollars collected out of the amount available for non-tax debt collection from 8% in F.Y. 1996 to 12% in F.Y. 1998
- collect \$25 million during the F.Y. 1998-99 biennium including \$18.5 from non-tax debt.

BUDGET AND REVENUE SUMMARY:

If all state debt was referred to MCE at a relatively early stage, significant benefits could be realized through reductions in collections costs and improved collection performance. This would require aggressive management of accounts receivable and ongoing agency referrals. As noted on the budget activity page, MCE can work with 40,000 cases annually under its current budget.

1998-1999 B I E N N I A L B U D G E T
(DOLLARS IN THOUSANDS)

AGENCY: REVENUE DEPT
PROGRAM: ACCOUNTS RECEIVABLE MANAGEMENT

			FY 1998			FY 1999		
ACTIVITY RESOURCE ALLOCATION:	FY 1996	Est. FY 1997	Base Level	Agency Plan	Governor Recomm.	Base Level	Agency Plan	Governor Recomm.
=====	=====	=====	=====	=====	=====	=====	=====	=====
MINN COLLECTION ENTERPRISE	3,953	6,422	5,123	5,123	5,123	5,161	5,161	5,161
=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL EXPENDITURES BY ACTIVITY	3,953	6,422	5,123	5,123	5,123	5,161	5,161	5,161
=====	=====	=====	=====	=====	=====	=====	=====	=====
EXPENDITURES BY FUND:								

DIRECT APPROPRIATIONS:								
GENERAL	2,615	2,746	2,123	2,123	2,123	2,161	2,161	2,161
STATUTORY APPROPRIATIONS:								
AGENCY	1,338	3,676	3,000	3,000	3,000	3,000	3,000	3,000
=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL EXPENDITURES	3,953	6,422	5,123	5,123	5,123	5,161	5,161	5,161
=====	=====	=====	=====	=====	=====	=====	=====	=====
FTE BY EMPLOYMENT TYPE:								

REGULAR	28.5	28.5	28.5	28.5	28.5	28.5	28.5	28.5
=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL FTE	28.5	28.5	28.5	28.5	28.5	28.5	28.5	28.5

1998-99 Biennial Budget

BUDGET ACTIVITY: Minnesota Collection Enterprise (MCE)
PROGRAM: Accounts Receivable Management
AGENCY: Revenue, Department of (DOR)

ACTIVITY DESCRIPTION:

Minnesota Collection Enterprise (MCE) is designed to work with debtors who have not cooperated with the referring agencies. MCE collects debt that other agencies are not able to handle with their current resources. Collection services include locating the debtor, telephone contact with the debtor, arranging and receiving payment immediately or through payment plans, monitoring payment plans, locating and evaluating assets, issuing liens and levies, and seizing assets. Other services to agencies include consulting on effective debt management and productive collection practices, and evaluation of the collection potential of the debt returned to the referring agency.

Current clients include the Departments of Corrections, Human Services (child support, treatment services and benefit overpayments), Labor and Industry (OSHA fines and special compensation fund), Natural Resources, Public Safety, Revenue (income taxes), and Transportation (restitution claims). Other state agencies include the Attorney General (consumer judgments), Ethical Practices Board (fines), Higher Education Services Office, Minnesota State Colleges and Universities (student loans), St. Cloud State University and the Pollution Control Agency.

MCE is expected to provide collection services to public entities at a lower rate than the private sector, and recovers its cost through the assessment of a collection fee paid by most types of debtors. This fee is evaluated annually and has been established for F.Y. 1997 at 15% of the amount collected; plus an additional 10% if legal action such as liens, levies or seizures must be used.

BUDGET ISSUES:

MCE will maintain its current status until the MCE/private collection agency study (see Program Status) is completed and evaluated. If the results of the study validate the greater effectiveness of MCE, it is expected that MCE will gain new clients and referrals. MCE expects the increase in receivables may come from additional child support referrals (non-public assistance cases), an expansion of overdue student loans, and cases involving delinquent fines from the court system.

Expansion capacity

Under the current budget allotment, MCE will have the capacity to increase inventory by approximately 60% (from 25,000 cases to 40,000 cases). This capacity will exist because of business practice improvements and the increased experience of the collectors in handling non-tax debt as well as significant improvements in technology, particularly a predictive dialing system and a new computer case management system. The predictive dialing system was implemented in February 1996, and the case management system will be available in May 1997.

If the expansion in clients and referrals exceeds our 40,000 case capacity, MCE will need additional funding to handle the additional volume.

Transition to other debt

During its implementation phase, MCE received 75% of its cases (but only 13% of the dollar inventory) from the Department of Revenue. These are verified debts and generally not older than 2 years. It is our intent that the collection emphasis shift from tax debt to non-tax debt. Over the past biennium, the department has lowered its accounts receivable and has less need for MCE assistance.

Expectations change about collectability with non-tax debt. Non-tax debt is significantly older and more complicated. We also lack administrative lien authority for non-tax debt, so additional time is consumed obtaining a judgment prior to enforced collection activities. Most importantly, there must be a steady, predictable flow of receivables to MCE for efficient collection of the state's accounts.

Reliable computer system access

The Ely staff rely on computer systems for virtually all their work. Data access depends on the reliable functioning of a T-1 line between St. Paul and Ely. As collection activity increases and after the new case management system is fully operational, it will be important to monitor transitivity to insure effectiveness of collection activity. Ideally, there would be a fiber optics relay from Hibbing to Ely, which would avoid potential problems of storms and birds interrupting the radio wave transmissions.

Short-term work increases

If study results indicate a high value for MCE services, referrals are expected to increase. Referrals tend to occur sporadically in large blocks. Immediately working referred debt yields much better collection results and helps debtors avoid even more difficult financial straits.

REVENUE:

This activity generates revenue that is collected on behalf of several different agencies; including county governments, state agencies and the federal government. In F.Y. 1995 MCE collected approximately; \$101,000 of Ramsey County court fines, \$700,000 of federal government child support, \$610,000 of state government child support and \$3.9 million of state general fund tax collection. In F.Y. 1996 MCE collected approximately \$700,000 of federal government child support and \$9.8 million for state General Fund tax collection.

Type of Revenue:	Dollars in Thousands	
	F.Y. 1995	F.Y. 1996
County Court Fees	\$101	\$-0-
Federal Govt. Child Support	700	700
State Govt. Child Support	610	-0-
State Gen'l Fund--Tax	<u>3,889</u>	<u>9,800</u>
TOTAL	\$5,300	\$10,500

1998-1999 B I E N N I A L B U D G E T
(DOLLARS IN THOUSANDS)

AGENCY: REVENUE DEPT
PROGRAM: ACCOUNTS RECEIVABLE MANAGEMENT
ACTIVITY: MINN COLLECTION ENTERPRISE

ACTIVITY SUMMARY	FY 1996	Est. FY 1997	FY 1998			FY 1999		
			Base Level	Agency Plan	Governor Recomm.	Base Level	Agency Plan	Governor Recomm.
EXPENDITURES:								
DETAIL BY CATEGORY:								
STATE OPERATIONS:								
PERSONAL SERVICES	2,182	2,080	1,638	1,638	1,638	1,676	1,676	1,676
OPERATING EXPENSES	433	688	485	485	485	485	485	485
OTHER EXPENSES	1,338	3,654	3,000	3,000	3,000	3,000	3,000	3,000
SUBTOTAL STATE OPERATIONS	3,953	6,422	5,123	5,123	5,123	5,161	5,161	5,161
TOTAL EXPENDITURES	3,953	6,422	5,123	5,123	5,123	5,161	5,161	5,161
EXPENDITURES BY FUND:								
DIRECT APPROPRIATIONS:								
GENERAL	2,615	2,746	2,123	2,123	2,123	2,161	2,161	2,161
STATUTORY APPROPRIATIONS:								
AGENCY	1,338	3,676	3,000	3,000	3,000	3,000	3,000	3,000
TOTAL EXPENDITURES	3,953	6,422	5,123	5,123	5,123	5,161	5,161	5,161
FTE BY EMPLOYMENT TYPE:								
REGULAR	28.5	28.5	28.5	28.5	28.5	28.5	28.5	28.5
TOTAL FTE	28.5	28.5	28.5	28.5	28.5	28.5	28.5	28.5

1998-99 Biennial Budget

AGENCY: Minnesota Amateur Sports Commission (MASC)

AGENCY DESCRIPTION:

The purpose of the Minnesota Amateur Sports Commission (MASC) is to elevate the economic and social benefits of sports to enrich the lives of Minnesotans.

The following items are shaping the development of MASC planning:

1. **A Proven Sport Host.** Beginning in 1986, Minnesota has developed a proven record of hosting major amateur sporting events and has become a recognized national leader. This trend can be sustained for the foreseeable future. The MASC intends to work with Minnesota organizations and facilities to sustain this economic activity.
2. **MASC Facility Growth.** The MASC now supports 8 major sport facilities. With the addition of up to 50 dates/year at the Target Center, there are increased demands for MASC staff and resources. The MASC's most recent success was being awarded the 1998 World Figure Skating Championships.
3. **Social Program Development.** A comprehensive federal study, "Health 2001," concluded that of all the remedies to control soaring health costs, the most cost effective is regular exercise. The MASC intends to continue to promote regular sport activity and fitness programs. These include special programming for girls and women, seniors, inner city youth, and athletes with special needs. The MASC has achieved considerable success in the area of new programs and statewide awareness for girls and women in sports.

ISSUES AFFECTING AGENCY'S OPERATIONS:

The budget plan and initiatives recognizes that the MASC now has 8 major facilities, 4 new facilities coming on line in the next biennium, and up to 50 dates/year to program at Target Center. Also, the 77 Mighty Ducks grants will require administrative resources over the next 2½ years. Additional resources are required to support this growing program. The agency will continue to develop private resources and seek greater efficiencies.

U.S. Olympic Development Center. In 1996, the MASC was awarded an Olympic Development Center program where the U.S. Olympic Committee will spend \$1 million in Minnesota over 4 years. MASC is required to provide staff assistance and support private fund raising to match USOC dollars. The program will target young Minnesota athletes in cross-country skiing, biathlon, speed skating and girls hockey with a special emphasis on disadvantaged youth.

GOALS AND OBJECTIVES:

The MASC will work with the amateur sport community and facility operators to achieve targets in sport economics, sport/fitness participation and facility development. The MASC outcomes will be accomplished through these objectives.

Sport Economic Benefits:

- **Biddable Events.** The MASC will work with amateur sport groups to attract a target of 5 national championship events to Minnesota on an annual basis.

- **Minnesota Annual Events.** The MASC will support the 10 major Minnesota annual events and will develop 1 new annual sport event per year beginning in 1997.
- **MASC Affiliate Facilities.** The MASC will support its 8 existing affiliate facilities and 4 new facilities to increase the number of events and programs.
- **Minnesota Amateur Sport Associations.** The MASC will work to support Minnesota amateur sport associations through events, facilities, and programs to indirectly support a growth in membership.
- **Star of the North State Games.** The MASC will maintain a rate of 12,000 participants per year in the summer and winter state games.

Sport Facilities:

- The MASC will continue to oversee the master plan of the state's major amateur sport facility inventory; support the quality maintenance of current facilities; and investigate and plan the development of new facilities.

WORKLOAD/EFFICIENCY MEASUREMENTS:

The purpose of the MASC is to elevate the economic and social benefits of sport in order to enrich the lives of all Minnesotans.

Economic. To support sport economic activity in order to sustain an annual economic impact of \$20 million (\$10 million MASC facilities and \$10 million other Minnesota facilities).

Social. To support sport program activity in order to allow growth in amateur sports participation growth in the Minnesota amateur sport association participants.

The work of the MASC relates directly to 2 of the Minnesota Milestone themes: "A Prosperous People" and "A Caring and Secure Community." The MASC supports these themes by:

- promoting economic benefits through sport events,
- promoting social benefits through healthy sport activity, and
- improving infrastructure through developing sport activities.

EXPLANATION OF AGENCY'S BUDGET PLAN:

Based on the MASC's mission, established tradition in hosting sporting events and programs, and changing climate, the agency has formulated a budget plan. During the past biennium the MASC has received \$10.9 million of Mighty Ducks grants and an additional \$15 million of capital building projects without receiving any additional funding to administer these projects. The budget plan proposes a staff addition of 1.0 position to increase Minnesota's capabilities to research prospective local, national and international amateur events, meet with national governing body and Olympic officials on a regular basis, create new grass roots events which will bring favorable economic impact to the state of Minnesota. Most importantly, this additional resource is required to maintain and manage the current workload of Mighty Ducks grants and capital projects across the state.

GOVERNOR'S RECOMMENDATION:

The Governor concurs with the agency's plan.

1998-1999 BIENNIAL BUDGET
(DOLLARS IN THOUSANDS)

AGENCY: AMATEUR SPORTS COMM
PROGRAM: AMATEUR SPORTS COMMISSION
ACTIVITY: AMATEUR SPORTS COMMISSION

ACTIVITY SUMMARY	FY 1996	Est. FY 1997	FY 1998			FY 1999		
			Base Level	Agency Plan	Governor Recomm.	Base Level	Agency Plan	Governor Recomm.
EXPENDITURES:								
DETAIL BY CATEGORY:								
STATE OPERATIONS:								
PERSONAL SERVICES	413	468	483	530	530	495	545	545
OPERATING EXPENSES	100	75	52	90	90	54	54	54
SUBTOTAL STATE OPERATIONS	513	543	535	620	620	549	599	599
LOCAL ASSISTANCE	2,176	2,177	750	750	750	750	750	750
OTHER EXPENSES	1							
TOTAL EXPENDITURES	2,690	2,720	1,285	1,370	1,370	1,299	1,349	1,349
AGENCY PLAN ITEMS:		FUND						
CAPITAL PROJECTS SUPPORT		GEN		85			50	
TOTAL AGENCY PLAN ITEMS				85			50	
EXPENDITURES BY FUND:								
DIRECT APPROPRIATIONS:								
GENERAL	1,940	1,970	535	620	620	549	599	599
OPEN APPROPRIATIONS:								
GENERAL	750	750	750	750	750	750	750	750
TOTAL EXPENDITURES	2,690	2,720	1,285	1,370	1,370	1,299	1,349	1,349
FTE BY EMPLOYMENT TYPE:								
REGULAR	9.8	10.4	10.7	11.7	11.7	10.7	11.7	11.7
TEMP/SEAS/PART_TIME	1.2	2.1	2.1	2.1	2.1	2.1	2.1	2.1
TOTAL FTE	11.0	12.5	12.8	13.8	13.8	12.8	13.8	13.8

STATE OF MINNESOTA - DEPARTMENT OF FINANCE
BIENNIAL BUDGET SYSTEM - BASE RECONCILIATION REPORT
BY SEC SEQ

AGENCY: AMATEUR SPORTS COMM

	ALL FUNDS		GENERAL FUND		OTHER STATE FUNDS		FEDERAL FUNDS	
	F.Y.98	F.Y.99	F.Y.98	F.Y.99	F.Y.98	F.Y.99	F.Y.98	F.Y.99
F.Y.97 APPROPRIATIONS	2,692	2,692	2,692	2,692				
BASE ADJUSTMENTS								
ONE-TIME APPROPRIATIONS	<1,438>	<1,438>	<1,438>	<1,438>				
1997 SALARY SUPPLEMENT TRANSF	18	18	18	18				
1998-99 COMPENSATION INFLATIO	11	23	11	23				
SMALL AGENCY S & E INFLATION	2	4	2	4				
SUBTOTAL BASE ADJ.	<1,407>	<1,393>	<1,407>	<1,393>				
BASE LEVEL	1,285	1,299	1,285	1,299				

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1998-99 BIENNIAL BUDGET

PROGRAM STRUCTURE

AGENCY: Military Affairs, Department of

PROGRAM

PAGE

MAINT-TRAINING FACILITIES

F-417

Camp Ripley/Holman
Armory Maintenance
Air Base Maint-Twin Cities
Air Base Maint-Duluth

GENERAL SUPPORT

F-432

Administrative Services
Auxiliary Services
STARBASE Minnesota

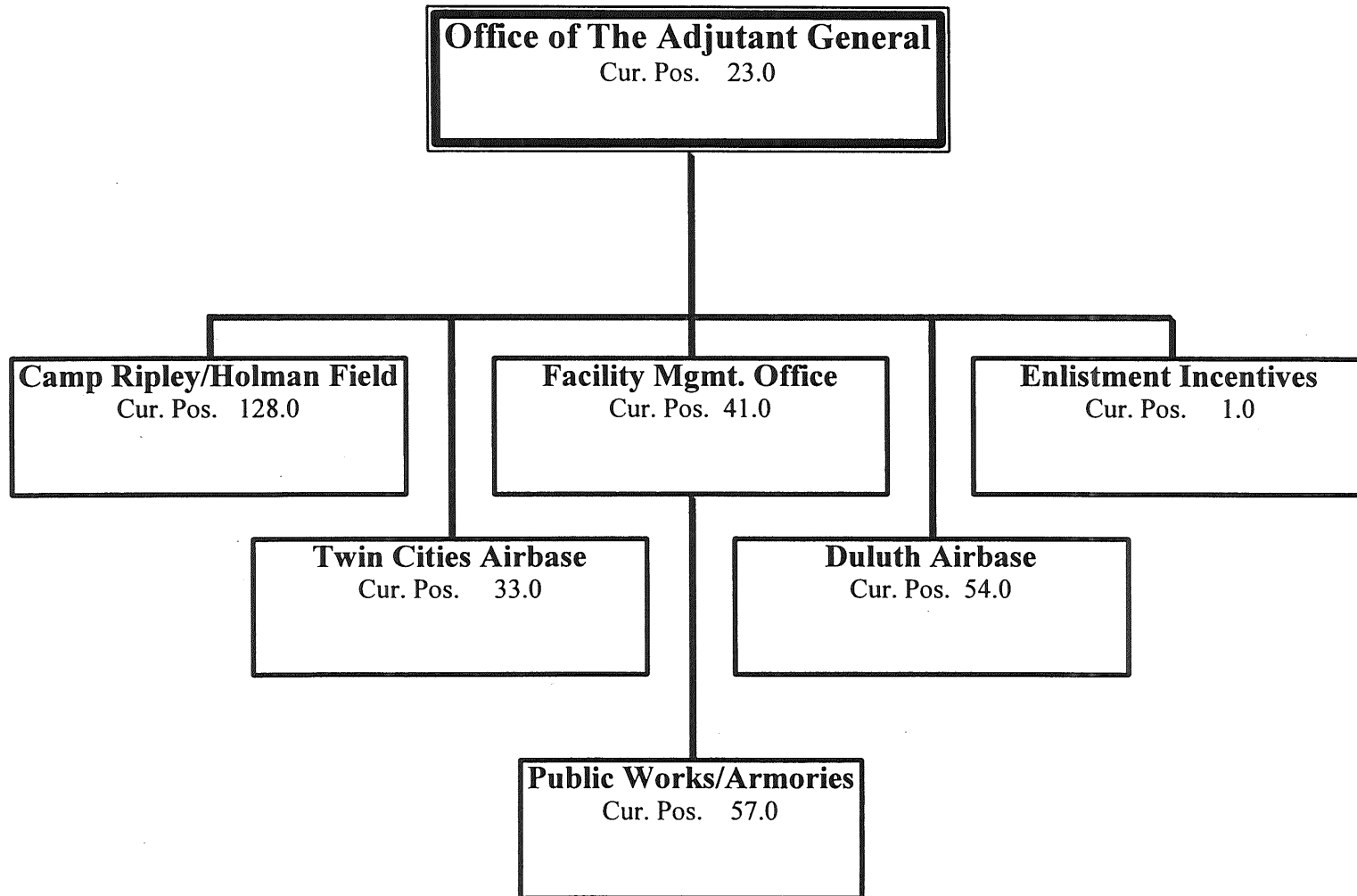
ENLISTMENT INCENTIVES

F-443

MILITARY CONSTRUCTION

F-446

Department of Military Affairs
Organizational Chart 7/1/96



JUNE 30, 1996 FTE EMPLOYEES: 328.3

**1998-99 Biennial Budget
Agency Budget Brief
(\$ in thousands)**

Agency: Military Affairs, Department of

Fund: General

Summary of Agency Actions:

	<u>F.Y. 1998</u>	<u>F.Y. 1999</u>	<u>F.Y. 98-99</u>
<u>BASE-YEAR (F.Y. 1997)</u>			
Appropriations (F.Y. 1997)	\$9,417	\$9,417	\$18,834
<u>BASE ADJUSTMENT</u>			
1998-1999 Salary Inflation	100	202	302
Documented Space Rent Increase	19	28	47
Military Forces Emergency	<u>5</u>	<u>5</u>	<u>10</u>
<u>BASE LEVEL (for 1998 and 1999)</u>	\$9,541	\$9,652	\$19,193
<u>AGENCY PLAN (for 1998 and 1999)</u>	\$9,541	\$9,652	\$19,193
<u>GOVERNOR'S INITIATIVES</u>			
GA Facility Repair & Maintenance	150	150	300
GC Armory Use-Crime Prevention	<u>1,940</u>	<u>1,940</u>	<u>3,880</u>
GOVERNOR'S RECOMMENDATIONS	\$11,631	\$11,742	\$23,373

Brief Explanation of Agency Plan:

The agency plan continues current activities within existing base level funding.

Revenue Summary:

None.

Affected Statutes:

None.

GOVERNOR'S RECOMMENDATION:

The Governor recommends funding levels in the agency budget plan and the addition of two biennial increases. The first, Facilities Repair and Maintenance, is a \$300,000 biennial increase to protect the state's investment in military facilities by helping to reduce the backlog of armory and air base repair and maintenance. The other biennial increase is \$3,880,000 that would make 59 National Guard Training and Community Centers (Armories) available statewide for community crime prevention programs. It is part of the Governor's overall anti-crime initiative that totals \$58.2 million for the 1998-99 Biennium. In addition to these funds for the Department of Military Affairs, the initiative includes fund for the Departments of Corrections, Children, Families & Learning, Public Safety, and Minnesota Planning.

1998-99 Biennial Budget

AGENCY: Military Affairs, Department of

AGENCY DESCRIPTION:

M.S. 15.01 includes the Department of Military Affairs as a department of state government. M.S. 190.05, subd 5., states that The Department of Military Affairs "... is comprised of and includes the military forces of the state, the office of the Adjutant General, all military reservations, military installations, armories, air bases and facilities owned or controlled by the state for military purposes..." Minnesota Statutes, Chapters 190, 191, 192, 192A and 193, also known as the military code, pertain to the department of Military Affairs, the state militia, the national guard, discipline thereof, and facilities that support their activities. M.S. 190.09 states that "The Adjutant General shall be the chief of staff to the commander-in-chief (governor) and the administrative head of the military department, and as such acts in the capacity of a commissioner."

The mission of the agency is to provide National Guard personnel and units that are trained, equipped and supported by facilities to meet all federal and state missions. The department provides the leadership and management for state and federal programs that insure: 1) adequate facilities are available to the Army and Air National Guard for administration and training, 2) enlistment incentives are available to maintain authorized strength levels, and 3) forces are available to the governor for state emergencies. Major goals that support the mission include the following:

1. Maintain current Army and Air National Guard training and administrative facilities to meet organizational requirements.
2. Operate training and administrative facilities in the efficient and cost effective manner.
3. Maintain Army and Air National Guard strength at or above authorized levels.
4. Execute a long range facility replacement program to meet organizational needs.
5. Be available and ready to support local law enforcement authorities in emergencies when called to duty by the governor.

Our customers are the approximately 11,200 members of the Army and Air National Guard, community members who utilize our armory community centers, and the citizens of Minnesota in times of emergencies. The department's 4 budget programs are: 1) Maint-Training Facilities which provides for operations, maintenance and repair of administrative, training and logistical support facilities for use by the National Guard, 2) General Support provides part of the department's administrative support facilities and the leadership and administrative services, including state emergency services, and 3) Enlistment Incentives which provides financial incentives that encourage people to join the National Guard and maintain their membership, and 4) Military Construction

The Maint-Training Facilities and Enlistment Incentives programs comprise approximately 84% of the agency's General Fund budget. In addition to the stated mission of the agency, a separate and distinct federally funded structure exists within the department that is responsible for the training, administration and logistical support of the Minnesota Army and Air National Guard in preparation for the defense of our nation. There are approximately 1,700 federal civil service and active duty National Guard officers and enlisted personnel that directly support the approximately 8,900 Army National Guard members and 2,300 Air National Guard members.

In addition to the 1,700 federal employees, we have a compliment of 330.6 (300.6 FTE) state positions dedicated to the support of training, maintenance, and administration of the National Guard. Through federal/state master funding agreements, the federal government reimburses the state, in varying percentages, for employee and other operational costs associated with these agreements. M.S. 190.16 empowers The Adjutant General to "cooperate with the government of the United States or any agency or department thereof in the construction, improvement, or maintenance of buildings, air bases, roads, utilities and any or all other structures or facilities required in the training, housing, and maintenance of the military forces of the state . . .".

It is important to note that members of the Minnesota National Guard pay just under \$13,000,000 in all forms of taxes to the state of Minnesota, which is nearly \$3,000,000 more than the total annual general fund appropriation for the department. It is also important to consider that the annual federal investment in National Guard training activities is approximately \$132,815,000 per year and is a significant economic impact that is directly proportional to the number of people in the Minnesota National Guard.

This biennium, the department added the Military Construction program to our budget structure to better track the estimated \$22,000,000 federal construction dollars. These funds are subject to final approval of specific projects in the federal military construction budget in federal fiscal years 1997 through 1999. No general fund dollars are included.

AGENCY ISSUES:

Many of our facilities are receiving only a fraction of the daily maintenance needed to adequately protect the state's investment. Same level appropriations over the last 6 years have restricted the department's ability to reduce the backlog of maintenance and repair by even 5% each year. This backlog is a result of our channeling some of the dollars for daily maintenance and repairs to cover "must fund" obligations. These obligations include increased fuel and utility costs, unfunded employee cost of living increases, workers compensation payments, unemployment compensation benefits, and insurance benefits for early retirement programs. The 1996 Capital Budget included appropriations for major capital projects, but left the daily operating and small repair cost items significantly under funded.

The continued same level state funding has caused a decline in appropriations by creating instances where the department has been unable to match an increase in federal funds. This is significant because routine maintenance is accomplished with 75% federal and 25% state matched funds. Currently, both Air National Guard bases are manned at approximately 75% of their authorized maintenance positions. This level in the Maint-Training Facilities program also restricts the civil engineers at these two bases in maintaining the total base infrastructure making it more difficult to maintain and operate the bases at the level expected to reach maximum efficiency and command expectations.

The federal support of the Camp Ripley Military Training Facility has fluctuated significantly in the last several years. The military use of Camp Ripley has also declined as other states and armed forces feel the reduction in training and travel funds. The department has made significant strides in seeking other customers to fully utilize the state/federal investment in Camp Ripley facilities. The Department of Natural Resources has established Camp Ripley as their headquarters for training of their enforcement personnel, and the State Patrol is currently conducting a 2 month rookie training class at Camp Ripley and is considering making Camp Ripley their training headquarters. Laws passed in the 1996 session 1) designated Camp Ripley as the "state education and training center" and 2) directed the Commissioners of Corrections, Administration and The Adjutant General to study the feasibility of utilizing existing or new facilities at Camp Ripley for a minimum security prison.

1998-99 Biennial Budget

AGENCY: Military Affairs, Department of
(Continuation)

Changes to M.S. 192.501 enacted during the 1996 session significantly improved the departments flexibility in the application of the Enlistment Incentives program. In addition to changes in the tuition reimbursement and reenlistment bonus programs, a new enlistment bonus was authorized. These changes were not associated with an increase to the program base level but allowed for more full utilization of available appropriations. It is becoming apparent that unless appropriations in this program are indexed to increases in the cost of tuition, eligibility criteria will be restricted or the amount of reimbursement will be reduced. These changes should enhance the department progress towards our primary goal of maintaining Army and Air National Guard strength at or above nationally authorized levels.

In addition to the traditional role of the National Guard as a federal and state military force, the Adjutant General has made it one of his priorities to utilize National Guard personnel and facilities to add value to community, state and nation within permissible guidelines. He recognizes that most Guard members gain an extreme sense of accomplishment when they become directly involved in community and youth activities. Officers, warrant officers and enlisted personnel are often seen as role models for youth. National Guard members have been and are involved in 1) a federally funded Drug Demand Reduction Program aimed at 6th grade youth and 2) a youth camp that strengthens character and teaches environmental stewardship to youth. Air National Guard facilities are host to a youth science/mathematics/aviation educational program called STARBASE which is currently federally funded. He also recognizes that full family support is essential to the success of any Guard member. Family support groups are formed in nearly every Army and Air National Guard unit to foster the good morale and welfare of our soldiers and airmen.

AGENCY STRATEGIES:

During the last 4 bienniums, the department has been a no growth agency. The total agency appropriation at the beginning of the F.Y. 1991 was \$9,454,000. The base at the beginning of F.Y. 1998 is projected to be \$9,337,000 or 98% of our beginning base 7 years ago. We have had to fund increased utility and other operating costs, early retirements, cost of living increases, workers compensation costs and new facility costs all with declining resources. In F.Y. 1993 the department closed of 12 armory facilities (all have now been sold for \$1) in response to state budget reductions and reductions in authorized National Guard troop strength.

Because of aggressive leadership and the success of the Army National Guard's recruiting and retention programs (relative to other states), Minnesota has been recognized at the National Guard Bureau level as a good state in which to place additional forces. Within the last year, we have 1) retained a 858 member infantry battalion scheduled to be dropped from 7 armory locations in Northwestern Minnesota, 2) gained a 76 member military intelligence battalion and a 295 member aviation battalion from the Army Reserve structure, and 3) gained a 585 member air defense artillery battalion from the Indiana National Guard. These force structure gains results in a direct, significant economic impact on Minnesota. Increased or saved force structure means saved or added jobs in Minnesota.

With this added force structure comes the need to support their training with adequate facilities. We are 1) trying to crowd new units in existing facilities, 2) seeking long term leased facilities while the federal new armory construction program is on hold, and 3) moving into a new training and community center armory facility in Inver Grove Heights (fall of 1997). We are attempting all this

with same level funding. As anticipated in our last biennial budget narrative, we have made significant progress in reorganizing and streamlining our facilities maintenance program. We also have instituted employee safety training and awareness programs that have reduced the level of on-the-job injuries.

SUMMARY OF BUDGET REQUEST:

The department's key budget issue is funding adequate employee, maintenance and operating costs to support our administrative and training facilities. As noted in the agency's Performance Report, 3 of the agency's 5 goals are associated with facilities repair, replacement and operation. One of those goals is to "maintain current Army and Air National Guard training and administrative facilities to meet organizational requirements". Through good planning and aggressive staff work, the department has gained much support through the Capital Budget, CAPRA funding, the Americans with Disability Act construction program, the federal minor military construction program and congressionally added construction projects. This funding is for replacement or betterment of major facility structure and operating systems. An area that is consistently lacking is adequate funding the daily operations and maintenance costs which include custodial/building management support, utilities and small maintenance and repair cost not of a capital nature. During the 1996 capital budget process, an Asset Preservation request was included in the departments submission. Requested funding and recommended appropriation language would have gone far to help reduce the maintenance and repair backlog for non-capital type projects. Although \$500,000 was provided, the appropriation language was changed in conference committee to only allow use of those dollars for capital type projects (CAPRA guidelines).

GOVERNOR'S RECOMMENDATION:

The Governor recommends funding levels in the agency budget plan and the addition of two biennial increases. The first, Facilities Repair and Maintenance, is a \$300,000 biennial increase to protect the state's investment in military facilities by helping to reduce the backlog of armory and air base repair and maintenance. The other biennial increase is \$3,880,000 for Community and Youth that would make National Guard Training and Community Centers (Armories) available for crime prevention programs. It is part of the Governor's overall anti-crime initiative that totals \$58.2 million for the 1998-99 Biennium. In addition to these funds for the Department of Military Affairs, the initiative includes fund for the Departments of Corrections, Children, Families & Learning, Public Safety, and Minnesota Planning.

1998-1999 B I E N N I A L B U D G E T
(DOLLARS IN THOUSANDS)

AGENCY: MILITARY AFFAIRS DEPT

PROGRAM RESOURCE ALLOCATION:	FY 1996	Est. FY 1997	FY 1998			FY 1999		
			Base Level	Agency Plan	Governor Recomm.	Base Level	Agency Plan	Governor Recomm.
MAINT-TRAINING FACILITIES	19,514	24,234	24,242	24,242	24,392	24,315	24,315	24,465
GENERAL SUPPORT	1,792	1,784	1,829	1,829	3,769	1,866	1,866	3,806
ENLISTMENT INCENTIVES	1,720	3,710	2,352	2,352	2,352	2,353	2,353	2,353
MILITARY CONSTRUCTION	2,232	22,000	22,000	22,000	22,000	22,000	22,000	22,000
TOTAL EXPENDITURES BY PROGRAM	25,258	51,728	50,423	50,423	52,513	50,534	50,534	52,624
EXPENDITURES BY FUND:								
DIRECT APPROPRIATIONS:								
GENERAL	8,744	10,796	9,541	9,541	11,631	9,652	9,652	11,742
STATUTORY APPROPRIATIONS:								
GENERAL	60	50	50	50	50	50	50	50
SPECIAL REVENUE	363	361	363	363	363	363	363	363
FEDERAL	16,091	40,521	40,469	40,469	40,469	40,469	40,469	40,469
TOTAL EXPENDITURES	25,258	51,728	50,423	50,423	52,513	50,534	50,534	52,624
FTE BY EMPLOYMENT TYPE:								
REGULAR	294.6	294.3	294.3	294.3	295.3	294.3	294.3	295.3
TEMP/SEAS/PART_TIME	4.3	4.3	4.3	4.3	48.6	4.3	4.3	48.6
OVERTIME	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0
TOTAL FTE	300.9	300.6	300.6	300.6	345.9	300.6	300.6	345.9

1998-99 Biennial Budget Agency Level Revenue Summary

Agency: Military Affairs, Department of

REVENUE SOURCES:

The department generates non-dedicated revenue, dedicated revenue, special revenue and federal funds.

- **Non-dedicated revenue** is generated by sale of timber harvest permits at Camp Ripley.
- **Dedicated revenue** is generated by lease of federally supported facilities at Camp Ripley through an inter-agency agreement with the Department of Natural Resources. The revenue generated is reimbursed into the 300 federal fund because no general funds are used to support those leased facilities.
- **Special revenue** is generated through operation of the Camp Ripley housing facilities that support military and civilian overnight lodging.
- **Special revenue** is generated in two armory facilities through reimbursements received from local units of government in payment for personnel and operational costs associated with on-going, long-term lease arrangements.
- **Federal funds** are received as reimbursements through federal/state master funding agreements for Army and Air National Guard training and logistical facilities.

None of the above generate additional dollars for their respective funds, except for the small amount of non-dedicated revenue from sale of timber permits. The remaining revenue is all in the form of dollar for dollar reimbursements.

FEE STRUCTURE:

Non-dedicated revenue is generated from timber harvest permits issued by the Department of Natural Resources who assists the Department of Military Affairs in managing the timber resources at the Camp Ripley military reservation. Fees are charged based on the value of the timber that is permitted to be cut under the harvest permit. Revenue averages between \$25,000 and \$50,000 per fiscal year.

The dedicated funds received through lease of Camp Ripley facilities by other state agencies, must be deposited in the 300 fund because all costs associated with the leased facilities are supported 100% by the federal government. Receipts average approximately \$75,000 per fiscal year.

The special revenue realized from Camp Ripley housing operations is deposited in the special revenue fund 200 to reimburse the salaries of state employee who support those operations as well as other operating costs.

Special revenue is also generated as a result of space sharing agreements in two armories, Bloomington and Cottage Grove. The city of Bloomington utilized portions of that armory for their city recreation programs and reimburses the department for their pro-rate share of custodial personnel. In Cottage

Grove, Washington County shares a portion of the armory facility for a branch of their court system. They also reimburse the department for their pro-rate share of custodial personnel and operating costs.

Federal grants are received in the form of reimbursements for actual costs for personnel, operations, construction and maintenance costs for 1) training and logistical facilities at Camp Ripley, 2) logistical facilities at several other locations throughout the state, and 3) air bases located in the Twin Cities and Duluth. These federal receipts average approximately \$30,000,000 to \$40,000,000 per year depending on the level of new construction authorized. These federal funds account for approximately 75%-80% of department's total funding.

RECENT CHANGES:

At the beginning of the federal F.Y. 1996 (October 1995), all federal construction dollars began to be provided to the state as an advanced direct deposit into the federal 300 fund. Previously, new construction contracts were negotiated under state and federal contracting procedures, however, payment for the federal share of construction costs was made directly to the contractor by the federal government.

FORECAST BASIS:

The estimated federal revenue for the next biennium reflects anticipated additional construction project being authorized by Congress.

DECISION ITEMS:

None.

1998-1999 BIENNIAL BUDGET
(DOLLARS IN THOUSANDS)

AGENCY: MILITARY AFFAIRS DEPT

SUMMARY OF AGENCY REVENUES	FY 1996	Est. FY 1997	FY 1998			FY 1999		
			Forecast	Agency Plan	Governor Recomm.	Forecast	Agency Plan	Governor Recomm.
NON-DEDICATED REVENUE:								
OTHER REVENUES:								
GENERAL	36	50	50	50	50	50	50	50
OTHER SOURCES:								
GENERAL	2							
TOTAL NON-DEDICATED RECEIPTS	38	50	50	50	50	50	50	50
DEDICATED RECEIPTS:								
GRANTS:								
GENERAL	56	30	30	30	30	30	30	30
SPECIAL REVENUE	361	361	363	363	363	363	363	363
FEDERAL	15,943	40,461	40,409	40,409	40,409	40,409	40,409	40,409
OTHER REVENUES:								
GENERAL	4	20	20	20	20	20	20	20
SPECIAL REVENUE	2							
FEDERAL	56	60	60	60	60	60	60	60
TOTAL DEDICATED RECEIPTS	16,422	40,932	40,882	40,882	40,882	40,882	40,882	40,882
AGENCY TOTAL REVENUES	16,460	40,982	40,932	40,932	40,932	40,932	40,932	40,932

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1998-99 Biennial Budget

PROGRAM: Maint-Training Facilities
AGENCY: Military Affairs, Department of

PROGRAM DESCRIPTION:

The Adjutant General is statutorily charged with the operation, care and preservation of existing facilities and installations on all state military reservations as noted above. This is accomplished with a combination of the state's General Fund dollars and federal dollars in the form of reimbursements. These facilities are used by the Army and Air National Guard for military training, administration, logistical support and state emergency operations and are available for community use when not needed for military purposes.

These facilities have operating, maintenance and repair costs. When dollars are not sufficient to meet all maintenance and repair requirements, a list of backlog maintenance and repair items (BMAR) is developed. The listing is always changing and to develop an accurate picture of the condition of all our facilities, each one must be individually surveyed and the data recorded using appropriate data base software. Containment and reduction of that backlog is a major department objective in striving to reach the first goal noted above.

The management of department facilities and the maintenance and repair program is the responsibility of the Facilities Management Officer for Army National Guard facilities and base civil engineers for the Air National Guard Bases in Duluth and Twin Cities. Non-armory National Guard training and logistical facilities are maintained and repaired using a combination of federal and state dollars. The state is totally responsible for the operation, maintenance and repair of armory facilities.

This program is comprised of 4 budget activities. Listed below are the types and number of facilities served by those budget activities:

Camp Ripley-Holman:

- Training facilities at Camp Ripley (1297 buildings, 1,961,424 square feet)
- An Army Aviation facility in St. Paul (portion of a building, 58,427 square feet)

Armory Maintenance:

- 61 armories (training and community centers) statewide (1,473,866 square feet)
- 73 logistical facilities located statewide (576,271 square feet)

Air Base Maint - Twin Cities

- 38 buildings, (391,423 square feet)

Air Base Maint - Duluth

- 35 buildings, (470,593 square feet)

PROGRAM STATUS:

Because The Adjutant General is charged by statute to provide and maintain facilities for the National Guard, he must determine how many, what size and what type of facilities are needed. In addition

to the need for military training, our armory facilities also serve as a community center in many communities. Additionally, these centers serve as a base of operations for state emergency operations. The Adjutant General is committed to maintaining armory facilities in as many communities as are needed, first for federal training needs and second for community support needs. The current number (61) is not adequate for the current Army National Guard force structure with the recent addition of the attack helicopter, the air defense artillery battalion and the retention of an entire Infantry battalion that was scheduled to be removed from the Minnesota force structure but was retained because of our success in recruiting and retaining soldiers.

Training, administrative and logistical support facilities must first meet organizational needs of the National Guard. Certain sizes and types of military organizations and units have unique facility needs. For example, units occupying armories in the northern part of the state recently received updated armored vehicles. These new vehicles required additional training, storage and maintenance space at each armory. That, in turn, required renovation and expansion of each armory. Through congressional action, the department was able to secure 100% federal funding for these additions to those armories, however, continued operation, maintenance and repairs of those additions will be the total responsibility of the state. Reorganizations seldom require armory expansion, however, in some instances, sweeping organizational changes require shifting of certain units to facilities that accommodate increases in authorized strength or equipment. Changes in aircraft or military missions within the Air National Guard often require facility modification.

With the fluctuations in the defense budget, federal dollars for training support of the reserve components is uncertain. There is already an increased emphasis on simulator training in both the Army and Air National Guard that requires upgrade of our training facilities.

Fully one-fourth of our armory buildings are in excess of 50 years old. There are numerous facility related issues to deal with if we want to continue to efficiently use these facilities for their intended purpose. These issues are the following:

- Safety, health and other regulatory concerns such as asbestos abatement, kitchen remodeling, modernization of electrical and HVAC systems and sidewalk replacement. Federally mandated phase out of chlorofluorocarbons and related refrigerants is already consuming additional man-hours and resources. Within the next few years, major costs will be incurred as air conditioning equipment is changed to the new environmentally approved refrigerants. The confined space and lockout tag out programs are other examples of OSHA programs that require training of workers and take resources and time.
- Americans with Disability Act. Because of our commitment to allow community use of our facilities, they must be accessible to all members of the community, including people with disabilities. Our accessibility requirements were determined by Access 92, a program managed by the Department of Administration. Although money to begin our movement toward compliance is not part of our operating budget (provided by Department of Administration), the disability access issue is considered a major facilities management issue. A significant amount of dollars are going to be required over the next several years to bring our facilities into compliance with requirements of the Americans with Disabilities Act.
- Federal mandates requiring compliance with new standards for underground storage tanks by the late 1990s (Resource Conservation Act as amended).
- Rising employee and operational costs and decreasing funding levels have forced routine daily maintenance support at many facilities to be cut back by nearly 50% in some instances with no reduction in maintenance requirements or customer expectations. We will present an initiative that will enable our department to provide minimum essential custodial service to all our facilities.

1998-99 Biennial Budget

PROGRAM: Maint-Training Facilities
AGENCY: Military Affairs, Department of
(Continuation)

As noted previously, armories are often a key facility for communities when not being used for military purposes. Trade shows, craft shows, weddings, community education activities, school sports programs, auctions, senior citizen walking, Headstart and driver license examining are just a few of the representative uses by the community.

PLANNED RESULTS:

Through the annual performance report process we have established some goals and objectives to help us plan and execute our facilities operations, maintenance and repair program. These goals, objectives and performance measurements can be found in our departments' performance report

Goals that will help us achieve part of our agency's mission are the following:

- Maintain and operate current Army and Air National Guard training and administrative facilities to meet organizational and customer needs (M.S. 190.11, M.S. 190.16).
- Develop and implement a comprehensive energy management plan (M.S. 190.11).
- Insure facilities comply with federal and state health, safety, environmental and other regulatory standards.

Objectives that will help us achieve goals are the following:

- Reduce backlog of maintenance and repair (BMAR) by 5% each year.
- Maintain all facilities to meet industry standards published by the Building Owners and Managers Association (BOMA).

BUDGET AND REVENUE SUMMARY:

The plan provides base adjustments for the air base runway use (lease) agreements by \$7,000 each fiscal year of the biennium. The increase will raise the current annual amount from \$9,375 to \$16,500. In F.Y. 1998 and F.Y. 1999 the runway use fee will increase to \$22,000 per year.

GOVERNOR'S RECOMMENDATION:

The Governor recommends funding levels in the agency budget plan and a biennial increase of \$300,000 for Facilities Repair and Maintenance to protect the state's investment in military facilities. This initiative addresses the increased daily operations and costs at armories and air bases caused by the growing backlog of necessary maintenance and repair.

1998-1999 BIENNIAL BUDGET
(DOLLARS IN THOUSANDS)

AGENCY: MILITARY AFFAIRS DEPT
PROGRAM: MAINT-TRAINING FACILITIES

ACTIVITY RESOURCE ALLOCATION:	FY 1996	Est. FY 1997	FY 1998			FY 1999		
			Base Level	Agency Plan	Governor Recomm.	Base Level	Agency Plan	Governor Recomm.
CAMP RIPLEY/HOLMAN	9,470	13,017	13,069	13,069	13,069	13,085	13,085	13,085
ARMORY MAINTENANCE	5,206	6,223	6,161	6,161	6,311	6,208	6,208	6,358
AIR BASE MAINT-TWIN CITIES	1,813	1,832	1,836	1,836	1,836	1,841	1,841	1,841
AIR BASE MAINT-DULUTH	3,025	3,162	3,176	3,176	3,176	3,181	3,181	3,181
TOTAL EXPENDITURES BY ACTIVITY	19,514	24,234	24,242	24,242	24,392	24,315	24,315	24,465
GOV'S INITIATIVES:		FUND						
(B) FACILITIES REPAIR AND MAINTENANCE		GEN			150			150
TOTAL GOV'S INITIATIVES					150			150
EXPENDITURES BY FUND:								
DIRECT APPROPRIATIONS:								
GENERAL	5,464	5,523	5,581	5,581	5,731	5,654	5,654	5,804
STATUTORY APPROPRIATIONS:								
GENERAL	60	50	50	50	50	50	50	50
SPECIAL REVENUE	345	340	342	342	342	342	342	342
FEDERAL	13,645	18,321	18,269	18,269	18,269	18,269	18,269	18,269
TOTAL EXPENDITURES	19,514	24,234	24,242	24,242	24,392	24,315	24,315	24,465
FTE BY EMPLOYMENT TYPE:								
REGULAR	270.9	270.6	270.6	270.6	270.6	270.6	270.6	270.6
TEMP/SEAS/PART_TIME	4.2	4.2	4.2	4.2	4.2	4.2	4.2	4.2
OVERTIME	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0
TOTAL FTE	277.1	276.8	276.8	276.8	276.8	276.8	276.8	276.8

F.Y. 1998-99 BUDGET INITIATIVE

AGENCY: Military Affairs, Department of
PROGRAM: Maint-Training Facilities

ITEM TITLE: Facilities Repair and Maintenance - Armories and Air Bases

	<u>1998-99 Biennium</u>		<u>2000-01 Biennium</u>	
	<u>F.Y. 1998</u>	<u>F.Y. 1999</u>	<u>F.Y. 2000</u>	<u>F.Y. 2001</u>
Expenditures: (\$000s)				
General Fund				
- State Operations	\$150	\$150	\$150	\$150
Revenues: (\$000s)				
General Fund	\$-0-	\$-0-	\$-0-	\$-0-

Statutory Change? Yes ____ No X

If yes, statutes(s) affected:

GOVERNOR'S RECOMMENDATION:

The Governor recommends \$300,000 for Facilities Repair and Maintenance to protect the state's investment in military facilities. This initiative addresses the increased daily operations and costs at the 61 National Guard armories and 2 Air National Guard bases caused by the growing backlog of necessary maintenance and repair.

RATIONALE:

The goal of this initiative is to reduce the backlog of minor maintenance and repair projects in Army and Air National Guard facilities and to provide support for energy management systems and digital control technologies as outline below. During the 1996 legislative session, the Department of Administration was appropriated funds for Military Affairs that were to be used for projects that would otherwise qualify for CAPRA funding. This meant that those funds could not be used to reduce the documented backlog of minor maintenance and repair.

- The Twin Cities air base currently contains 391,423 s.f. of facilities supported under federal/state funding agreements: 75% federal, 25% state. During the 1998-99 biennium, that will grow to 435,795 s.f. with the constructions of additional facilities and demolition of 2 older facilities.

The latest technology in direct digital controls (DDC) and energy management systems (EMS) will be in place with the completion of the new composite operations and aero-medical facility. In addition, new boilers will be installed in the hangers and surface transportation facilities and the controls in 3 other buildings will be upgraded.

- The Duluth air base: In 1993, the National Guard Bureau, Air National Guard Manpower Standards branch, conducted a facility survey at the Duluth base, and determined that base maintenance and repair was not being accomplished according to their established standards.

In addition, a federally funded energy audit revealed some of those same findings: A number of facilities on the base, old and new, are not being maintained to required standards. As a result of those surveys, additional employee requirements were identified by the National Guard Bureau and federal funds have been budgeted for F.Y. 1997 (begins 10-1-96).

The federal government has recognized the need for increases in their operating, maintenance and repair budget for this base. They have programed federal dollars contingent on the availability of state funds to comply with the federal state/agreements. If additional state funds cannot be provided, NONE of the additional federal money will be allocated.

PROGRAM OUTCOMES:

One of the stated objectives in the agency's performance report is to reduce backlog of maintenance and repair (BMAR) by 5% each year. During the spring of 1996, a representative of the department of Finance testified before house and senate bonding committees relative to the importance of preserving the state real assets and that the proper place for smaller preservation items be in the operating budget rather than the capital budget. The agency cannot hope to achieve that objective without adequate funding within this operating budget. Nearly all requested funds support local contracting for smaller armory maintenance and repair projects.

Another stated objective is to restore all facilities to meet Building Owners and Managers Association (BOMA) standards. Because much of the minor maintenance and repair at the armories are done by General Maintenance Workers (GWM), it is essential to employ GMWs at the number of daily hours that will insure adequate, continual attention be given to each armory. This will help to preserve the aging facilities and make them available for military and community use well into the future.

The objective relating to the Minnesota Air National Guard bases is to ensure the state to federal dollar ratio is met so that the current level and quality of facility support is maintained despite an increase in the square footage. These facilities must be properly maintained so that the Guard can maintain its high level of readiness for its mission to serve Minnesota and the country.

LONG-TERM IMPACT:

The ultimate goal is to maintain a manageable list of outstanding maintenance and repair items without developing a significant backlog. Backlogs are created when costs increase at a faster rate than revenue. When base reductions or unfunded cost increases in non-discretionary areas have occurred, the first areas the agency look at for reduction are the somewhat discretionary backlog of maintenance and repair projects. Over the last 8-10 years, they have attempted to fund increases in non-discretionary costs by reducing their GMW force through attrition to the point they have downsized too far. The privatization of some of their needs has been investigated, however, this is difficult because many of our GMW assist in management of community use of armory facilities.

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1998-99 Biennial Budget

BUDGET ACTIVITY: Camp Ripley-Holman
PROGRAM: Maint-Training Facilities
AGENCY: Military Affairs, Department of

ACTIVITY DESCRIPTION:

This activity includes daily routine maintenance and operating costs at the Camp Ripley military reservation and various logistical facilities located throughout the state.

Camp Ripley is a 53,000 acre state owned year-round military reservation and training facility located 7 miles north of Little Falls. It is the primary training site for the 8,900 members of the Minnesota Army National Guard and, with the improvements to its runways, is being used more frequently as a training location for Air National Guard aircraft. Camp Ripley is also used by 1) military units from other nations, 2) reserve component troops other states, and 3) troops from all branches of the active forces, except the Coast Guard. In addition, Camp Ripley is experiencing an increased usage by Minnesota state agencies and was designated as the state's education and training center by 1996 legislative action.

The troop housing area can support more than 12,000 soldiers during the summer months and approximately 3,700 during cold weather months. Camp Ripley has facilities that provide the supply, maintenance and off-duty recreation required by units training at the site. Camp Ripley has a 5,000 foot runway capable of handling a variety of military and commercial aircraft. A 3,500 foot dirt tactical runway allows the Air National Guard to utilize the field for tactical assault type operations under battlefield conditions. The airfield is equipped with an Instrument Landing System (ILS) which assists pilots in landings during all weather conditions.

The costs of operating and maintaining the 1,936,933 square feet of training facilities and the salaries and associated costs of personnel maintaining these facilities are 100% reimbursed to the state from the federal government under the terms of a cooperative funding agreement.

Logistical Facilities are located in 25 communities and 63 separate facilities throughout the state to provide maintenance and administrative support. Major logistical facilities consist of the following:

- Ten Organizational Maintenance Shops (OMS) located throughout the state provide maintenance support on vehicles and equipment assigned to the units.
- The Combined Support Maintenance Shop (CSMS) located at Camp Ripley provides maintenance support above the capabilities of the OMSs.
- The Army Aviation Support Facility located at Holman Field in St. Paul is the training and operational base for aviation elements of the Minnesota Army National Guard. The facility supports helicopter and fixed-wing aircraft owned by the federal government and operated by National Guard personnel.
- Several miscellaneous logistical facilities that range in duties from warehousing to payroll activities ensure that the soldiers needs are met.

The costs of operating and maintaining the 576,271 square feet of facilities and the salaries for facilities maintenance personnel are reimbursed by the federal government at a rate of 75% under the terms of a cooperative funding agreement. The state is required to support the remaining 25% of these costs.

BUDGET ISSUES:

The ability of the state to provide its 25% share is essential to continued operations of logistics facilities. As our budget remains static or declines, our ability to match a federal dollar amount that keeps adjusting for increased costs and inflation is diminished. When federal funding levels fluctuate, particularly when there is an increase, state funding must be able to react to take advantage of the available federal dollars in order to maximize the maintenance and repair that can be accomplished. These facilities are of the utmost importance in ensuring that the soldiers and equipment are ready and available to meet any contingency, state or federal.

REVENUE:

This activity generates dedicated special and federal revenue only.

Revenues generated are in the form of federal reimbursements for salaries and operating expenses for the Camp Ripley training site and other logistical facilities operated under the federal/state master cooperative funding agreement.

1998-1999 BIENNIAL BUDGET
(DOLLARS IN THOUSANDS)

AGENCY: MILITARY AFFAIRS DEPT
PROGRAM: MAINT-TRAINING FACILITIES
ACTIVITY: CAMP RIPLEY/HOLMAN

ACTIVITY SUMMARY	FY 1996	Est. FY 1997	FY 1998			FY 1999		
			Base Level	Agency Plan	Governor Recomm.	Base Level	Agency Plan	Governor Recomm.
EXPENDITURES:								
DETAIL BY CATEGORY:								
STATE OPERATIONS:								
PERSONAL SERVICES	5,461	5,659	5,710	5,710	5,710	5,726	5,726	5,726
OPERATING EXPENSES	4,009	7,358	7,359	7,359	7,359	7,359	7,359	7,359
SUBTOTAL STATE OPERATIONS	9,470	13,017	13,069	13,069	13,069	13,085	13,085	13,085
TOTAL EXPENDITURES	9,470	13,017	13,069	13,069	13,069	13,085	13,085	13,085
EXPENDITURES BY FUND:								
DIRECT APPROPRIATIONS:								
GENERAL	970	1,052	1,071	1,071	1,071	1,087	1,087	1,087
STATUTORY APPROPRIATIONS:								
GENERAL	60	50	50	50	50	50	50	50
SPECIAL REVENUE	218	237	239	239	239	239	239	239
FEDERAL	8,222	11,678	11,709	11,709	11,709	11,709	11,709	11,709
TOTAL EXPENDITURES	9,470	13,017	13,069	13,069	13,069	13,085	13,085	13,085
REVENUE COLLECTED:								
DEDICATED:								
GENERAL	60	50	50	50	50	50	50	50
SPECIAL REVENUE	218	237	239	239	239	239	239	239
FEDERAL	8,222	11,678	11,709	11,709	11,709	11,709	11,709	11,709
TOTAL REVENUES COLLECTED	8,500	11,965	11,998	11,998	11,998	11,998	11,998	11,998
FTE BY EMPLOYMENT TYPE:								
REGULAR	128.0	126.5	126.5	126.5	126.5	126.5	126.5	126.5
TEMP/SEAS/PART_TIME	3.7	3.7	3.7	3.7	3.7	3.7	3.7	3.7
OVERTIME	1.2	1.2	1.2	1.2	1.2	1.2	1.2	1.2
TOTAL FTE	132.9	131.4	131.4	131.4	131.4	131.4	131.4	131.4

1998-99 Biennial Budget

BUDGET ACTIVITY: Armory Maintenance
PROGRAM: Maint-Training Facilities
AGENCY: Military Affairs, Department of

ACTIVITY DESCRIPTION:

This activity supports the daily maintenance, operating costs and minor repairs for 61 armories statewide which total 1,473,866 square feet. Daily custodial maintenance is provided by minimum essential staff, in many cases by a 50% FTE person. Armories are used for: 1) Administrative and logistical support of National Guard, including training activities, 2) stationing and support of National Guard troops during calls to state emergency duty, and 3) other governmental agencies and community organizations or individuals. Maintenance can be defined by types:

Preventative Maintenance - Maintenance that is performed on a scheduled basis to enhance and prolong the usefulness and life cycle of a piece of equipment or facility. Preventative Maintenance is based on manufacturers recommendations, historical information, user requirements and desired results.

Scheduled Replacement - Scheduled maintenance deals with planned replacement of operating systems, replacement of existing finishes, floor coverings, lighting systems, kitchen equipment or possible alterations and/or upgrades of existing facilities.

Unscheduled - Unscheduled repairs deal with urgent or emergency situations such as equipment breakdowns, accidents or any unplanned or unscheduled maintenance or repair requirement.

Backlog - Backlogs were initially developed as a budget management tool to allow fiscal managers to manage business cash flow. When cash flow is restricted, maintenance is deferred, when the cash flow is greater, projects on backlog would be accomplished. Management of the department's backlog exactly parallels that of private business. When we have money over and above our operating costs, we can start to reduce the backlog. When we don't have money, the backlog grows.

Over time, maintenance and budget managers can predict maintenance costs based on the amount of square footage supported and maintained. The major problem with this management practice, versus life cycle costing, is not having replacement costs calculated, coupled with underestimated square foot costs, causing the backlog to grow. Reduction of the backlog will come only after recalculating operational and replacement costs and then adding a factor to reduce the backlog. Most of the Army National Guard backlog exists in the older facilities which are located statewide.

BUDGET ISSUES:

In the facilities management business, it is not necessarily good practice to spend less money. Often it is more costly to operate and/or renovate facilities when maintenance and repair of the physical plant has been neglected. There are several ways to reach our objective of increasing the dollars committed to facilities operations, maintenance and repair:

- We request increased state support through the biennial budget process, to be used primarily for preventative maintenance, scheduled replacement, unscheduled (emergency) maintenance and repair, daily operational expenses and to lessen development of a backlog of maintenance and repair.

- We will continue to seek additional dollars through capital budget process and the Capital Asset Preservation and Replacement Account (CAPRA), to be used for major scheduled system replacement and building envelope repairs as defined by the Department of Administration and to reduce or eliminate current backlog maintenance. We will continue to utilize all ADA funding provided to upgrade our facilities.
- We will continue to seek efficiencies in energy delivery systems, by replacing obsolete heating, ventilating, air conditioning systems and lighting systems.
- We seek and need support for replacement of personnel lost by attrition. These personnel are required to perform those preventative maintenance tasks that prolong the usefulness and life cycle serviceability of these facilities which will reduce the requirement for replacement or major repairs of facilities.
- We seek additional funding to cover alterations and/or leasing to accommodate an increase of over 750 additional soldiers. This increase of an attack helicopter and air defense artillery battalion in the metropolitan area has stretched existing facilities to the breaking point.

Our new armory construction replaces existing facilities; sometimes the replaced armory remains as a supported facility. We have also found in new facilities construction that new air handling systems and other code related issues have increased our fuel and utility consumption per square foot. Central air conditioning is now being installed in the newer facilities that was non-existent in the facilities being replaced. Armory operating costs are 100% state supported. We are continually looking at ways to reduce these costs.

REVENUE:

This activity generates dedicated special and federal revenue only.

The significant increase from F.Y. 1996 to F.Y. 1997 reflects anticipated federal construction dollars that, beginning 10-1-93, flow through the state treasury. Previously, the federal portion of military construction was paid directly to contractors by the federal government. Details of revenue generated by this activity are addressed in the agency revenue summary.

1998-1999 BIENNIAL BUDGET
(DOLLARS IN THOUSANDS)

AGENCY: MILITARY AFFAIRS DEPT
PROGRAM: MAINT-TRAINING FACILITIES
ACTIVITY: ARMORY MAINTENANCE

ACTIVITY SUMMARY	FY 1996	Est. FY 1997	FY 1998			FY 1999		
			Base Level	Agency Plan	Governor Recomm.	Base Level	Agency Plan	Governor Recomm.
EXPENDITURES:								
DETAIL BY CATEGORY:								
STATE OPERATIONS:								
PERSONAL SERVICES	1,960	2,116	2,134	2,134	2,134	2,181	2,181	2,181
OPERATING EXPENSES	3,157	4,055	4,000	4,000	4,150	4,000	4,000	4,150
CAPITAL OUTLAY	60	27	27	27	27	27	27	27
SUBTOTAL STATE OPERATIONS	5,177	6,198	6,161	6,161	6,311	6,208	6,208	6,358
LOCAL ASSISTANCE	25	25						
OTHER EXPENSES	4							
TOTAL EXPENDITURES	5,206	6,223	6,161	6,161	6,311	6,208	6,208	6,358
GOV'S INITIATIVES:		FUND						
(B) FACILITIES REPAIR AND MAINTENANCE		GEN			150			150
TOTAL GOV'S INITIATIVES					150			150
EXPENDITURES BY FUND:								
DIRECT APPROPRIATIONS:								
GENERAL	3,815	3,803	3,827	3,827	3,977	3,874	3,874	4,024
STATUTORY APPROPRIATIONS:								
SPECIAL REVENUE	127	103	103	103	103	103	103	103
FEDERAL	1,264	2,317	2,231	2,231	2,231	2,231	2,231	2,231
TOTAL EXPENDITURES	5,206	6,223	6,161	6,161	6,311	6,208	6,208	6,358
REVENUE COLLECTED:								
DEDICATED:								
SPECIAL REVENUE	127	103	103	103	103	103	103	103
FEDERAL	1,172	2,317	2,231	2,231	2,231	2,231	2,231	2,231
TOTAL REVENUES COLLECTED	1,299	2,420	2,334	2,334	2,334	2,334	2,334	2,334

1998-1999 B I E N N I A L B U D G E T
(DOLLARS IN THOUSANDS)

AGENCY: MILITARY AFFAIRS DEPT
PROGRAM: MAINT-TRAINING FACILITIES
ACTIVITY: ARMORY MAINTENANCE

			FY 1998			FY 1999		
ACTIVITY SUMMARY	FY 1996	Est. FY 1997	Base Level	Agency Plan	Governor Recomm.	Base Level	Agency Plan	Governor Recomm.
FTE BY EMPLOYMENT TYPE:								
REGULAR	51.9	53.1	53.1	53.1	53.1	53.1	53.1	53.1
TEMP/SEAS/PART_TIME	.5	.5	.5	.5	.5	.5	.5	.5
TOTAL FTE	52.4	53.6	53.6	53.6	53.6	53.6	53.6	53.6

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1998-99 Biennial Budget

BUDGET ACTIVITY: Air Base Maint-Twin Cities
PROGRAM: Maint-Training Facilities
AGENCY: Military Affairs, Department of

ACTIVITY DESCRIPTION:

This activity provides facilities to support the mission of the 133rd Airlift Wing, Minnesota Air National Guard which is located at the Twin Cities Air National Guard Base located adjacent to the Minneapolis-St. Paul International Airport. The mission of the 133rd is to provide the nation with a mission ready wing of eight C130-H3 model transport aircraft with all supporting functions, ready for immediate deployment for state, national or international emergencies.

The federal government and the state of Minnesota have entered into a Master Cooperative Funding Agreement that provides for sharing of certain operating and maintenance costs. The federal government provides all of the funds for major real property maintenance and capital improvements at this base. The federal government also supports 75% of the routine operating and maintenance costs while the state's General Fund supports the remaining 25% of those costs. Costs shared under the agreement include:

- heating and air conditioning service,
- electrical service,
- water and sewer service,
- roads, grounds and airfield maintenance,
- janitorial service,
- runway use costs, and
- salaries and benefits of employees performing the above services.

There are 38 separate major structures totaling 391,423 s.f. at the Twin Cities base. The federal/state cost sharing agreement includes all services for heating, air conditioning, electrical, sanitary, roads and grounds maintenance, janitorial, and airport use fees.

Security services are provided at the base by a combination of 100% federally reimbursed state employees and federal active duty personnel. 100% federal support is also provided for the cost of operating a regional simulator facility, which is used for training aircrews from around the country. There is no General Fund money supporting security services.

BUDGET ISSUES:

The continuing struggle at this base is keeping pace with operations and maintenance requirements with expansion of their facilities and increasing costs. In the next 4 years, new construction projects will increase the square footage that must be operated and maintained by just over 20% to 435,795 s.f. New facilities are required to provide the needed accommodations for the sophisticated missions. State dollars allocated to this activity to operate and maintain this expensive infrastructure have been static for over 6 years. Additional federal dollars can be obtained in the ratio of \$3 federal dollars for each \$1 provided by the state for this purpose, but only if the state can provide their 25% match. The base needs additional support mainly in custodial, facility systems operation, environmental matters, and routine maintenance. Because of the magnitude of facilities owned and managed by the department statewide, we do not have sufficient resources to reallocate any dollars to increase the state's share of base support.

REVENUE:

This activity generates dedicated federal revenue only.

Revenues generated are in the form of federal reimbursements for salaries and operating expenses for the base under the federal/state master cooperative funding agreement.

1998-1999 BIENNIAL BUDGET
(DOLLARS IN THOUSANDS)

AGENCY: MILITARY AFFAIRS DEPT
PROGRAM: MAINT-TRAINING FACILITIES
ACTIVITY: AIR BASE MAINT-TWIN CITIES

ACTIVITY SUMMARY	FY 1996	Est. FY 1997	FY 1998			FY 1999		
			Base Level	Agency Plan	Governor Recomm.	Base Level	Agency Plan	Governor Recomm.
EXPENDITURES:								
DETAIL BY CATEGORY:								
STATE OPERATIONS:								
PERSONAL SERVICES	1,116	1,137	1,141	1,141	1,141	1,146	1,146	1,146
OPERATING EXPENSES	697	695	695	695	695	695	695	695
SUBTOTAL STATE OPERATIONS	1,813	1,832	1,836	1,836	1,836	1,841	1,841	1,841
TOTAL EXPENDITURES	1,813	1,832	1,836	1,836	1,836	1,841	1,841	1,841
EXPENDITURES BY FUND:								
DIRECT APPROPRIATIONS:								
GENERAL	334	318	322	322	322	327	327	327
STATUTORY APPROPRIATIONS:								
FEDERAL	1,479	1,514	1,514	1,514	1,514	1,514	1,514	1,514
TOTAL EXPENDITURES	1,813	1,832	1,836	1,836	1,836	1,841	1,841	1,841
REVENUE COLLECTED:								
DEDICATED:								
FEDERAL	1,479	1,514	1,514	1,514	1,514	1,514	1,514	1,514
TOTAL REVENUES COLLECTED	1,479	1,514	1,514	1,514	1,514	1,514	1,514	1,514
FTE BY EMPLOYMENT TYPE:								
REGULAR	29.6	29.6	29.6	29.6	29.6	29.6	29.6	29.6
OVERTIME	.4	.4	.4	.4	.4	.4	.4	.4
TOTAL FTE	30.0	30.0	30.0	30.0	30.0	30.0	30.0	30.0

1998-99 Biennial Budget

BUDGET ACTIVITY: Air Base Maint-Duluth
PROGRAM: Maint-Training Facilities
AGENCY: Military Affairs, Department of

ACTIVITY DESCRIPTION:

This activity includes operating costs, routine maintenance costs and security costs for all 35 buildings (470,593 s.f.), grounds and mechanical systems at the Duluth Air National Guard base. The base is located at the Duluth International Airport and provides facilities support for the administrative, training and mission essential requirements of the 148th Fighter Group.

The federal government and the state of Minnesota have entered into a Master Cooperative Funding Agreement that provides for sharing of certain operating and maintenance costs. The federal government provides all of the funds for major real property maintenance and capital improvements at this base. The federal government also supports 75% of the routine operating and maintenance costs while the state's General Fund supports the remaining 25% of those costs. Cost shared under the agreement include:

- heating and air conditioning service,
- electrical service,
- water and sewer service,
- roads, grounds and airfield maintenance,
- janitorial service,
- runway use costs, and
- salaries and benefits of employees performing the above services.

Security services are provided at the base by a combination of 100% federally reimbursed state employees and federal Active Guard-Reserve (AGR) employees. Fire fighting/crash rescue services are also provided at this base by state employees - their salaries, benefits and other associated support cost are reimbursed 100% by the federal government.

BUDGET ISSUES:

The continuing struggle at this base is for the base civil engineer to provide the same or increased levels of operations, maintenance and repair service as costs increase without corresponding increases in support dollars. Additional federal dollars have already been programmed into the federal Facilities Operations and Maintenance Account (FOMA) to support identified increases in their operating costs but only if the state is able to provide the 25% match. Costs continue to escalate as the size and complexity of the physical plant owned, managed and operated by the department, become larger and more modern. Because of a non-growth budget for a number of years, we do not have sufficient resources to internally reprogram dollars to take advantage of increased federal support to meet identified needs.

REVENUE:

This activity generates federal revenue only.

Revenues generated are in the form of federal reimbursements for salaries and operating expenses for the base under the federal/state master cooperative funding agreement.

1998-1999 BIENNIAL BUDGET
(DOLLARS IN THOUSANDS)

AGENCY: MILITARY AFFAIRS DEPT
PROGRAM: MAINT-TRAINING FACILITIES
ACTIVITY: AIR BASE MAINT-DULUTH

ACTIVITY SUMMARY	FY 1996	Est. FY 1997	FY 1998			FY 1999		
			Base Level	Agency Plan	Governor Recomm.	Base Level	Agency Plan	Governor Recomm.
EXPENDITURES:								
DETAIL BY CATEGORY:								
STATE OPERATIONS:								
PERSONAL SERVICES	2,317	2,366	2,370	2,370	2,370	2,375	2,375	2,375
OPERATING EXPENSES	708	796	806	806	806	806	806	806
SUBTOTAL STATE OPERATIONS	3,025	3,162	3,176	3,176	3,176	3,181	3,181	3,181
TOTAL EXPENDITURES	3,025	3,162	3,176	3,176	3,176	3,181	3,181	3,181
EXPENDITURES BY FUND:								
DIRECT APPROPRIATIONS:								
GENERAL	345	350	361	361	361	366	366	366
STATUTORY APPROPRIATIONS:								
FEDERAL	2,680	2,812	2,815	2,815	2,815	2,815	2,815	2,815
TOTAL EXPENDITURES	3,025	3,162	3,176	3,176	3,176	3,181	3,181	3,181
REVENUE COLLECTED:								
DEDICATED:								
FEDERAL	2,680	2,812	2,815	2,815	2,815	2,815	2,815	2,815
TOTAL REVENUES COLLECTED	2,680	2,812	2,815	2,815	2,815	2,815	2,815	2,815
FTE BY EMPLOYMENT TYPE:								
REGULAR	61.4	61.4	61.4	61.4	61.4	61.4	61.4	61.4
OVERTIME	.4	.4	.4	.4	.4	.4	.4	.4
TOTAL FTE	61.8	61.8	61.8	61.8	61.8	61.8	61.8	61.8

1998-99 Biennial Budget

PROGRAM: General Support
AGENCY: Military Affairs, Department of

PROGRAM DESCRIPTION:

The General Support budget program provides the leadership, administrative and support services for the department. It also includes the operating costs for the department headquarters in St. Paul. There are 3 activities within this program: 1) Administrative Services, 2) Auxiliary Services and 3) STARBASE Minnesota.

More specifically, the general support program includes services in the following areas:

1. **Leadership and policy development.** The department's leadership develops strategic and long range plan, develops policy and supervises the execution of the facilities maintenance program discussed in detail in the Maint-Training Facilities section of this budget. An important function, of the department leadership is to work closely with the Minnesota Congressional delegation and other federal agencies in Washington to secure federal funding for the construction of replacement facilities and other federal issues critical to the Minnesota National Guard.
2. **Administrative and technical support** is provided within this program and includes all employee management and payroll services, processing of payments of operating costs for most facilities, budget preparation and annual performance reporting, accounting functions, processing of all federal receipts and payments, internal audit and control functions, and all other tasks associated with the business of state government.
3. **Support of National Guard members called to state active duty** during emergencies is another important function performed within this program. It is required by statute that the National Guard be available for order to state active duty by the governor to support local law enforcement authorities in time of civil disorder, natural disaster or other emergency (M.S. 190.02). State dollars that pay personnel costs and logistical support costs for state active duty operations are paid through this budget program (M.S. 192.49, subd. 1, M.S. 192.51, subd 2, and M.S. 192.52). The training and equipping of National Guard personnel is totally funded with federal dollars. Millions of dollars worth of federally owned military aircraft and other equipment is available to the governor to support the state in times of emergency. There is no expense to the state for this equipment except for operating costs, repair or replacement if damaged during state emergency operations. A well trained, well equipped National Guard is a tremendous asset to the people of Minnesota. It has responded quickly and effectively to the governors call on many occasions to assist and protect citizens of Minnesota. During the current biennium to date, the Guard has been called to state duty 13 times expending 852 man days in support of such emergencies as:
 - fires in the Grand Marais area,
 - floods on the Snake River and Red River,
 - searches for lost people in Cannon Falls, Cloquet and Stillwater areas,
 - severe storms in Northwestern Minnesota and Hastings, and
 - emergency water supplies in Victoria.

PROGRAM STATUS:

Beginning in 1992, we have experienced fluctuations, up and down, in the number of National Guard personnel authorized in this state. The closure of 12 armory facilities in F.Y. 1993 did reduce the number of state employees supporting National Guard facilities. Our present complement is 330.6 is down from a complement of just over 360 employees at last budget submission - we have 309 actual employees.

Because National Guard assistance to local authorities is always in response to unplanned, emergency situations, measurement of our performance is difficult. Numbers of times called to duty, numbers of personnel and equipment provided, how quickly we can assemble a force or how much did it cost are all excellent pieces of information. We do not, however, consider them measures of our effectiveness. The best evaluation of how successful we were is an intangible measure: We were called by the governor, we responded with appropriate numbers of trained personnel and equipment and protected the life and property of Minnesota citizens during a critical time.

PLANNED RESULTS:

The need for replacement or major expansion of facilities is an ongoing process. Some of the factors that are considered are:

- age and condition of the facility,
- a continued need for a facility in that geographical location for rapid response to emergencies,
- demographic studies that show that the population in the geographical area can support recruiting operations,
- a local government or school district that is willing to support approximately 12.5% of the construction cost, and
- to a lesser degree, reorganization of units to a different type that may require significant facility expansion or modification.

Armory replacement is now a 5-7 year process from the time a unit of local government or school district makes a commitment to a new facility. The department now manages 61 armories and under those time constraints, total replacement will not be possible until well into the next century. The uncertainty of federal funding is the single most limiting factor in our long range facility replacement program. Modern construction techniques will significantly increase the life of our newer facilities.

Service to our customers (National Guard members, employees and vendors), remains our top priority. As we work through the challenge of implementing the statewide systems project, we hope it will enhance the quality of the services we now provide.

Our response to emergency situations is strictly a reaction to unplanned events. Trained personnel and adequate equipment are always needed and are available because of the military requirements for the National Guard. In most instances, the lack of resources at the local government level causes a call to the governor for assistance.

BUDGET AND REVENUE SUMMARY:

We are making a base adjustment due to an increase in rent for the Veterans Service Building. There is General Fund revenue generated by this program that is described on the Administrative Services activity page.

GOVERNOR'S RECOMMENDATION:

The Governor recommends funding levels in the agency plan and of a biennial increase of \$3,880,000 that would make National Guard Training and Community Centers (Armories) available for community crime prevention programs. It is part of the Governor's overall anti-crime initiative that totals \$58.2 million for the 1998-99 Biennium. In addition to these funds for the Department of Military Affairs, the initiative includes funds for the Departments of Corrections, Children, Families & Learning, Public Safety, and Minnesota Planning.

1998-1999 BIENNIAL BUDGET
(DOLLARS IN THOUSANDS)

AGENCY: MILITARY AFFAIRS DEPT
PROGRAM: GENERAL SUPPORT

ACTIVITY RESOURCE ALLOCATION:	FY 1996	Est. FY 1997	FY 1998			FY 1999		
			Base Level	Agency Plan	Governor Recomm.	Base Level	Agency Plan	Governor Recomm.
ADMINISTRATIVE SERVICES	1,498	1,514	1,554	1,554	3,494	1,591	1,591	3,531
AUXILIARY SERVICES	80	70	75	75	75	75	75	75
STARBASE MINNESOTA	214	200	200	200	200	200	200	200
TOTAL EXPENDITURES BY ACTIVITY	1,792	1,784	1,829	1,829	3,769	1,866	1,866	3,806
GOV'S INITIATIVES:		FUND						
(B) ARMORY USE-CRIME PREVENTION		GEN			1,940			1,940
TOTAL GOV'S INITIATIVES					1,940			1,940
EXPENDITURES BY FUND:								
DIRECT APPROPRIATIONS:								
GENERAL	1,560	1,563	1,608	1,608	3,548	1,645	1,645	3,585
STATUTORY APPROPRIATIONS:								
SPECIAL REVENUE	18	21	21	21	21	21	21	21
FEDERAL	214	200	200	200	200	200	200	200
TOTAL EXPENDITURES	1,792	1,784	1,829	1,829	3,769	1,866	1,866	3,806
FTE BY EMPLOYMENT TYPE:								
REGULAR	22.7	22.7	22.7	22.7	23.7	22.7	22.7	23.7
TEMP/SEAS/PART_TIME	.1	.1	.1	.1	44.4	.1	.1	44.4
TOTAL FTE	22.8	22.8	22.8	22.8	68.1	22.8	22.8	68.1

1998-99 Biennial Budget

BUDGET ACTIVITY: Administrative Services
PROGRAM: General Support
AGENCY: Military Affairs, Department of

ACTIVITY DESCRIPTION:

The Adjutant General is the military chief of staff to the governor and is the department head. The Assistant Adjutant General, and other key members of his staff, are charged with policy development, management, supervision and support of the Minnesota Army and Air National Guard. Areas of policy guidance and support include training, administration, maintenance, new construction, recruiting, operational readiness, and personnel. This activity also provides allowances for military expenses (M.S. 192.49, Subd. 3).

This activity is supported by 20 state employees that provide management and clerical support to the department headquarters and National Guard units in the field. Some of the administrative and management services provided by these 20 employees include: 1) senior leadership and management; 2) budget and accounting functions; 3) fiscal management of the state/federal cooperative funding agreement; 4) internal audit and management controls; 5) payroll and logistical support to personnel called to state active duty; 6) employee support services for our 309 state employees; 7) processing payments for departmental operating costs; 8) budget and performance report preparation services.

The remaining employees in the department headquarters are federal employees who support the military activities of the Army and Air National Guard.

BUDGET ISSUES:

This activity is not usually proportionally effected by changes in the military structure of the National Guard.

REVENUE:

A small amount of revenue is generated within this activity by issuing limited timber harvesting permits for certain areas of the Camp Ripley Military Reservation. These forest management services are provided by the Department of Natural Resources.

The dedicated special revenue shown is a reimbursement from the Minnesota State Armory Building Commission for personnel services provided by the department.

Revenue generated in this activity is payments received from the Minnesota State Armory Building Commission for services provided by the state to that commission.

1998-1999 B I E N N I A L B U D G E T
(DOLLARS IN THOUSANDS)

AGENCY: MILITARY AFFAIRS DEPT
PROGRAM: GENERAL SUPPORT
ACTIVITY: ADMINISTRATIVE SERVICES

ACTIVITY SUMMARY	FY 1996	Est. FY 1997	FY 1998			FY 1999		
			Base Level	Agency Plan	Governor Recomm.	Base Level	Agency Plan	Governor Recomm.
=====	=====	=====	=====	=====	=====	=====	=====	=====
EXPENDITURES:								

DETAIL BY CATEGORY:								
STATE OPERATIONS:								
PERSONAL SERVICES	1,057	1,097	1,124	1,124	2,551	1,152	1,152	2,579
OPERATING EXPENSES	372	358	371	371	884	380	380	893
CAPITAL OUTLAY	20	10	10	10	10	10	10	10
=====	=====	=====	=====	=====	=====	=====	=====	=====
SUBTOTAL STATE OPERATIONS	1,449	1,465	1,505	1,505	3,445	1,542	1,542	3,482
PAYMENTS TO INDIVIDUALS	1	1	1	1	1	1	1	1
LOCAL ASSISTANCE	48	48	48	48	48	48	48	48
=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL EXPENDITURES	1,498	1,514	1,554	1,554	3,494	1,591	1,591	3,531
GOV'S INITIATIVES:		FUND						
-----		-----						
(B) ARMORY USE-CRIME PREVENTION		GEN			1,940			1,940
=====		=====			=====			=====
TOTAL GOV'S INITIATIVES					1,940			1,940
EXPENDITURES BY FUND:								

DIRECT APPROPRIATIONS:								
GENERAL	1,480	1,493	1,533	1,533	3,473	1,570	1,570	3,510
STATUTORY APPROPRIATIONS:								
SPECIAL REVENUE	18	21	21	21	21	21	21	21
=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL EXPENDITURES	1,498	1,514	1,554	1,554	3,494	1,591	1,591	3,531
REVENUE COLLECTED:								

DEDICATED:								
SPECIAL REVENUE	18	21	21	21	21	21	21	21
NONDEDICATED:								
GENERAL	38	50	50	50	50	50	50	50
=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL REVENUES COLLECTED	56	71	71	71	71	71	71	71

1998-1999 B I E N N I A L B U D G E T
(DOLLARS IN THOUSANDS)

AGENCY: MILITARY AFFAIRS DEPT
PROGRAM: GENERAL SUPPORT
ACTIVITY: ADMINISTRATIVE SERVICES

			FY 1998			FY 1999		
ACTIVITY SUMMARY	FY 1996	Est. FY 1997	Base Level	Agency Plan	Governor Recomm.	Base Level	Agency Plan	Governor Recomm.
FTE BY EMPLOYMENT TYPE:								
REGULAR	22.7	22.7	22.7	22.7	23.7	22.7	22.7	23.7
TEMP/SEAS/PART_TIME	.1	.1	.1	.1	44.4	.1	.1	44.4
TOTAL FTE	22.8	22.8	22.8	22.8	68.1	22.8	22.8	68.1

F.Y. 1998-99 BUDGET INITIATIVE

AGENCY: Military Affairs, Department of
PROGRAM: General Support
ACTIVITY: Administrative Services

ITEM TITLE: National Guard Training and Community Center Use for Crime Prevention Programs

	<u>1998-99 Biennium</u>		<u>2000-01 Biennium</u>	
	<u>F.Y. 1998</u>	<u>F.Y. 1999</u>	<u>F.Y. 2000</u>	<u>F.Y. 2001</u>
Expenditures: (\$000s)				
General Fund				
- State Operations	\$1,940	\$1,940	\$1,940	\$1,940
Revenues: (\$000s)				
General Fund	\$-0-	\$-0-	\$-0-	\$-0-
Statutory Change? Yes _____ No <u>X</u>				
If yes, statutes(s) affected:				

GOVERNOR'S RECOMMENDATION:

The Governor recommends funding levels in the agency plan and a biennial increase of \$3,880,000 that would make National Guard Training and Community Centers (Armories) available for community crime prevention programs. It is part of the Governor's overall anti-crime initiative that totals \$58.2 million for the 1998-99 Biennium. In addition to these funds for the Department of Military Affairs, the initiative includes funds for the Departments of Corrections, Children, Families & Learning, Public Safety, and Minnesota Planning.

RATIONALE:

National Guard Training and Community Centers, also referred to as armories, are located in 59 separate locations statewide. These training and community centers are designed to be used primarily for National Guard administration and training. They are occupied during the normal work week and normal hours by a minimal number of federal full-time support personnel. They also are utilized, at a minimum, one weekend per month for training of the National Guard members quartered in that facility.

The National Guard and local communities share in the planning, financing and, in some cases, the operation of these multi-purpose training and community centers. Although intensity of community use and building floor plans vary at each location, all contain classroom space, gymnasiums and kitchen space and are well suited for any number of after-school or evening youth and family activities. They all could provide a location for activities designed to support the governor's crime prevention initiatives when not in use by the National Guard.

The anticipated additional costs that will be generated as a results of this initiative include:

- Personnel costs to plan and coordinate the entire program and to provide additional security or custodial services. Projected costs assume keeping 59 Training and Community Centers open, 5 days per week for approximately 6 additional hours (until 10:00 PM). Basis of calculation is the cost of a General Maintenance Worker (\$14.50/hr including benefits) for 6 hours per day, 260 days per year, in 59 locations. An initiative of this magnitude cannot be organized and administered within current agency staffing levels. A person to act as the community programs coordinator will be needed to organize and administer the program with that estimated cost being included in the \$1,426,620 annual personnel cost estimate. Depending on source of the employee, adjustments to the agency's FTE employee complement would be required.
- Utilities and other minor operating expenses, incidental to the additional use, are calculated to be \$513,000 per year based on use of approximately 9,000 square feet in each facility at \$33 per day for 260 days in 59 training and community centers.

PROGRAM OUTCOMES:

If requested resources are provided, many communities will be have the opportunity to design youth sports and activity programs utilizing excellent facilities. These programs may be unique or supplement current programs. The community programs coordinator will work closely with local community officials and organizations to determine:

- specific goals and objectives of local programs,
- target groups for various program activities,
- sources of local program support,
- needs for and sources of program equipment,
- methods to evaluate success of community programs in preventing youth crime.

Localized youth programs conducted in National Guard Training and Community may also expose youth to the leadership and educational opportunities available through the National Guard. Members of local National Guard units are also members of that community and often volunteer to become involved in community activities and thereby adding value to their communities. Some are heavily involved in the community and serve as role models for youth and young adults.

Because the options for implementation of this initiative are being developed as a part of the formal budget process progresses, flexibility in the use of the anticipated appropriation is needed. Personnel needs are estimates and could vary from location to location. Appropriation language should allow flexibility within the total amount requested.

LONG-TERM IMPACT:

It is imperative that this initiative be well organized from the onset. This effort could well become a national model for cooperative efforts between federal, state and local governments and community organizations in the fight against the alarming increase in youth crime. It will also promote and encourage more full utilization of publicly constructed facilities. This initiative is proactive and will apply state resources directly at the local level. It would be visible evidence of the commitment of the governor and the legislature to provide solutions for the problems associated with idle or misdirected youth. The anticipated long-term impact is a reduction in juvenile crime.

1998-99 Biennial Budget

BUDGET ACTIVITY: Auxiliary Services
PROGRAM: General Support
AGENCY: Military Affairs, Department of

ACTIVITY DESCRIPTION:

This activity includes payment of personnel and support costs for state emergency duties performed by members of the National Guard as contemplated by M.S. 190.08, Subd. 4. Personal and organizational equipment is provided by the federal government as part of normal military training requirements. The state is responsible for all operations, maintenance and repair cost of that equipment during state active duty operations.

This activity is also used as a "pass through" for funds resulting from sale of closed armories under the provisions of M.S. 193.36.

BUDGET ISSUES:

There are no significant budget issues associated with this activity.

REVENUE:

None.

1998-1999 B I E N N I A L B U D G E T
(DOLLARS IN THOUSANDS)

AGENCY: MILITARY AFFAIRS DEPT
PROGRAM: GENERAL SUPPORT
ACTIVITY: AUXILIARY SERVICES

ACTIVITY SUMMARY	FY 1996	Est. FY 1997	FY 1998			FY 1999		
			Base Level	Agency Plan	Governor Recomm.	Base Level	Agency Plan	Governor Recomm.
=====	=====	=====	=====	=====	=====	=====	=====	=====
EXPENDITURES:								

DETAIL BY CATEGORY:								
STATE OPERATIONS:								
PERSONAL SERVICES	74	69	74	74	74	74	74	74
OPERATING EXPENSES	6	1	1	1	1	1	1	1
=====	=====	=====	=====	=====	=====	=====	=====	=====
SUBTOTAL STATE OPERATIONS	80	70	75	75	75	75	75	75
=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL EXPENDITURES	80	70	75	75	75	75	75	75
EXPENDITURES BY FUND:								

DIRECT APPROPRIATIONS:								
GENERAL	80	70	75	75	75	75	75	75
=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL EXPENDITURES	80	70	75	75	75	75	75	75
FTE BY EMPLOYMENT TYPE:								

=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL FTE								

1998-99 Biennial Budget

BUDGET ACTIVITY: STARBASE Minnesota
PROGRAM: General Support
AGENCY: Military Affairs, Department of

ACTIVITY DESCRIPTION:

The STARBASE program, began in 1993. STARBASE is an acronym for Science and Technology Academies Reinforcing Basic Aviation and Space Exploration. It is a joint program of the National Guard, area industry, educators and non-profit organizations. The ultimate goal of STARBASE is to motivate student in second through 12th grade to "yearn to learn" about mathematics, science and technology using aerospace education as the motivator. A prime goal of STARBASE is to introduce the students to aerospace professionals, both civilian and military personnel, who share their experiences and love of science, mathematics and technology. These role models and the experimental tasks that are created provide the groundwork for greater self-esteem and team building skills. Programs and classes are held at the Minnesota Air National Guard base near the Minneapolis-St. Paul International Airport. STARBASE is operated by a civilian staff which includes licensed teachers under the direction of a board of directors comprised of business leaders and educators.

The curriculum for the 5-7 day program includes education and training in science, mathematics, and technology. Instruction may include other related components such as instruction in the biological and environmental sciences, the physiological effects of drug use on living organisms, and enhanced personal achievement within the content of the approved math and science based curriculum. Some of the objectives of STARBASE are:

- to promote a strong educational base in the STARBASE elements beginning in the elementary grades and continuing through high school,
- to emphasize teacher training in mathematics, science, and technology,
- to encourage and create partnerships with the education community and industry as well as with local, state, and federal government,
- to create an educational resource center in support of STARBASE Minnesota,
- to develop self-esteem, positive attitudes, goal setting and drug demand reduction skills in the students that STARBASE Minnesota serves, and
- to improve the problem-solving and decision making skills of the students that STARBASE Minnesota serves.

Each year, approximately 2,000 young at risk students are brought to "the school house" to participate in the 2 week curriculum. The curriculum can also be transported to individual schools or school districts for incorporation into their own programs. Students from the following schools have participated in the STARBASE program: In St. Paul: East side Consolidated, Hayden Heights elementary, North End elementary, Mississippi Creative Arts Magnet, Museum Magnet, Wilder elementary; and in Minneapolis: Washburn High School and Pillsbury Math-Science Magnet.

Although the STARBASE program is conducted primarily during the school year, they have recently conducted special programs in the summer that target older children and at risk females.

BUDGET ISSUES:

This \$190,000 annual program is currently 100% federally funded in the form of total reimbursement for employee and operating costs. Since the inception of STARBASE, there have been no state General Fund dollars dedicated to this activity. It is likely that at some point during the biennium, federal funding will decline. The Governor has indicated his support for continuation of this program through a combination of private funding and state match funding. STARBASE Minnesota enjoys 501.c.3. status from the Internal Revenue Service. Their active board of directors are continually seeking contributions from the private sector in preparation for the possible decline of federal funding. The board of directors has indicated they wish to expand the program to other areas in the Twin Cities and possibly at other locations in greater Minnesota should additional funding become available.

REVENUE:

This activity generates dedicated federal fund only.

1998-1999 B I E N N I A L B U D G E T
(DOLLARS IN THOUSANDS)

AGENCY: MILITARY AFFAIRS DEPT
PROGRAM: GENERAL SUPPORT
ACTIVITY: STARBASE MINNESOTA

ACTIVITY SUMMARY	FY 1996	Est. FY 1997	FY 1998			FY 1999		
			Base Level	Agency Plan	Governor Recomm.	Base Level	Agency Plan	Governor Recomm.
EXPENDITURES:								
DETAIL BY CATEGORY:								
PAYMENTS TO INDIVIDUALS			200	200	200	200	200	200
LOCAL ASSISTANCE	214	200						
TOTAL EXPENDITURES	214	200	200	200	200	200	200	200
EXPENDITURES BY FUND:								
STATUTORY APPROPRIATIONS:								
FEDERAL	214	200	200	200	200	200	200	200
TOTAL EXPENDITURES	214	200	200	200	200	200	200	200
REVENUE COLLECTED:								
DEDICATED:								
FEDERAL	214	200	200	200	200	200	200	200
TOTAL REVENUES COLLECTED	214	200	200	200	200	200	200	200
FTE BY EMPLOYMENT TYPE:								
TOTAL FTE								

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1998-99 Biennial Budget

PROGRAM: Enlistment Incentives
AGENCY: Military Affairs, Department of

PROGRAM DESCRIPTION:

Incentives for Minnesota citizens to join and remain in the National Guard are authorized by M.S. 192.501, enacted by the legislature in 1989 and amended by the legislature in 1993 and again in 1996. The current program includes the following:

- Tuition reimbursement, up to a maximum of 75%, for eligible Minnesota National Guard members for tuition paid at public or private post-secondary educational institutions. The 1996 legislature increased the maximum authorized percentage of reimbursement from 50% to 75%. Current reimbursement rate is 62% because of current funding levels..
- A \$1,500 reenlistment bonus for eligible Minnesota National Guard members who extend their enlistments. This replaced the \$250 reenlistment bonus that the department suspended in December of 1991.
- A \$500 enlistment bonus for qualified individuals who enlist in the Minnesota National Guard.

The primary purpose for the Enlistment Incentives program is to maintain and/or increase the personnel strength levels of the Minnesota Army and Air National Guard. Specific goals, objectives and performance measures are discussed in detail in our performance report. Briefly, the incentives are designed to maintain the personnel strength of the Minnesota National Guard at or above authorized strength levels by:

- attracting new enlistees or officer candidates by offering them financial assistance for their higher education goals;
- retaining experienced soldiers and airmen to save costs of retraining;
- increasing the educational level of Minnesota National Guard members beyond the high school level, which enhances their leadership qualifications and adds to their personal credentials for civilian employment;
- providing educational assistance to soldiers and airmen who require varying levels of post-secondary educational for National Guard career advancement;
- increasing minority and female membership in the National Guard by emphasizing incentive programs in target marketing areas.

The current annual base level funding for the entire 3-part program is \$2,351,000. In addition, appropriation language since 1989 has made appropriations available until expended which has enabled the National Guard to accomplish its strength goals without seeking increases in the base level. It should be noted that the former basis for calculating the reimbursement amount, University of Minnesota lower division tuition, has increased nearly 50% since the program inception in 1989. If the number of people participating in the tuition reimbursement program increases and tuition continues to increase faster than the rate of inflation, we must reduce amounts dedicated to the bonuses. If costs rise and utilization increases, an unchanging appropriation will mean reduction of benefit amount and possible more stringent eligibility criteria. Although the tuition reimbursement program continues to be the cornerstone of the incentive package, we still need to offer incentives to

individuals who do not pursue post secondary education as is the case for many of our members. The current basis for reimbursement, the tuition at state universities, has also increase significantly in the same period.

PROGRAM STATUS:

- Utilization of tuition reimbursement accounts for approximately 75% of the total appropriation available. It is the keystone of the incentives program. In F.Y. 1996, nearly 28% of our total assigned National Guard members utilized tuition reimbursement. The following tables reflect usage.

F.Y. 1996 Tuition Reimbursement Attendance Patterns

SCHOOLS ATTENDED	NUMBER	PERCENT
University of Minnesota	373	15%
State Universities	678	27%
State Community Colleges	471	19%
State Technical Colleges	450	21%
Other*	525	18%
TOTALS	2497	100%

* Other includes out of state institutions, Minnesota private schools and other Minnesota schools such as air traffic control school, flight training schools, beauty schools, real estate schools, etc. In the last 5 years, 4,508 National Guard members have utilized tuition reimbursement. The following tables portray categories of usage.

Categories of Usage - Last 5 Years

Males	3298	87%
Females	580	13%

Officers	244	5%
Warrant Officers	40	1%
Enlisted Personnel	4224	94%

Caucasian	4344	96%
Black	71	2%
Asian	44	1%
American Indian	34	Less than 1%
Other	14	Less than 1%

The tuition reimbursement program has not only helped the Minnesota Army and Air National Guard

1998-99 Biennial Budget

PROGRAM: Enlistment Incentives
AGENCY: Military Affairs, Department of
(Continuation)

enlist and retain members, it has provided educational opportunities to many members who may not otherwise be financially able to attend school. National Guard members must be prepared to perform a military mission if called but probably and more practically, they will add more value to their state and community if they pursue post secondary education.

- The enlistment bonus only been available to potential new enlistees since 7-1-96. Insufficient data is available as of this writing to offer a meaningful report of status.
- The reenlistment bonus is designed to encourage quality soldiers and airmen to remain in the National Guard after expiration of their initial or subsequent terms of enlistment. It is essential to retain these experienced soldiers and airmen to save the time and valuable training funds and maximize the investment in their leadership and technical skills. The flexibility to tailor reenlistment bonuses to readiness needs has been authorized only since 7-1-96.

The "old" reenlistment bonus program that was suspended in late C.Y. 1991 still carries financial obligations for individuals who were enrolled in that program at the time of suspension. The maximum remaining obligation amounts are \$140,000 in F.Y. 1997 and \$62,000 in F.Y. 1998 with the last payments under that program being disbursed in November of 1997.

PLANNED RESULTS:

The final outcome of the incentives program is meeting our year end strength objectives. A balanced incentives program that features benefits that attract new members and retains some of our experienced members is essential if we are going to be prepared for our federal military mission and our state mission. Specific goals, objectives, measurements and targets are published in our department's performance report.

BUDGET AND REVENUE SUMMARY:

The recent changes to the incentive law and subsequent program modifications have given the Adjutant General more flexibility in managing the program and resources available. That flexibility will enable us to more fully utilize available appropriations for the intended purpose. We estimate that the base level funding and other funds available within the appropriation will be sufficient to accomplish program and department goals and objectives during the biennium.

An issue of concern to us is that future appropriations for tuition reimbursement need to be indexed to increases in tuition rates at public post secondary institutions. The flexibility given to our department by previous appropriation language has allowed us to absorb significant increases in tuition costs without seeking an increase to the base level. Continued permissive language will minimize the impact of such future increases in tuition rates.

GOVERNOR'S RECOMMENDATION:

The Governor concurs with the agency's plan.

1998-1999 B I E N N I A L B U D G E T
(DOLLARS IN THOUSANDS)

AGENCY: MILITARY AFFAIRS DEPT
PROGRAM: ENLISTMENT INCENTIVES
ACTIVITY: ENLISTMENT INCENTIVES

ACTIVITY SUMMARY	FY 1996	Est. FY 1997	FY 1998			FY 1999		
			Base Level	Agency Plan	Governor Recomm.	Base Level	Agency Plan	Governor Recomm.
EXPENDITURES:								
DETAIL BY CATEGORY:								
STATE OPERATIONS:								
PERSONAL SERVICES	316	707	681	681	681	682	682	682
SUBTOTAL STATE OPERATIONS	316	707	681	681	681	682	682	682
PAYMENTS TO INDIVIDUALS	1,404	3,003	1,671	1,671	1,671	1,671	1,671	1,671
TOTAL EXPENDITURES	1,720	3,710	2,352	2,352	2,352	2,353	2,353	2,353
EXPENDITURES BY FUND:								
DIRECT APPROPRIATIONS:								
GENERAL	1,720	3,710	2,352	2,352	2,352	2,353	2,353	2,353
TOTAL EXPENDITURES	1,720	3,710	2,352	2,352	2,352	2,353	2,353	2,353
FTE BY EMPLOYMENT TYPE:								
REGULAR	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0
TOTAL FTE	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0

1998-99 Biennial Budget

PROGRAM: Military Construction
AGENCY: Military Affairs, Department of

PROGRAM DESCRIPTION:

This is a new program in the department's budget structure although there are no General Funds expended within the program. The purpose is to more fully explain and clarify the utilization of National Guard federal military construction dollars. Beginning with the federal F.Y. 1994 (10-1-93), the federal government would no longer pay state contracted vendors directly. They would reimburse the state, dollar for dollar, through the 300 fund. The result of this federal policy shift was a significant increase in the federal fund expenditures reflected in the state budget. The construction being accomplished is for the federal share of new construction of armories (training and community centers) and logistical and training facilities at Camp Ripley. It does not include any dollars for maintenance and repair of existing facilities.

PROGRAM STATUS:

Currently, the following projects are illustrative of how the federal construction dollars are utilized:

- final payment for construction of the maintenance shop in Rosemount;
- multi-purpose machine gun/sniper range at Camp Ripley;
- additions to 7 armories (Bemidji, Crookston, Detroit Lakes, Fergus Falls, Moorhead, Thief River Falls and Wadena) due to major mission changes for those units; and
- anticipated construction of armories in Stillwater and Long Prairie.

PLANNED RESULT:

New construction with federal dollars is uncertain as congressional strategies change. The agency aggressively seeks new federal construction to replace aging armory, logistical and training facilities.

BUDGET AND REVENUE SUMMARY:

Since F.Y. 1994, federal funds to support military construction have been recorded in the Armory Maintenance activity, within the Maint-Training Facilities program. Establishing a separate program and activity was done to better clarify the use of these federal funds.

The estimated amount for F.Y. 1997 (\$22,000,000) included construction costs for the Inver Grove Heights Armory and the Combined Support Maintenance Shop at Camp Ripley. It was assumed that these costs would be paid under the new federal policy, however, these projects were in process while the policy was being changed and were allowed to proceed following the former procedures.

The amounts shown for the F.Y. 1998 and F.Y. 1999 (\$22,000,000 in each year) are estimated amounts to complete payment on above mentioned projects and two new anticipated projects, armories in Stillwater and Long Prairie.

GOVERNOR'S RECOMMENDATION:

The Governor concurs with the agency's plan.

1998-1999 B I E N N I A L B U D G E T
(DOLLARS IN THOUSANDS)

AGENCY: MILITARY AFFAIRS DEPT
PROGRAM: MILITARY CONSTRUCTION
ACTIVITY: MILITARY CONSTRUCTION

			FY 1998			FY 1999		
		Est.	Base	Agency	Governor	Base	Agency	Governor
ACTIVITY SUMMARY	FY 1996	FY 1997	Level	Plan	Recomm.	Level	Plan	Recomm.
=====	=====	=====	=====	=====	=====	=====	=====	=====
EXPENDITURES:								

DETAIL BY CATEGORY:								
STATE OPERATIONS:								
OPERATING EXPENSES	150	2,000	2,000	2,000	2,000	2,000	2,000	2,000
CAPITAL OUTLAY	2,082	20,000	20,000	20,000	20,000	20,000	20,000	20,000
=====	=====	=====	=====	=====	=====	=====	=====	=====
SUBTOTAL STATE OPERATIONS	2,232	22,000	22,000	22,000	22,000	22,000	22,000	22,000
=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL EXPENDITURES	2,232	22,000	22,000	22,000	22,000	22,000	22,000	22,000
EXPENDITURES BY FUND:								

STATUTORY APPROPRIATIONS:								
FEDERAL	2,232	22,000	22,000	22,000	22,000	22,000	22,000	22,000
=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL EXPENDITURES	2,232	22,000	22,000	22,000	22,000	22,000	22,000	22,000
REVENUE COLLECTED:								

DEDICATED:								
FEDERAL	2,232	22,000	22,000	22,000	22,000	22,000	22,000	22,000
=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL REVENUES COLLECTED	2,232	22,000	22,000	22,000	22,000	22,000	22,000	22,000
FTE BY EMPLOYMENT TYPE:								
=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL FTE								

1998-99 BIENNIAL BUDGET

PROGRAM STRUCTURE

AGENCY: Veterans Affairs, Department of

PROGRAM

PAGE

BENEFITS

F-456

Benefits Administration
State Soldiers Assistance Program
Education
Vinland National Center

SERVICES

F-468

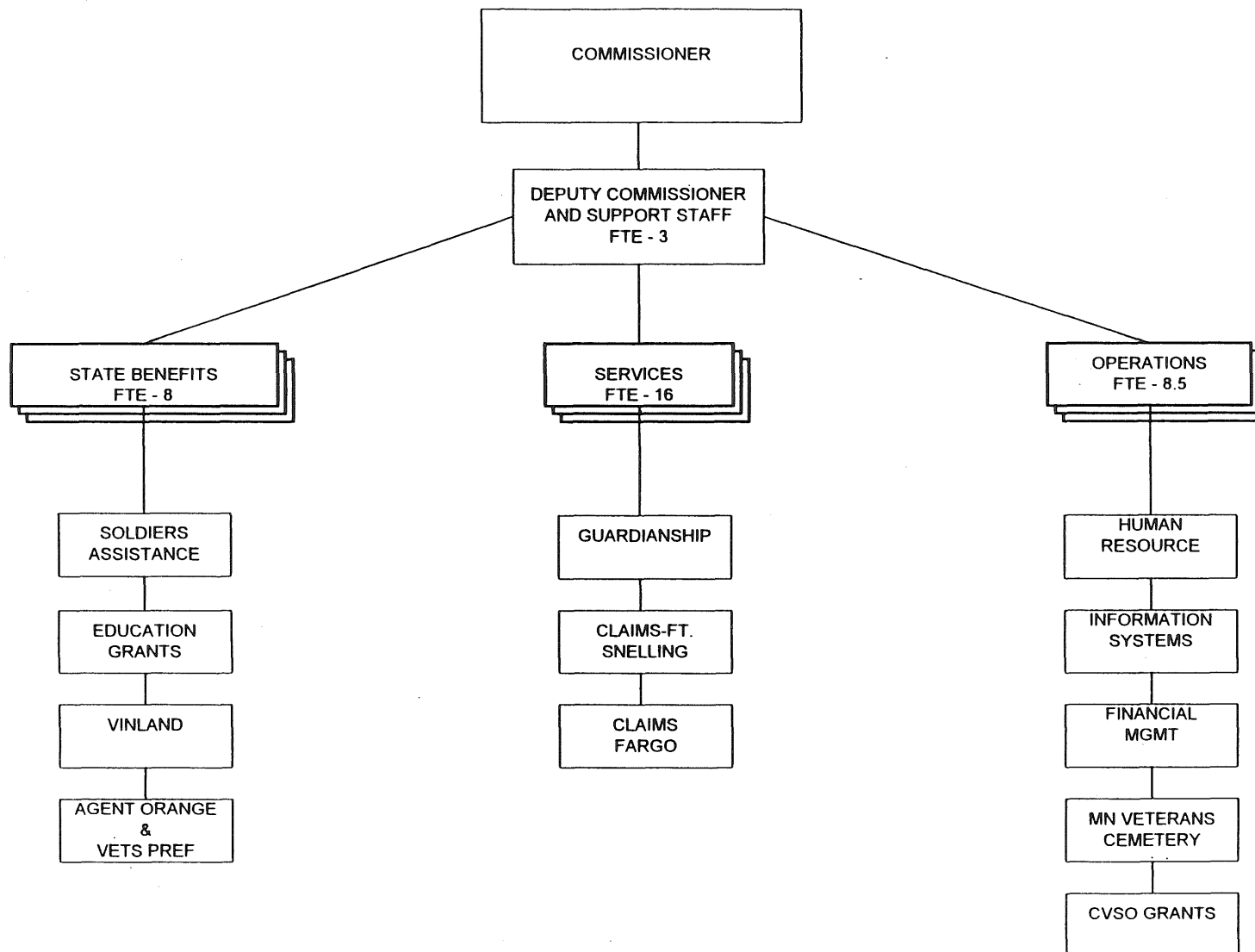
Claims-Fargo
Claims-Ft. Snelling
Guardianship Administration
Guardianship Clients

DEPARTMENTAL OPERATIONS

F-478

County Veterans Service Officer Operational Improvement Grants
Administrative Services
Cemetery Development and Maintenance
Cemetery Operations State

Department of Veterans Affairs
Organizational chart 7/1/96



**1998-99 Biennial Budget
Agency Budget Brief
(\$ in thousands)**

Agency: Veterans Affairs, Department of

Fund: General

Summary of Agency Actions:

	<u>F.Y. 1998</u>	<u>F.Y. 1999</u>	<u>F.Y. 98-99</u>
<u>BASE-YEAR (F.Y. 1997)</u>			
Appropriations (F.Y. 1997)	\$3,820	\$3,820	\$7,640
<u>BASE ADJUSTMENT</u>			
1998-99 Compensation Inflation	39	77	116
Doc. Space Rent/Lease Increase	<u>4</u>	<u>6</u>	<u>10</u>
<u>BASE LEVEL (for 1998 and 1999)</u>	\$3,863	\$3,903	\$7,766
<u>AGENCY DECISION ITEMS</u>			
Agent Orange Information and Referral	46	46	92
Cemetery Operations State	<u>100</u>	<u>100</u>	<u>200</u>
<u>AGENCY PLAN (for 1998 and 1999)</u>	\$4,009	\$4,049	\$8,058
<u>GOVERNOR'S INITIATIVES</u>			
Persian Gulf Veteran Bonus	8,750	8,750	17,500
GOVERNOR'S RECOMMENDATIONS	\$12,759	\$12,799	\$25,558

Brief Explanation of Agency Plan:

The agency plan continues current activities within existing funding except as requested in the Agency Decision Items.

The requested change to the Agent Orange Information and Referral activity provides valuable assistance to surviving family members of veterans who have passed away because of their exposure to hazardous chemicals. This assistance can result in the award of significant payments which assist with living expenses and education awards for eligible dependent children.

The agency request for the state Veterans Cemetery supplements initial funding provided during the construction and development stages of the property, improving the departments ability to provide maintenance and operations.

Revenue Summary:

None.

Affected Statutes:

None.

GOVERNOR'S RECOMMENDATION:

The Governor concurs with the agency's plan with the addition of a one-time biennial appropriation of \$17,500,000 for the payment of Persian Gulf Veteran Bonuses.

1998-99 Biennial Budget

AGENCY: Veterans Affairs, Department of

AGENCY DESCRIPTION:

The department is organized into 3 program areas: 1) benefits; 2) services and; 3) departmental operations. These programs all combine to provide state and federal benefits and services to Minnesota's veterans and their dependents. The department was created in 1943 to meet the needs of returning World War II veterans. Since its creation, the department has seen 3 additional generations of veterans: those from the Korean War, the Vietnam War, Southwest Asia (Persian Gulf) War, and other conflicts, such as Haiti and Lebanon.

The department maintains a close working relationship with the United States Department of Veterans Affairs (USDVA), the federal agency which is responsible for providing veterans benefits and services which flow from service in the armed forces of the United States. These benefits are received in a variety of forms, primarily in the areas of health care, educational benefits, home loans and financial compensation and pension benefits. Minnesota veterans are served by 6 USDVA health care facilities located within the state and immediately adjacent thereto. During the last federal fiscal year, the total amount of federal benefits received by Minnesota veterans and their families was in excess of \$750 million dollars.

The department also works closely with the men and women who comprise the Minnesota County Veterans Service Officer (CVSO) system. The 116 CVSO's and their assistants, who are employed by each of Minnesota's 87 counties, are the primary point of contact for veterans and their dependents seeking veterans benefits and services. This local source of personal assistance ensures that veterans are fully informed of and assisted with applications for veterans benefits and services. The department fosters and maintains this relationship through personal contacts, training and educational conferences, seminars and meetings. The department also administers a certification process for CVSOs to ensure that they meet and maintain minimal educational and training standards required to adequately assist veterans in the application process. This application process will be enhanced through the development of a computer network between all functions of the department and the CVSO system. Funding for this program has been made available through the County Veterans Service Officer Operational Improvement Grant Program. This grant program was established by the 1993 Legislature to assist CVSO's in modernizing and improving the technology in their offices.

The department also serves as the leader in all matters relating to 462,000 veterans and their families through a close working relationship with the Congressionally Chartered veterans organizations active in Minnesota. The department works closely with the Commander's Task Force, an organization comprised of the commanders of the major veterans organizations in Minnesota, to work closely with the department on all issues of concern to the 462,000 veterans of Minnesota. These issues and concerns frequently involve legislative issues. The department also cooperates with the United Veterans Legislative Council, an organization which is involved with legislative issues that affect Minnesota veterans.

State benefits administered by the department include: provision of bronze star grave markers to mark the graves of deceased veterans buried in Minnesota, provision of educational benefits to veterans and war orphans, maintenance of veterans discharge records, which are required to establish eligibility for veterans benefits, rehabilitation services to veterans provided through a contract with the Vinland National Center and operation of the state veterans cemetery.

Other state benefits administered by the department include providing information, referral and assistance to veterans and their dependents regarding the long term health effects of Agent Orange, radiation and multiple chemical sensitivities, and enforcement of those state statutes governing veterans preference.

AGENCY ISSUES:

Federal Action. Federal actions that affect the ability of the department to service our client population include: downsizing of the active military forces, increased restrictions upon eligibility for federal veterans benefits, to include health care and unemployment benefits. The United States Department of Veterans Affairs has experienced reduced levels of funding, which results in fewer veterans benefits being available and consequently, fewer federal veterans benefits are granted. Budget reductions at the federal level have resulted in fewer staff to process claims, which has increased the amount of time it takes to process claims and has also increased the amount of time it takes for claimants to receive benefits. Eligibility restrictions have resulted in fewer veterans being admitted to the United States Department of Veterans Affairs Medical Center system. Veterans denied care in federal health care facilities are forced to seek care from private providers. These veterans then turn to the department for assistance in payment of these bills.

Dependent Population. A significant number of the clients of the department are 'dependent' on various federal, state and county governmental agencies to meet their needs. This dependency is a result of a number of factors such as; physical disability, severe mental health issues, alcohol/drug dependency, limited vocational and educational skills, and limited incomes. Many of these clients will require assistance throughout their lives.

New Conflicts. Southwest Asia (Persian Gulf War). Some of the Minnesota military personnel involved in the Southwest Asia conflict are experiencing physical and psychological problems which will require treatment and intervention long into the future. The primary health concerns of these veterans are: multiple chemical sensitivities, exposure to toxic vehicle paint, exposure to oil well fire residue, exposure to depleted uranium and possible exposure to chemical warfare agents. Minnesotans continue to serve in the Southwest Asia theater, as the Persian Gulf War has not officially ended.

AGENCY STRATEGIES:

The agency's budget plan is intended to achieve the following objectives and goals:

- to provide state soldiers assistance program benefits to eligible veterans, their dependents and survivors;
- to process for payment all eligible late bonus claims and maintain and provide veteran's discharge records;
- to provide state education benefits for eligible state veterans and war orphans;
- to provide bronze star grave markers to mark the graves of eligible deceased veterans;
- to provide operational improvement grants to Minnesota county veterans service officers;
- to administer an educational and certification program to Minnesota county veterans service officers;
- to contract with the Vinland National Center for rehabilitation services for eligible veterans;
- to provide representation to veterans, their dependents and survivors in securing federal veterans benefits, as their designated power of attorney;
- to provide court/agency appointed fiduciary services to veterans, their dependents and survivors;

AGENCY: Veterans Affairs, Department of
(Continuation)

-
- to provide information, assistance, referral and counseling services to those veterans exposed to agent orange or other chemical agents or environmental hazards;
 - to enforce veterans preference statutes;
 - to coordinate information, referral and sharing of information with collateral agencies;
 - to develop, operate and maintain the state veterans cemetery.

REVENUE SUMMARY:

The department has 2 revenue generating activities. These are: Guardianship fees and the state Veterans Cemetery burial fees. The Guardianship fees are estimated at \$35,000 during the current fiscal year. These fees are charged to clients according to their ability to pay for services provided. These fees are non-dedicated and are deposited into the General Fund and are not credited to the department. Cemetery burial fees are charged according to ability to pay and are limited to the amounts reimbursed by federal agencies. This is a new activity with no revenue history; estimated reimbursements are \$15,000. These reimbursements are deposited into an account for the development and maintenance of the cemetery.

SUMMARY OF BUDGET REQUEST:

The budget plan requests additional funding of \$100,000 the first year and \$100,000 the second year for the state veterans cemetery operations. Additional funding will reduce the reliance upon contract providers. In addition, maintenance and development of the property will be improved.

The department also requests additional funding of \$46,000 for each year of the biennium to improve and increase services to veterans and family members effected by Agent Orange exposure, radiation, and Persian Gulf Veterans suffering from the effects of multiple chemical sensitivities.

GOVERNOR'S RECOMMENDATION:

The Governor concurs with the agency's plan with the addition of a one-time biennial appropriation of \$17,500,000 for the payment of Persian Gulf Veteran Bonuses.

1998-1999 B I E N N I A L B U D G E T
(DOLLARS IN THOUSANDS)

AGENCY: VETERANS AFFAIRS DEPT

PROGRAM RESOURCE ALLOCATION:	FY 1996	Est. FY 1997	FY 1998			FY 1999		
			Base Level	Agency Plan	Governor Recomm.	Base Level	Agency Plan	Governor Recomm.
BENEFITS	1,505	2,758	2,097	2,143	10,893	2,104	2,150	10,900
SERVICES	2,282	4,387	2,381	2,381	2,381	2,398	2,398	2,398
DEPARTMENTAL OPERATIONS	1,177	1,546	1,032	1,132	1,132	1,048	1,148	1,148
TOTAL EXPENDITURES BY PROGRAM	4,964	8,691	5,510	5,656	14,406	5,550	5,696	14,446
EXPENDITURES BY FUND:								
DIRECT APPROPRIATIONS:								
GENERAL	3,224	4,627	3,863	4,009	12,759	3,903	4,049	12,799
STATUTORY APPROPRIATIONS:								
SPECIAL REVENUE	106	66	20	20	20	20	20	20
FEDERAL		344						
AGENCY	1,634	3,646	1,625	1,625	1,625	1,625	1,625	1,625
GIFT		8	2	2	2	2	2	2
TOTAL EXPENDITURES	4,964	8,691	5,510	5,656	14,406	5,550	5,696	14,446
FTE BY EMPLOYMENT TYPE:								
REGULAR	34.0	35.0	35.0	37.0	41.0	35.0	37.0	41.0
TEMP/SEAS/PART_TIME		.5	.5	1.0	1.0	.5	1.0	1.0
TOTAL FTE	34.0	35.5	35.5	38.0	42.0	35.5	38.0	42.0

**1998-99 Biennial Budget
Agency Level Revenue Summary**

Agency: Veterans Affairs, Department of

REVENUE SOURCES:

Guardianship Fees From Client Accounts

	<u>Dollars in Thousands</u>		
	<u>F.Y. 1997</u>	<u>F.Y. 1998</u>	<u>F.Y. 1999</u>
Non-dedicated General	<u>\$35</u>	<u>\$35</u>	<u>\$35</u>
TOTAL	\$35	\$35	\$35

FEE STRUCTURE:

Annual fees totaling \$35,000 are charged to certain guardianship clientele as allowed by the District Court or other jurisdiction.

The commissioner is the appointed financial guardian/conservator of incompetent veterans and their dependents. Clients of the guardianship program have income totaling \$1,551,000 per year, with interest totaling an additional \$125,000. These veterans receive their income from various sources (such as Social Security Administration and United State Department of Veterans Affairs) and it is deposited into the client(s) accounts. These funds are not available for use by the department but must be expended for the payment of client expenses as authorized by the court.

RECENT CHANGES:

None.

FORECAST BASIS:

The annual fees collected of \$35,000 are paid directly to the Cambridge Special Account monthly.

DECISION ITEMS:

None.

1998-1999 B I E N N I A L B U D G E T
(DOLLARS IN THOUSANDS)

AGENCY: VETERANS AFFAIRS DEPT

SUMMARY OF AGENCY REVENUES	FY 1996	Est. FY 1997	FY 1998			FY 1999		
			Forecast	Agency Plan	Governor Recomm.	Forecast	Agency Plan	Governor Recomm.
=====	=====	=====	=====	=====	=====	=====	=====	=====
NON-DEDICATED REVENUE:								

DEPARTMENTAL EARNINGS:								
CAMBRIDGE DEPOSIT FUND	31	35	35	35	35	35	35	35
=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL NON-DEDICATED RECEIPTS	31	35	35	35	35	35	35	35
DEDICATED RECEIPTS:								

DEPARTMENTAL EARNINGS:								
SPECIAL REVENUE	13	15	15	15	15	15	15	15
GRANTS:								
FEDERAL	144	200						
OTHER REVENUES:								
SPECIAL REVENUE	4	5	5	5	5	5	5	5
AGENCY	125	125	125	125	125	125	125	125
GIFT			2	2	2	2	2	2
OTHER SOURCES:								
AGENCY	1,551	1,500	1,500	1,500	1,500	1,500	1,500	1,500
=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL DEDICATED RECEIPTS	1,837	1,845	1,647	1,647	1,647	1,647	1,647	1,647
=====	=====	=====	=====	=====	=====	=====	=====	=====
AGENCY TOTAL REVENUES	1,868	1,880	1,682	1,682	1,682	1,682	1,682	1,682
=====	=====	=====	=====	=====	=====	=====	=====	=====

1998-99 Biennial Budget

PROGRAM: Benefits
AGENCY: Veterans Affairs, Department of

PROGRAM DESCRIPTION:

The benefits program exists to aid and assist Minnesota veterans and/or their dependents in securing subsistence, emergency medical, optical and dental benefits provided under the State Soldiers Assistance Program. Subsistence benefits provides, the veteran with emergency financial assistance to meet the daily needs of living during a short (6 months or less) period of disability while the applicant cannot pursue their normal occupation. Optical, dental and emergency medical benefits are provided according to Department of Human Services fee schedules. All applicants must meet stringent income and asset guidelines as established in department rules governing the program.

The Vinland National Center activity provides rehabilitation services to veterans in order to assist them in their attempts to reintegrate themselves into mainstream society. This activity provides a full spectrum of rehabilitative services to individuals to help them make clear, rational lifestyle decisions necessary to live a full productive life.

The Agent Orange Information and Referral activity was established by the Legislature to work with veterans and families exposed to Agent Orange during their service in the Vietnam Conflict. Duties in this activity have expanded, providing assistance to veterans and family members affected by radiation exposure and the multiple chemical agents used during the Persian Gulf War. Demand for information and services increases significantly with each release of information proving that veterans of all wars have been exposed to hazardous materials which may effect the health of the veteran and family members.

The education and grants activity provides grants to eligible veterans and children of deceased or disabled veterans. These grants allow applicants to pursue educational opportunities and goals.

PROGRAM STATUS:

Demand for State Soldier's Assistance Program activity continues. This demand is caused by:

- The aging of our veteran population;
- significant delays in processing of claims by the United States Department of Veterans Affairs;
- the denial of medical treatment to thousands of veterans from United States Department of Veterans Affairs Medical Center, due to increasingly restrictive eligibility requirements;
- increased awareness of program benefits and services, due to additional training and education of all County Veterans Service Officers; and
- increased cost of medical services and utility.
- Social Security and Welfare cuts may require changes.

Grants to the Vinland National Center remain at the current level.

PLANNED RESULTS:

Identification of veterans who have been exposed to any hazardous material and having an illness which is associated to that exposure can result in eligibility for medical care for the veteran, financial payments to the veteran and family, and possible educational benefits. In many cases the receipt of financial and/or medical benefits may result in a reduction of assistance being provided by state funded programs.

BUDGET AND REVENUE SUMMARY:

The department requests additional funding for the Agent Orange activity of \$46,000 per year.

GOVERNOR'S RECOMMENDATION:

The Governor concurs with the agency's plan with the addition of a one-time biennial appropriation of \$17,500,000 for the payment of Persian Gulf Veteran Bonuses.

1998-1999 BIENNIAL BUDGET
(DOLLARS IN THOUSANDS)

AGENCY: VETERANS AFFAIRS DEPT
PROGRAM: BENEFITS

ACTIVITY RESOURCE ALLOCATION:	FY 1996	Est. FY 1997	FY 1998			FY 1999		
			Base Level	Agency Plan	Governor Recomm.	Base Level	Agency Plan	Governor Recomm.
BENEFITS ADMINISTRATION	303	359	286	332	582	293	339	589
SOLDIERS ASSISTANCE	935	2,129	1,544	1,544	10,044	1,544	1,544	10,044
EDUCATION GRANTS	17	20	17	17	17	17	17	17
VINLAND GRANTS	250	250	250	250	250	250	250	250
TOTAL EXPENDITURES BY ACTIVITY	1,505	2,758	2,097	2,143	10,893	2,104	2,150	10,900
AGENCY PLAN ITEMS:		FUND						
AGENT ORANGE INFORMATION AND REFERRAL		GEN		46			46	
TOTAL AGENCY PLAN ITEMS				46			46	
GOV'S INITIATIVES:		FUND						
(P) PERSIAN GULF BONUS		GEN			8,750			8,750
TOTAL GOV'S INITIATIVES					8,750			8,750
EXPENDITURES BY FUND:								
DIRECT APPROPRIATIONS:								
GENERAL	1,505	2,758	2,097	2,143	10,893	2,104	2,150	10,900
TOTAL EXPENDITURES	1,505	2,758	2,097	2,143	10,893	2,104	2,150	10,900
FTE BY EMPLOYMENT TYPE:								
REGULAR	8.0	8.0	8.0	9.0	13.0	8.0	9.0	13.0
TOTAL FTE	8.0	8.0	8.0	9.0	13.0	8.0	9.0	13.0

F.Y. 1998-99 BUDGET INITIATIVE

AGENCY: Veterans Affairs, Department of
PROGRAM: Benefits

ITEM TITLE: Persian Gulf Veterans Bonus

	<u>1998-99 Biennium</u>		<u>2000-01 Biennium</u>	
	<u>F.Y. 1998</u>	<u>F.Y. 1999</u>	<u>F.Y. 2000</u>	<u>F.Y. 2001</u>
Expenditures: (\$000s)				
General Fund				
- State Operations	\$8,750,000	\$8,750,000	\$-0-	\$-0-
Revenues: (\$000s)				
General Fund	\$-0-	\$-0-	\$-0-	\$-0-

Statutory Change? Yes X No _____

If yes, statutes(s) affected: M.S. 179

GOVERNOR'S RECOMMENDATION:

The Governor recommends a one time biennial appropriation of \$17,500,000 for the payment of Persian Gulf Veterans Bonuses.

RATIONALE:

Minnesota has previously paid bonuses to veterans of WWI, WWII, Korea and Vietnam. In the 1996 general election, Minnesota voters were asked: "Shall the Minnesota Constitution be amended to permit the payment of bonuses to veterans of the Persian Gulf War." This question, commonly known as the Persian Gulf Veterans Bonus referendum, was passed by Minnesota voters in a ratio of 64% to 36%. Given this favorable vote the state may, if authorized by the legislature, now pay persons who served in the United States Armed Forces during Operations Desert Shield/Storm (Persian Gulf War) a bonus.

The ballot question asked of voters did not include any cost estimates, amount of individual payments or state precisely who would be eligible for these bonuses. This initiative proposes that to be eligible a veteran would have served during the Persian Gulf War between August 2, 1990 and July 31, 1991. Veterans who served in the theater of operations received the Southwest Asian Service medal. Minnesotans who received that medal, during this specific time period, would receive a bonus of \$600; veterans who did not receive this medal but served during this period would receive a bonus of \$300. Beneficiaries of the 9 Minnesotans who were killed in action or died in service would receive a bonus of \$1,000. This includes those Minnesota men and women who were serving in the National Guard or Reserves and were called to active duty for this conflict.

The design of these bonus payments was based on those paid during the Vietnam bonus period. Recipients of the Vietnam service medal received \$300 plus additional payments for months served. This initiative increases the payment to \$600 and eliminates the months served payments because of the high administrative costs. Payments made for service outside the theater of operations, formerly

known as domestic service, is increased to \$300.

Previous Minnesota bonus application periods have been continued for several decades. With advances in communications and record keeping the availability of these bonuses can be appropriately advertised during a two to four year application period. This scenario would allow all veterans time to apply and be awarded their bonuses prior to the program ending yet keep administrative costs to a minimum. It may be necessary to allow these funds to be carried forward through bienniums to ensure that all appropriate applications are paid in a timely fashion.

Also taken into consideration in developing this initiative was what the other states giving Persian Gulf War Bonuses are allowing. So far states paying bonuses are Illinois, Louisiana, Massachusetts and South Dakota. Illinois paid a bonus of \$100 to its veterans who received the Southwest Asian Service Medal, while Louisiana paid those veterans \$250. Massachusetts chose to pay \$500 to veterans who received the medal and an additional \$300 to those persons activated to duty from the National Guard or Reserves. South Dakota metal recipients are paid \$150 for the first month of service and \$50 each month thereafter, with a limit of \$500. South Dakota also pays a bonus of \$100 for the first month and \$20 per month, up to \$240, for those qualified veterans who did not receive the metal.

In addition to actual bonus payments, this initiative includes administrative expenses. These administrative actions include the hiring of personnel, rent, communications, office equipment, advertising, printing of applications, postage, computer equipment, and other related items.

PROGRAM OUTCOMES:

Minnesota men and women who served during this conflict will receive the thank you bonus that was approved by Minnesota voters.

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1998-99 Biennial Budget

BUDGET ACTIVITY: Benefits Administration
PROGRAM: Benefits
AGENCY: Veterans Affairs, Department of

ACTIVITY DESCRIPTION:

This budget activity is responsible for the daily operation of the Benefits program. The components of this program include: the State Soldier's Assistance Program activity, the Vinland National Center activity and the Education Grants activity.

The Benefits program also maintains veterans discharge records and provides information and referral services to Minnesotans.

This activity also provides information to veterans and their family members regarding the effects of exposure to Agent Orange, radiation and other hazardous chemicals. Assistance is also provided in the application for benefits available to persons whose illness is associated with exposure to hazardous materials. In many cases these benefits have only recently been made available by the federal government. The identification of these persons and appropriate application can result in the award of financial and medical benefits. Often this award will also reduce the family's need to receive assistance from other state funded programs. This award can also result in the award of educational benefits for family members.

BUDGET ISSUES:

The department's budget plan calls for the addition of one employee position for this activity, which is presently staffed by a single employee. The new position will assist in the identification and location of veterans, and family members, who have been exposed to hazardous materials. Preparation of applications and the development of supporting documents for each case will then take place.

Current budget restraints have limited the ability of the department to perform these important duties. However, even these limited activities have resulted in the award of retroactive benefits, to approximately 20 people, amounting to \$650,000 with on-going monthly benefits of an additional \$20,000. Educational benefits available to family members are not included in these amounts.

A number of these families have been able to reduce or remove themselves from state funded programs.

REVENUE:

None.

1998-1999 BIENNIAL BUDGET
(DOLLARS IN THOUSANDS)

AGENCY: VETERANS AFFAIRS DEPT
PROGRAM: BENEFITS
ACTIVITY: BENEFITS ADMINISTRATION

ACTIVITY SUMMARY	FY 1996	Est. FY 1997	FY 1998			FY 1999		
			Base Level	Agency Plan	Governor Recomm.	Base Level	Agency Plan	Governor Recomm.
EXPENDITURES:								
DETAIL BY CATEGORY:								
STATE OPERATIONS:								
PERSONAL SERVICES	256	271	279	325	575	286	332	582
OPERATING EXPENSES	47	88	7	7	7	7	7	7
SUBTOTAL STATE OPERATIONS	303	359	286	332	582	293	339	589
TOTAL EXPENDITURES	303	359	286	332	582	293	339	589
AGENCY PLAN ITEMS:		FUND						
AGENT ORANGE INFORMATION AND REFERRAL		GEN		46			46	
TOTAL AGENCY PLAN ITEMS				46			46	
GOV'S INITIATIVES:		FUND						
(P) PERSIAN GULF BONUS		GEN			250			250
TOTAL GOV'S INITIATIVES					250			250
EXPENDITURES BY FUND:								
DIRECT APPROPRIATIONS:								
GENERAL	303	359	286	332	582	293	339	589
TOTAL EXPENDITURES	303	359	286	332	582	293	339	589
FTE BY EMPLOYMENT TYPE:								
REGULAR	8.0	8.0	8.0	9.0	13.0	8.0	9.0	13.0
TOTAL FTE	8.0	8.0	8.0	9.0	13.0	8.0	9.0	13.0

1998-99 Biennial Budget

BUDGET ACTIVITY: State Soldiers Assistance Program
PROGRAM: Benefits
AGENCY: Veterans Affairs, Department of

ACTIVITY DESCRIPTION:

The State Soldiers Assistance Program Activity provides short term, emergency, subsistence level financial assistance to eligible veterans and their dependents. To be eligible, veterans must be disabled to the point that they cannot pursue their normal occupation. Assistance is limited to 6 months unless the applicant is certified as ineligible for other assistance programs. Eligible applicants are assisted while they recover their health and are able to return to employment or become eligible for long term assistance. This long term assistance might be in the form of USDVA compensation or pension benefits, Social Security disability or retirement benefits, union retirement or private pension benefits.

This activity also assists veterans and their dependents with emergency medical treatment as well as optical and dental benefits. Payments are made according to Department of Human Services fee schedules; financial need is established according to applicable rules governing this program activity. Optical and dental benefits are limited to once per year.

BUDGET ISSUES:

Recently enacted changes in welfare programs aimed at restricting the time of assistance granted and limiting eligibility may have dramatic impacts upon the State Soldier's Assistance Program. Changes were also made limiting Social Security benefits to certain disabled individuals who currently receive such benefits. Until the final eligibility criteria and restrictions are established, the full effects of these changes will not be known.

Estimated number of individuals in Minnesota who may have Social Security benefits terminated under the new rules governing alcohol and drug abuse is 4,744. Of this number, 522 might be veterans who could turn to the State Soldier's Assistance Program for assistance.

Case management review has indicated that 42% of expenditures were for financial assistance, 36% were for dental benefits, 10% for optical benefits and 12% were for emergency medical benefits. Average expenditures \$287 for financial assistance, \$301 for dental, \$110 for optical and \$282 for emergency medical.

REVENUE:

None.

1998-1999 B I E N N I A L B U D G E T
(DOLLARS IN THOUSANDS)

AGENCY: VETERANS AFFAIRS DEPT
PROGRAM: BENEFITS
ACTIVITY: SOLDIERS ASSISTANCE

			FY 1998			FY 1999		
ACTIVITY SUMMARY	FY 1996	Est. FY 1997	Base Level	Agency Plan	Governor Recomm.	Base Level	Agency Plan	Governor Recomm.
=====	=====	=====	=====	=====	=====	=====	=====	=====
EXPENDITURES:								

DETAIL BY CATEGORY:								
PAYMENTS TO INDIVIDUALS	935	2,129	1,544	1,544	10,044	1,544	1,544	10,044
=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL EXPENDITURES	935	2,129	1,544	1,544	10,044	1,544	1,544	10,044
=====								
GOV'S INITIATIVES:								

(P) PERSIAN GULF BONUS		GEN			8,500			8,500
=====					=====			=====
TOTAL GOV'S INITIATIVES					8,500			8,500
=====								
EXPENDITURES BY FUND:								

DIRECT APPROPRIATIONS:								
GENERAL	935	2,129	1,544	1,544	10,044	1,544	1,544	10,044
=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL EXPENDITURES	935	2,129	1,544	1,544	10,044	1,544	1,544	10,044
=====								
FTE BY EMPLOYMENT TYPE:								

=====								
TOTAL FTE								

1998-99 Biennial Budget

BUDGET ACTIVITY: Education Grants
PROGRAM: Benefits
AGENCY: Veterans Affairs, Department of

ACTIVITY DESCRIPTION:

This budget activity provides educational grants to eligible veterans and children of veterans in order to defray tuition and related educational expenses. To be eligible to receive a one time, \$350 grant, veterans must have exhausted all federal educational benefits to which they were entitled, must still be within the 10 year time period allowed to utilize their federal educational benefits.

Children of veterans who died while on active duty military service or as the result of illness or injury incurred while serving on active duty are eligible for a yearly grant of \$350 to defray educational expenses, such as room and board, books, and supplies. Qualified children are allowed to attend post secondary institutions in Minnesota free of tuition until they attain a bachelors degree or its equivalent.

In fiscal year 6 the department issued 39 educational grants to veterans and war orphans (children of a veteran who died on active duty, or as the result of injuries/diseases incurred while on active duty). The maximum grant is \$350; veterans are eligible to receive this grant only once; war orphans can receive this grant yearly, until they attain a bachelor's degree or its equivalent.

BUDGET ISSUES:

The department budget plan calls for continued same level funding of this activity. Continued same level funding will allow the department to meet anticipated activity needs.

REVENUE:

None.

1998-1999 B I E N N I A L B U D G E T
(DOLLARS IN THOUSANDS)

AGENCY: VETERANS AFFAIRS DEPT
PROGRAM: BENEFITS
ACTIVITY: EDUCATION GRANTS

ACTIVITY SUMMARY	FY 1996	Est. FY 1997	FY 1998			FY 1999		
			Base Level	Agency Plan	Governor Recomm.	Base Level	Agency Plan	Governor Recomm.
EXPENDITURES:								
DETAIL BY CATEGORY:								
PAYMENTS TO INDIVIDUALS	17	20	17	17	17	17	17	17
TOTAL EXPENDITURES	17	20	17	17	17	17	17	17
EXPENDITURES BY FUND:								
DIRECT APPROPRIATIONS:								
GENERAL	17	20	17	17	17	17	17	17
TOTAL EXPENDITURES	17	20	17	17	17	17	17	17
FTE BY EMPLOYMENT TYPE:								
TOTAL FTE								

1998-99 Biennial Budget

BUDGET ACTIVITY: Vinland National Center
PROGRAM: Benefits
AGENCY: Veterans Affairs, Department of

ACTIVITY DESCRIPTION:

This activity provides rehabilitation services to veterans, in order to assist them in their attempts to reintegrate themselves into mainstream society. The Vinland National Center experience is a 3 week residential program that offers veterans a variety of services, such as life style awareness training, stress reduction, dietary suggestions, job assessment and self improvement challenges. The intent of the program is to provide a full spectrum of rehabilitative services to veterans to enable them to make clear, rational lifestyle decisions, while reintegrating themselves into mainstream society.

Veterans are referred to the Vinland National Center from a variety of sources, such as the United States Department of Veterans Affairs Medical Center system, private counseling and treatment programs and the County Veterans Service Officer system.

Demand for services from the Vinland National Center is driven by the vocational and physical barriers to employment faced by veterans in their attempts to reintegrate themselves into mainstream society. Many of these veterans have worked within all other vocational rehabilitation agencies in their attempt to overcome their physical challenges. Their needs for success have not been met by these other agencies.

BUDGET ISSUES:

The department requests the same level funding for this activity. This same level funding will meet anticipated program needs for the next biennium.

REVENUE:

None.

1998-1999 BIENNIAL BUDGET
(DOLLARS IN THOUSANDS)

AGENCY: VETERANS AFFAIRS DEPT
PROGRAM: BENEFITS
ACTIVITY: VINLAND GRANTS

ACTIVITY SUMMARY	FY 1996	Est. FY 1997	FY 1998			FY 1999		
			Base Level	Agency Plan	Governor Recomm.	Base Level	Agency Plan	Governor Recomm.
EXPENDITURES:								
DETAIL BY CATEGORY:								
LOCAL ASSISTANCE	250	250	250	250	250	250	250	250
TOTAL EXPENDITURES	250	250	250	250	250	250	250	250
EXPENDITURES BY FUND:								
DIRECT APPROPRIATIONS:								
GENERAL	250	250	250	250	250	250	250	250
TOTAL EXPENDITURES	250	250	250	250	250	250	250	250
FTE BY EMPLOYMENT TYPE:								
TOTAL FTE								

PROGRAM: Services
AGENCY: Veterans Affairs, Department of

PROGRAM DESCRIPTION:

The department provides accredited representation before the United States Department of Veterans Affairs adjudication division to ensure that veterans and their dependents obtain the full measure of federal veterans benefits to which they are entitled. Those cases which are not resolved in favor of the claimant at the local level are appealed to the Board of Veterans Appeals. If not successful at this level, claims are pursued to the Court of Veterans Appeals, which is located in Washington, DC. An equal, if not greater amount of time is expended upon cases which ultimately result in the denial of the benefit sought. However, the department feels strongly that all veterans claims for benefits, whether likely of a successful outcome or not, should be pursued if the veteran so chooses.

The commissioner is the financial guardian/conservator of incompetent veterans and their dependents. These appointments are made by Probate Courts, US Department of Veterans Affairs, Social Security or by request of next of kin. As Guardian/Conservator, the department is responsible to handle the financial affairs of these clients. Currently these clients receive in excess of 1.5 million dollars in benefits annually and have 2.5 million dollars in cash assets. All of these funds are deposited with Minnesota Department of Finance. The guardianship activity provides complete and comprehensive financial management of income and assets, to include the receipt, investment and expenditure of client funds. These services are supervised by the court of competent jurisdiction, which requires an annual accounting of all assets and expenditures. Decisions regarding client funds are made, to the extent possible, with the active cooperation of the client. This cooperation is fostered and maintained by personal contact with the client and contact with social workers, care providers and other interested parties, such as relatives.

PROGRAM STATUS:

The claims offices provide assistance to veterans and their dependents in pursuing claims for federal veterans benefits to which they are entitled. This demand is caused by:

- Aging veterans. As the veteran population ages, there is an increase in the demands for health services and federal veterans benefits such as pension and compensation. Claims activity caseloads have increased.
- New Veterans. National Guard and Reserve members ordered to active duty during the Persian Gulf War have earned veterans status, as have former members of the Merchant Marine service and other federally designated groups. In addition, the force reductions in the active duty military has resulted in more veterans seeking benefits and services.

The Guardianship activity continues to receive more requests for guardianship services than the department is able to accept. Clients have been adjudicated incompetent by courts, and are highly dependent upon various agencies, family members, social and governmental agencies for assistance. In all likelihood these clients will never fully function as independent members of society and will continue to be dependent upon others for assistance in meeting their basic needs of life.

PLANNED RESULTS:

Continued funding at current levels will allow the department to meet the needs of constituents who are served by these activities.

BUDGET AND REVENUE SUMMARY:

The department requests the same level funding for this activity. Revenue generated by the activity is estimated to be \$35,000 for the current fiscal year. Revenues are deposited into the Cambridge Special Account.

GOVERNOR'S RECOMMENDATION:

The Governor concurs with the agency's plan.

1998-1999 B I E N N I A L B U D G E T
(DOLLARS IN THOUSANDS)

AGENCY: VETERANS AFFAIRS DEPT
PROGRAM: SERVICES

			FY 1998			FY 1999		
		Est.	Base	Agency	Governor	Base	Agency	Governor
ACTIVITY RESOURCE ALLOCATION:	FY 1996	FY 1997	Level	Plan	Recomm.	Level	Plan	Recomm.
=====	=====	=====	=====	=====	=====	=====	=====	=====
GUARDIANSHIP ADMINISTRATION	118	125	127	127	127	131	131	131
CLAIMS-FARGO ADMINISTRATION	156	189	192	192	192	196	196	196
CLAIMS-FORT SNELLING ADMIN	374	427	437	437	437	446	446	446
GUARDIANSHIP CLIENT ACCTS	1,634	3,646	1,625	1,625	1,625	1,625	1,625	1,625
=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL EXPENDITURES BY ACTIVITY	2,282	4,387	2,381	2,381	2,381	2,398	2,398	2,398
EXPENDITURES BY FUND:								
=====								
DIRECT APPROPRIATIONS:								
GENERAL	648	741	756	756	756	773	773	773
STATUTORY APPROPRIATIONS:								
AGENCY	1,634	3,646	1,625	1,625	1,625	1,625	1,625	1,625
=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL EXPENDITURES	2,282	4,387	2,381	2,381	2,381	2,398	2,398	2,398
FTE BY EMPLOYMENT TYPE:								
=====								
REGULAR	16.0	16.0	16.0	16.0	16.0	16.0	16.0	16.0
=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL FTE	16.0	16.0	16.0	16.0	16.0	16.0	16.0	16.0

1998-99 Biennial Budget

BUDGET ACTIVITY: Claims, Fargo
PROGRAM: Services
AGENCY: Veterans Affairs, Department of

ACTIVITY DESCRIPTION:

The Claims Office provides expert assistance to veterans and dependents of veterans with claims for federal veterans benefits. During the last federal fiscal year, veterans and their dependents in Minnesota received in excess of \$750 million in federal veterans benefits. These benefits were received in the form of compensation benefits for injuries or illnesses incurred while the veteran served on active duty, pension benefits for low income, disabled veterans and spouses of deceased veterans, death indemnity compensation benefits for spouses and dependents of veterans who died while on active duty military service, medical benefits, educational benefits and other federal veterans benefits.

The Claims Office provides applicants with assistance at all levels of the claims process. Claims that are denied at the local level can and are appealed to the Board of Veterans Appeals. Claims which fail at this level may be appealed to the Court of Veterans Appeals in Washington, DC and potentially into the federal appellate court system.

This activity also includes funding for administrative costs of the director of program services and Bronze Star Grave Markers.

BUDGET ISSUES:

The department budget plan requests the same level funding for this activity. This same level funding will meet anticipated activity needs for the next biennium.

REVENUE:

None.

1998-1999 B I E N N I A L B U D G E T
(DOLLARS IN THOUSANDS)

AGENCY: VETERANS AFFAIRS DEPT
PROGRAM: SERVICES
ACTIVITY: CLAIMS-FARGO ADMINISTRATION

ACTIVITY SUMMARY	FY 1996	Est. FY 1997	FY 1998			FY 1999		
			Base Level	Agency Plan	Governor Recomm.	Base Level	Agency Plan	Governor Recomm.
=====	=====	=====	=====	=====	=====	=====	=====	=====
EXPENDITURES:								

DETAIL BY CATEGORY:								
STATE OPERATIONS:								
PERSONAL SERVICES	150	152	155	155	155	159	159	159
OPERATING EXPENSES	6	37	37	37	37	37	37	37
=====	=====	=====	=====	=====	=====	=====	=====	=====
SUBTOTAL STATE OPERATIONS	156	189	192	192	192	196	196	196
=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL EXPENDITURES	156	189	192	192	192	196	196	196
EXPENDITURES BY FUND:								

DIRECT APPROPRIATIONS:								
GENERAL	156	189	192	192	192	196	196	196
=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL EXPENDITURES	156	189	192	192	192	196	196	196
FTE BY EMPLOYMENT TYPE:								

REGULAR	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0
=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL FTE	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0

1998-99 Biennial Budget

BUDGET ACTIVITY: Claims; Fort Snelling
PROGRAM: Services
AGENCY: Veterans Affairs, Department of

ACTIVITY DESCRIPTION:

The Claims Offices provide expert assistance to veterans and dependents of veterans with claims for federal veterans benefits. During the last federal fiscal year, veterans and their dependents in Minnesota received in excess of \$750 million in federal veterans benefits. These benefits were received in the form of compensation benefits for injuries or illnesses incurred while the veteran served on active duty, pension benefits for low income, disabled veterans and spouses of deceased veterans, death indemnity compensation benefits for spouses and dependents of veterans who died while on active duty military service, medical benefits, educational benefits and other federal veterans benefits.

The Claims Office provides applicants with assistance at all levels of the claims process. Claims that are denied at the local level can and are appealed to the Board of Veterans Appeals. Claims which fail at this level may be appealed to the Court of Veterans Appeals in Washington, DC and potentially into the federal appellate court system.

BUDGET ISSUES:

The department budget plan requests the same level funding for this activity. This same level funding will allow the department to meet anticipated activity needs.

REVENUE:

None.

1998-1999 BIENNIAL BUDGET
(DOLLARS IN THOUSANDS)

AGENCY: VETERANS AFFAIRS DEPT
PROGRAM: SERVICES
ACTIVITY: CLAIMS-FORT SNELLING ADMIN

ACTIVITY SUMMARY	FY 1996	Est. FY 1997	FY 1998			FY 1999		
			Base Level	Agency Plan	Governor Recomm.	Base Level	Agency Plan	Governor Recomm.
=====	=====	=====	=====	=====	=====	=====	=====	=====
EXPENDITURES:								

DETAIL BY CATEGORY:								
STATE OPERATIONS:								
PERSONAL SERVICES	363	390	400	400	400	409	409	409
OPERATING EXPENSES	11	37	37	37	37	37	37	37
=====	=====	=====	=====	=====	=====	=====	=====	=====
SUBTOTAL STATE OPERATIONS	374	427	437	437	437	446	446	446
=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL EXPENDITURES	374	427	437	437	437	446	446	446
=====	=====	=====	=====	=====	=====	=====	=====	=====
EXPENDITURES BY FUND:								

DIRECT APPROPRIATIONS:								
GENERAL	374	427	437	437	437	446	446	446
=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL EXPENDITURES	374	427	437	437	437	446	446	446
=====	=====	=====	=====	=====	=====	=====	=====	=====
FTE BY EMPLOYMENT TYPE:								

REGULAR	10.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0
=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL FTE	10.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0
=====	=====	=====	=====	=====	=====	=====	=====	=====

1998-99 Biennial Budget

BUDGET ACTIVITY: Guardianship Administration
PROGRAM: Services
AGENCY: Veterans Affairs, Department of

ACTIVITY DESCRIPTION:

This budget activity provides guardianship/conservatorship services for approximately 120 veterans or their dependents. These clients have been adjudicated by Probate Court or other jurisdiction to be incompetent to handle their financial affairs. Nearly all clients have severe mental health or chemical dependency issues. Guardianship services include: comprehensive financial planning, management of personal and financial assets, receipt of clients income, payment of all living expenses, and the maintenance and disposition of all assets, both real and personal. Currently the division manages more than \$2 million in cash assets, \$0.5 million personal property and \$1.6 million in annual income. The division staff prepares more than 8,000 transactions annually in the payment of the clients living expenses.

Management of assets and financial budgeting of income is developed with the active cooperation of the individual client, (to the extent that the client is willing and able to assist in this process), the client's family, social service agencies, medical professionals, courts of competent jurisdiction and department staff.

Minnesota Statutes allow guardians to charge a fee for their services. Under current department policy, fees are collected from clients who meet established income limits. The division received 35 thousand dollars in F.Y. 1996.

BUDGET ISSUES:

The department budget plan requests the same level funding for this budget activity, to provide the same level of services to this client group.

REVENUE:

This activity generates non-dedicated revenue.

	<u>Dollars in Thousands</u>				
	<u>F.Y. 1995</u>	<u>F.Y. 1996</u>	<u>F.Y. 1997</u>	<u>F.Y. 1998</u>	<u>F.Y. 1999</u>
Type of Revenue:					
Non-dedicated - Gen'l	\$42	\$35	\$35	\$35	\$35
Non-dedicated - State Gov't	-0-	-0-	-0-	-0-	-0-
Dedicated - Special	-0-	-0-	-0-	-0-	-0-
Dedicated - Federal	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
Total	\$42	\$35	\$35	\$35	\$35

1998-1999 B I E N N I A L B U D G E T
(DOLLARS IN THOUSANDS)

AGENCY: VETERANS AFFAIRS DEPT
PROGRAM: SERVICES
ACTIVITY: GUARDIANSHIP ADMINISTRATION

ACTIVITY SUMMARY	FY 1996	Est. FY 1997	FY 1998			FY 1999		
			Base Level	Agency Plan	Governor Recomm.	Base Level	Agency Plan	Governor Recomm.
EXPENDITURES:								
DETAIL BY CATEGORY:								
STATE OPERATIONS:								
PERSONAL SERVICES	115	121	124	124	124	128	128	128
OPERATING EXPENSES	3	4	3	3	3	3	3	3
SUBTOTAL STATE OPERATIONS	118	125	127	127	127	131	131	131
TOTAL EXPENDITURES	118	125	127	127	127	131	131	131
EXPENDITURES BY FUND:								
DIRECT APPROPRIATIONS:								
GENERAL	118	125	127	127	127	131	131	131
TOTAL EXPENDITURES	118	125	127	127	127	131	131	131
FTE BY EMPLOYMENT TYPE:								
REGULAR	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0
TOTAL FTE	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0

1998-99 Biennial Budget

BUDGET ACTIVITY: Guardianship Client Accounts
PROGRAM: Services
AGENCY: Veterans Affairs, Department of

ACTIVITY DESCRIPTION:

The Guardianship Client Accounts activity provides financial management services to veterans and dependents of veterans who have been adjudicated to be incompetent to handle their own financial matters and who are under the court appointed guardianship of the commissioner. Client funds, which total \$2.5 million in assets and exceed \$1.6 million in annual income are deposited with the Minnesota Department of Finance and are managed by the State Investment Board to ensure the maximum amount of return, which accrues to the individual client's account.

Services provided include: payment of bills and living expenses, counseling regarding all expenditures that the client may wish to make and decisions regarding the acquisition or disposal of client assets, such as automobiles, homes and other personal and real property. All such decisions are made with the consent and cooperation of the client and any related family members, to the extent that these individuals are able and willing to actively participate.

All client accounts are subject to an annual accounting review of all income, expenditures and assets is required by the court of competent jurisdiction. The United States Department of Veterans Affairs also requires an annual accounting of all account activities for those clients under the guardianship of the commissioner who receive monetary benefits from that agency, in addition to the report to the court. An annual accounting is also provided, as required, to the Social Security Administration and county agencies for funds expended on behalf of clients receiving medical assistance benefits.

BUDGET ISSUES:

Client funds managed within this activity account are controlled on behalf of individual guardianship clients and are managed by the state to ensure maximum return on investments and safety of client funds. These are not state funds - they are client funds that are controlled by the department for the client.

1998-1999 BIENNIAL BUDGET
(DOLLARS IN THOUSANDS)

AGENCY: VETERANS AFFAIRS DEPT
PROGRAM: SERVICES
ACTIVITY: GUARDIANSHIP CLIENT ACCTS

ACTIVITY SUMMARY	FY 1996	Est. FY 1997	FY 1998			FY 1999		
			Base Level	Agency Plan	Governor Recomm.	Base Level	Agency Plan	Governor Recomm.
=====	=====	=====	=====	=====	=====	=====	=====	=====
EXPENDITURES:								

DETAIL BY CATEGORY:								
PAYMENTS TO INDIVIDUALS	1,634	3,646	1,625	1,625	1,625	1,625	1,625	1,625
=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL EXPENDITURES	1,634	3,646	1,625	1,625	1,625	1,625	1,625	1,625
EXPENDITURES BY FUND:								

STATUTORY APPROPRIATIONS:								
AGENCY	1,634	3,646	1,625	1,625	1,625	1,625	1,625	1,625
=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL EXPENDITURES	1,634	3,646	1,625	1,625	1,625	1,625	1,625	1,625
REVENUE COLLECTED:								

DEDICATED:								
AGENCY	1,676	1,625	1,625	1,625	1,625	1,625	1,625	1,625
=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL REVENUES COLLECTED	1,676	1,625	1,625	1,625	1,625	1,625	1,625	1,625
FTE BY EMPLOYMENT TYPE:								

=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL FTE								

PROGRAM: Departmental Operations
AGENCY: Veterans Affairs, Department of

PROGRAM DESCRIPTION:

The departmental operations program is responsible for all human resources, purchasing and accounting responsibilities as well as all guardianship financial transactions. While these might be considered routine functions, they are absolutely a necessary component of overall department operations.

The County Veterans Service Officer Operational Improvement Grant program provides grants to the CVSO offices to assist them with the purchase of equipment in order to provide improved services to veterans and their dependents. Grant funds are also used to provide increased training and educational opportunities to CVSOs.

This program also assumed additional responsibilities when the State Veterans Cemetery was created by the Legislature in 1994. The department recently completed transfer of the site from the association which conceived and initiated the cemetery. The department also applied for and received a federal grant. This grant assisted in the construction of a maintenance building, fencing, roadway development and irrigation of current burial areas.

This program is also responsible for the receipt, management and expenditure of funds donated for specific purposes.

PROGRAM STATUS:

The administrative activity is required to follow all applicable state policies and procedures, rules and regulations governing all activities such as human resource transactions, accounting and purchasing, affirmative action, department training and guardianship accounting practices.

The 1994 Legislative session created the Minnesota State Veterans Cemetery under the control of the department. With the addition of this activity, the department is seeking additional funding for continuing operation and development of the State Veterans Cemetery.

The enabling legislation established a veterans' cemetery trust account. All designated appropriations and monetary donations must be placed into this account. The principle of this account must be invested by the state board of investment and may not be spent. Income from this account may be used for cemetery development and maintenance.

PLANNED RESULTS:

Funding requested for this activity will continue current functions and allow the department to ensure compliance with existing state regulations, guidelines, internal policies and procedures and contractual requirements. The agency plan also provides funding to operate the veterans cemetery.

The CVSO Operational Improvement Grant Program continues to provide needed equipment and training grants to assist CVSOs in the delivery of services to Minnesota veterans.

BUDGET AND REVENUE SUMMARY:

The department is requesting increased funding for this activity to meet the legislatively mandated operation and development of the State Veterans Cemetery.

GOVERNOR'S RECOMMENDATION:

The Governor concurs with the agency's plan.

1998-1999 BIENNIAL BUDGET
(DOLLARS IN THOUSANDS)

AGENCY: VETERANS AFFAIRS DEPT
PROGRAM: DEPARTMENTAL OPERATIONS

ACTIVITY RESOURCE ALLOCATION:	FY 1996	Est. FY 1997	FY 1998			FY 1999		
			Base Level	Agency Plan	Governor Recomm.	Base Level	Agency Plan	Governor Recomm.
ADMINISTRATIVE SERVICES	793	1,098	679	679	679	693	693	693
CEMETERY DEV & MAINT ACCT	106	66	20	20	20	20	20	20
CEMETERY OPERATIONS STATE	74	126	102	202	202	103	203	203
CVSO GRANTS	204	256	231	231	231	232	232	232
TOTAL EXPENDITURES BY ACTIVITY	1,177	1,546	1,032	1,132	1,132	1,048	1,148	1,148
AGENCY PLAN ITEMS:		FUND						
CEMETERY OPERATIONS STATE		GEN		100			100	
TOTAL AGENCY PLAN ITEMS				100			100	
EXPENDITURES BY FUND:								
DIRECT APPROPRIATIONS:								
GENERAL	1,071	1,128	1,010	1,110	1,110	1,026	1,126	1,126
STATUTORY APPROPRIATIONS:								
SPECIAL REVENUE	106	66	20	20	20	20	20	20
FEDERAL		344						
GIFT		8	2	2	2	2	2	2
TOTAL EXPENDITURES	1,177	1,546	1,032	1,132	1,132	1,048	1,148	1,148
FTE BY EMPLOYMENT TYPE:								
REGULAR	10.0	11.0	11.0	12.0	12.0	11.0	12.0	12.0
TEMP/SEAS/PART_TIME		.5	.5	1.0	1.0	.5	1.0	1.0
TOTAL FTE	10.0	11.5	11.5	13.0	13.0	11.5	13.0	13.0

1998-99 Biennial Budget

BUDGET ACTIVITY: CVSO Grant Program
PROGRAM: Departmental Operations
AGENCY: Veterans Affairs, Department of

ACTIVITY DESCRIPTION:

The County Veterans Service Officer (CVSO) Operational Improvement Grant Program provides grants to CVSO offices to assist them with the purchase of equipment intended to improve the delivery of services by these offices to veterans and their dependents. Grants are awarded on a first come-first served basis to qualifying applicants in accordance with the applicable statutes and department rules which govern this program. Qualifying uses of the grants include the purchase of computer and related office equipment, computer software, and the necessary training to utilize purchased equipment. Grant funds cannot be used to fund normal CVSO operating expenses, such as supplies or salaries, nor to provide office equipment or furniture that is normally provided by the county.

Since the County Veterans Service Officers Operational Improvement Grant Program began significant improvements have been made throughout the state in the efficiencies of these offices and their service to veterans. These improvements have primarily been made in the areas of computerization and communication. The provision of new computers and software packages have made it possible to link with state and federal agencies serving veterans. Case management has also improved because of new software available to work with client and United States Department of Veterans Affairs databases available.

BUDGET ISSUES:

The department budget plan calls for same level funding for this activity. The department anticipates providing the same number of CVSO Operational Improvement grants during the next biennium. No changes in this activity are planned.

REVENUE:

None.

1998-1999 BIENNIAL BUDGET
(DOLLARS IN THOUSANDS)

AGENCY: VETERANS AFFAIRS DEPT
PROGRAM: DEPARTMENTAL OPERATIONS
ACTIVITY: CVSO GRANTS

ACTIVITY SUMMARY	FY 1996	Est. FY 1997	FY 1998			FY 1999		
			Base Level	Agency Plan	Governor Recomm.	Base Level	Agency Plan	Governor Recomm.
EXPENDITURES:								
DETAIL BY CATEGORY:								
STATE OPERATIONS:								
PERSONAL SERVICES	38	40	40	40	40	41	41	41
OPERATING EXPENSES	5	43	6	6	6	6	6	6
SUBTOTAL STATE OPERATIONS	43	83	46	46	46	47	47	47
LOCAL ASSISTANCE	161	173	185	185	185	185	185	185
TOTAL EXPENDITURES	204	256	231	231	231	232	232	232
EXPENDITURES BY FUND:								
DIRECT APPROPRIATIONS:								
GENERAL	204	256	231	231	231	232	232	232
TOTAL EXPENDITURES	204	256	231	231	231	232	232	232
FTE BY EMPLOYMENT TYPE:								
REGULAR	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0
TOTAL FTE	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0

1998-99 Biennial Budget

BUDGET ACTIVITY: Administrative Services
PROGRAM: Departmental Operations
AGENCY: Veterans Affairs, Department of

ACTIVITY DESCRIPTION:

This activity is responsible for all day to day operations of the department, including: salary and benefits administration, human resource issues, staff development and training, affirmative action and equal employment opportunity enforcement, all accounting and purchasing functions, as well as information systems management.

BUDGET ISSUES:

The department requests the same level of funding for this activity.

REVENUE:

None

1998-1999 B I E N N I A L B U D G E T
(DOLLARS IN THOUSANDS)

AGENCY: VETERANS AFFAIRS DEPT
PROGRAM: DEPARTMENTAL OPERATIONS
ACTIVITY: ADMINISTRATIVE SERVICES

ACTIVITY SUMMARY	FY 1996	Est. FY 1997	FY 1998			FY 1999		
			Base Level	Agency Plan	Governor Recomm.	Base Level	Agency Plan	Governor Recomm.
EXPENDITURES:								
DETAIL BY CATEGORY:								
STATE OPERATIONS:								
PERSONAL SERVICES	449	474	482	482	482	494	494	494
OPERATING EXPENSES	313	265	182	182	182	184	184	184
CAPITAL OUTLAY		344						
SUBTOTAL STATE OPERATIONS	762	1,083	664	664	664	678	678	678
LOCAL ASSISTANCE	31	15	15	15	15	15	15	15
TOTAL EXPENDITURES	793	1,098	679	679	679	693	693	693
EXPENDITURES BY FUND:								
DIRECT APPROPRIATIONS:								
GENERAL	793	746	677	677	677	691	691	691
STATUTORY APPROPRIATIONS:								
FEDERAL		344						
GIFT		8	2	2	2	2	2	2
TOTAL EXPENDITURES	793	1,098	679	679	679	693	693	693
REVENUE COLLECTED:								
NONDEDICATED:								
CAMBRIDGE DEPOSIT FUND	31	35	35	35	35	35	35	35
TOTAL REVENUES COLLECTED	31	35	35	35	35	35	35	35
FTE BY EMPLOYMENT TYPE:								
REGULAR	9.0	9.0	9.0	9.0	9.0	9.0	9.0	9.0
TOTAL FTE	9.0	9.0	9.0	9.0	9.0	9.0	9.0	9.0

1998-99 Biennial Budget

BUDGET ACTIVITY: Cemetery Development and Maintenance Account
PROGRAM: Departmental Operations
AGENCY: Veterans Affairs, Department of

ACTIVITY DESCRIPTION:

This activity is responsible for the deposit of special revenues received by the department from the United States Department of Veterans Affairs and family members. These payments are made because the veteran or family member has been buried at the state veterans cemetery. All deposits earn interest. Accrued balances are carried forward each fiscal year.

BUDGET ISSUES:

REVENUE:

1998-1999 BIENNIAL BUDGET
(DOLLARS IN THOUSANDS)

AGENCY: VETERANS AFFAIRS DEPT
PROGRAM: DEPARTMENTAL OPERATIONS
ACTIVITY: CEMETERY DEV & MAINT ACCT

ACTIVITY SUMMARY	FY 1996	Est. FY 1997	FY 1998			FY 1999		
			Base Level	Agency Plan	Governor Recomm.	Base Level	Agency Plan	Governor Recomm.
EXPENDITURES:								
DETAIL BY CATEGORY:								
STATE OPERATIONS:								
OPERATING EXPENSES	34		20	20	20	20	20	20
CAPITAL OUTLAY	72	66						
SUBTOTAL STATE OPERATIONS	106	66	20	20	20	20	20	20
TOTAL EXPENDITURES	106	66	20	20	20	20	20	20
EXPENDITURES BY FUND:								
STATUTORY APPROPRIATIONS:								
SPECIAL REVENUE	106	66	20	20	20	20	20	20
TOTAL EXPENDITURES	106	66	20	20	20	20	20	20
REVENUE COLLECTED:								
DEDICATED:								
SPECIAL REVENUE	17	20	20	20	20	20	20	20
FEDERAL	144	200						
TOTAL REVENUES COLLECTED	161	220	20	20	20	20	20	20
FTE BY EMPLOYMENT TYPE:								
TOTAL FTE								

1998-99 Biennial Budget

BUDGET ACTIVITY: Cemetery Operations State
PROGRAM: Departmental Operations
AGENCY: Veterans Affairs, Department of

ACTIVITY DESCRIPTION:

This activity manages developmental and maintenance aspects of the State Veterans Cemetery, which was established by the 1994 Legislature. The department received a federal grant for the construction of a maintenance/storage facility, roadway development, fencing and partial irrigation of the property. This construction allows the operation of the cemetery to reduce its dependency on contract providers. It will also increase the ability to provide perpetual maintenance of the property.

The current development of the cemetery requires that the department move forward with its plans to be fully self-sufficient in areas of operation and maintenance. This change, while requiring additional state funding, will allow for the release of the department's reliance upon contractual services and outside providers. The construction of the maintenance building allows for the purchase of needed maintenance equipment which can be utilized by the Cemetery Director to dig graves, move dirt, plow snow, etcetera. This enables the Cemetery Director to respond quickly to the needs of the cemetery at significant cost savings.

BUDGET ISSUES:

The department budget plan calls for additional funding of \$100,000 for the first and \$100,000 for the second year of the biennium for operation of the State Veterans Cemetery.

REVENUE:

None.

1998-1999 B I E N N I A L B U D G E T
(DOLLARS IN THOUSANDS)

AGENCY: VETERANS AFFAIRS DEPT
PROGRAM: DEPARTMENTAL OPERATIONS
ACTIVITY: CEMETERY OPERATIONS STATE

ACTIVITY SUMMARY	FY 1996	Est. FY 1997	FY 1998			FY 1999		
			Base Level	Agency Plan	Governor Recomm.	Base Level	Agency Plan	Governor Recomm.
=====	=====	=====	=====	=====	=====	=====	=====	=====
EXPENDITURES:								

DETAIL BY CATEGORY:								
STATE OPERATIONS:								
PERSONAL SERVICES		53	55	55	55	56	56	56
OPERATING EXPENSES	74	73	47	147	147	47	147	147
=====	=====	=====	=====	=====	=====	=====	=====	=====
SUBTOTAL STATE OPERATIONS	74	126	102	202	202	103	203	203
=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL EXPENDITURES	74	126	102	202	202	103	203	203
=====	=====	=====	=====	=====	=====	=====	=====	=====
AGENCY PLAN ITEMS:		FUND						
-----		-----						
CEMETERY OPERATIONS STATE		GEN		100			100	
=====		=====		=====			=====	
TOTAL AGENCY PLAN ITEMS				100			100	
=====				=====			=====	
EXPENDITURES BY FUND:								

DIRECT APPROPRIATIONS:								
GENERAL	74	126	102	202	202	103	203	203
=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL EXPENDITURES	74	126	102	202	202	103	203	203
=====	=====	=====	=====	=====	=====	=====	=====	=====
FTE BY EMPLOYMENT TYPE:								

REGULAR		1.0	1.0	2.0	2.0	1.0	2.0	2.0
TEMP/SEAS/PART_TIME		.5	.5	1.0	1.0	.5	1.0	1.0
=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL FTE		1.5	1.5	3.0	3.0	1.5	3.0	3.0
=====	=====	=====	=====	=====	=====	=====	=====	=====

1998-99 Biennial Budget

AGENCY: Veterans of Foreign Wars

AGENCY DESCRIPTION:

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. The VFW also seeks 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 2.0 accredited claims representatives and 2.0 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. The VFW also provides personnel for appeals at the V.A. central office in Washington, D.C. Membership in the Veterans of Foreign Wars or Ladies Auxiliary is not required in order to be represented by VFW offices.

EXPLANATION OF AGENCY'S BUDGET PLAN:

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 93,686 veterans and dependents annually in F.Y. 1996-97, as compared to an estimated 90,877 annually in F.Y. 1994-95. This will result in the receipt of an estimated \$26,184,000 in individual benefits each year.

It is anticipated that current program activities and requirements will increase in the next biennium as aging veterans' disabilities become more severe. 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 court is the next step after the Board of Veterans Appeals and is a review, 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 \$127,404.

GOVERNOR'S RECOMMENDATION:

The Governor concurs with the agency's plan.

1998-1999 B I E N N I A L B U D G E T
(DOLLARS IN THOUSANDS)

AGENCY: VFW
PROGRAM: VETERANS OF FOREIGN WARS
ACTIVITY: VETERANS OF FOREIGN WARS

ACTIVITY SUMMARY	FY 1996	Est. FY 1997	FY 1998			FY 1999		
			Base Level	Agency Plan	Governor Recomm.	Base Level	Agency Plan	Governor Recomm.
=====	=====	=====	=====	=====	=====	=====	=====	=====
EXPENDITURES:								

DETAIL BY CATEGORY:								
LOCAL ASSISTANCE	41	41	41	41	41	41	41	41
=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL EXPENDITURES	41	41	41	41	41	41	41	41
EXPENDITURES BY FUND:								

DIRECT APPROPRIATIONS:								
GENERAL	41	41	41	41	41	41	41	41
=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL EXPENDITURES	41	41	41	41	41	41	41	41
FTE BY EMPLOYMENT TYPE:								

=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL FTE								

GOVERNOR'S RECOMMENDATION:

AGENCY: Military Order of the Purple Heart

The Governor concurs with the agency's plan.

AGENCY DESCRIPTION:

The Military Order of the Purple Heart is a congressionally chartered veterans organization, under Public Law 85-761, authorized to represent veterans, dependents, widows, and orphans with Department of Veterans Affairs claims. The organization is exclusively made up of combat-wounded veterans from all wars.

The National Service Office is located at Fort Snelling in the Bishop Henry Whipple Federal Building, Room 183A. The staff consists of the National Service Officer and a full-time Administrative Assistant.

The Military Order of the Purple Heart provides free assistance to ALL veterans and their dependents, regardless of their military service or records. We also provide an outreach program to the veterans and their families in Minnesota. The National Service Officer works at the Vet Center on a weekly basis, and is on call for their needs as required.

Our appropriation of \$20,000 per fiscal year is for the purpose of "assisting veterans in the preparation and presentation of claims to the Department of Veterans Affairs." We continue to honor this mandate from the Minnesota Legislature.

In addition to working on service connected compensation or non-service connected pension claims, we assist with home loan procedures, overpayment of benefit claims, insurance, military discharge reviews and upgrades, nursing home admittance, admission to Veterans Affairs Medical Centers, education, and vocational rehabilitation, including referrals to other county and state programs. We also participate in an outreach program which assists the homeless and disenfranchised veterans.

When a decision has been made to deny a veteran benefits, we assist in the appellate process by helping to prepare forms necessary to the appeal or hearing. If a hearing is scheduled, the National Service Officer, as a personal representative, will make a statement in support of the claimant, and assist with the whole body of evidence during the hearing.

The National organization provides representation with the Board of Veterans Appeals and the Court of Veterans Appeals.

EXPLANATION OF AGENCY'S BUDGET PLAN:

Our success is measured by the number of veterans giving us their Power of Attorney (POA's) to represent them with the Department of Veterans Affairs. At the end of our F.Y. 1996, there were 1,114 active POA's which represents a 10% increase over F.Y. 1994. Our success is further measured by the amount of veterans benefits recovered each year. In F.Y. 1996 there was a total recovery of \$4,277,316 in veterans benefits that was put back into Minnesota's economy (representing a 42% increase over F.Y. 1994). The monthly amount in veterans benefits recovered for F.Y. 1996 was \$356,443.

During the past fiscal year, we held 247 interviews, reviewed 2,078 files, and had 576 claims granting VA benefits (a 19% increase over F.Y. 1994). Our National Service Office workload has increased during the past fiscal year and continues to do so.

1998-1999 B I E N N I A L B U D G E T
(DOLLARS IN THOUSANDS)

AGENCY: MILITARY ORDER OF PURPLE HEART
PROGRAM: MILITARY ORDER PURPLE HEART
ACTIVITY: MILITARY ORDER PURPLE HEART

ACTIVITY SUMMARY	FY 1996	Est. FY 1997	FY 1998			FY 1999		
			Base Level	Agency Plan	Governor Recomm.	Base Level	Agency Plan	Governor Recomm.
EXPENDITURES:								
DETAIL BY CATEGORY:								
LOCAL ASSISTANCE	20	20	20	20	20	20	20	20
TOTAL EXPENDITURES	20	20	20	20	20	20	20	20
EXPENDITURES BY FUND:								
DIRECT APPROPRIATIONS:								
GENERAL	20	20	20	20	20	20	20	20
TOTAL EXPENDITURES	20	20	20	20	20	20	20	20
FTE BY EMPLOYMENT TYPE:								
TOTAL FTE								

1998-99 Biennial Budget

AGENCY: Disabled American Veterans

AGENCY DESCRIPTION:

The Disabled American Veterans (DAV) service officers serve as representatives for veterans and their families in obtaining benefits to which they are entitled. The DAV also provides informational seminars and publishes articles to bring about an awareness concerning potential entitlement to benefits and services available through the DAV and the U.S. Department of Veterans Affairs. There are 4.0 accredited representatives and 2.0 secretaries employed at the Fort Snelling Department of Veterans Affairs' Regional Office. In addition, the DAV has department service officers and hospital service coordinators at both the Minneapolis Department of Veterans Affairs' Medical Center and the St. Cloud Department of Veterans Affairs' Medical Center. These Service Officers at the Medical Centers assist with claim applications and also assist veterans in obtaining transportation to obtain medical care. These services are provided free of charge, irrespective of membership in the Disabled American Veterans or its Auxiliary.

EXPLANATION OF AGENCY'S BUDGET PLAN:

During the next biennium, it is anticipated that there will be a greater demand for services from the Disabled American Veterans because of the increasing age of veterans. The DAV also anticipates a substantial rise in the cost of providing services, particularly in view of the transportation services that are provided to assist veterans in obtaining medical care at Department of Veterans Affairs' Medical Centers.

Presently, there are over 500,000 veterans in Minnesota with increasing age and physical problems. The demand for the DAV's services continues to grow. We anticipate that the DAV will obtain over 5,000 favorable awards for veterans and widows and serve many more through advice and counsel. The DAV anticipates obtaining over \$25,000,000 in monetary benefits for veterans and widows in F.Y. 1996-97.

The DAV agency plan requests \$1,000 to restore our base to the historic biennial appropriation level of \$25,000.

GOVERNOR'S RECOMMENDATION:

The Governor concurs with the agency's plan.

1998-1999 B I E N N I A L B U D G E T
(DOLLARS IN THOUSANDS)

AGENCY: DISABLED AMERICAN VETS
PROGRAM: DISABLED AMERICAN VETERANS
ACTIVITY: DISABLED AMERICAN VETERANS

ACTIVITY SUMMARY	FY 1996	Est. FY 1997	FY 1998			FY 1999		
			Base Level	Agency Plan	Governor Recomm.	Base Level	Agency Plan	Governor Recomm.
EXPENDITURES:								
DETAIL BY CATEGORY:								
LOCAL ASSISTANCE	12	12	12	13	13	12	12	12
TOTAL EXPENDITURES	12	12	12	13	13	12	12	12
AGENCY PLAN ITEMS:		FUND						
BASE RESTORATION		GEN		1				
TOTAL AGENCY PLAN ITEMS				1				
EXPENDITURES BY FUND:								
DIRECT APPROPRIATIONS:								
GENERAL	12	12	12	13	13	12	12	12
TOTAL EXPENDITURES	12	12	12	13	13	12	12	12
FTE BY EMPLOYMENT TYPE:								
TOTAL FTE								

1998-99 Biennial Budget

AGENCY: Lawful Gambling Control Board

AGENCY DESCRIPTION:

The 5 forms of lawful gambling in Minnesota are pull-tabs, bingo, tipboards, paddlewheels, and raffles. The board's mission is to ensure the integrity of lawful gambling through education, communication, and the regulation of the lawful gambling industry.

The board issues licenses to manufacturers, distributors, bingo halls, nonprofit organizations, and gambling managers in accordance with M.S. 349. Board staff reviews licensees' activities to determine compliance with lawful gambling laws and rules. Site inspections and investigation of alleged non-compliance are also instrumental to our regulatory program. Depending on the severity of violations uncovered during a review, site inspection, or investigation, the Board has the authority to censure licensees by issuing fines, suspending and/or revoking a license, or ordering a licensee to stop all lawful gambling activity.

Lawful Gambling is a \$1.36 billion a year industry. In 1995 charitable contributions amounted to \$78 million. State taxes collected for lawful gambling amounted to nearly \$65 million.

REVENUES:

Revenue generated through license fees and fines are deposited in the General Fund. Revenue from license fees are estimated at \$1,927,000 for the biennium. Fines are estimated at \$168,000. While the fees are recovering just half the board's expenses, approximately \$130 million in state taxes will be collected by the Minnesota Department of Revenue from the lawful gambling industry for the biennium.

Dedicated fees for testing of pull-tab dispensing machines are estimated at \$8,000 for the biennium. To ensure the integrity of the program, the Board pays a laboratory directly for testing of the machines, then bills the manufacturer.

EXPLANATION OF AGENCY'S BUDGET PLAN:

The board works closely with the Department of Revenue (DOR), Department of Public Safety Gambling Enforcement, and the Attorney General's Office. DOR has provided support for our computer system since 1988 without reimbursement from our agency. In the coming biennium DOR is asking the board to pay \$144,000 for this technology support. However, this amount is not included in the agency plan. Because of budget cuts in the last biennium the board has not budgeted an amount for new equipment. Payment to DOR for technology support and spending on new equipment for the agency have been incorporated into our information technology budget request.

Training for our staff is also important. As this industry becomes more technically sophisticated, agency staff needs to update their investigative skills. The potential for misuse of funds is magnified by the vast dollars available in this \$1.36 billion a year cash industry.

Clear and concise rules are being established in partnership with the industry. Along with training for organizations conducting lawful gambling, this will clarify procedures to be followed to cut down on unintentional misuse of funds.

GOVERNOR'S RECOMMENDATION

The Governor concurs with the agency's plan. In addition the Governor recommends a biennial appropriation of \$250,000 from the General Fund for the agency's technology initiative.

1998-1999 BIENNIAL BUDGET
(DOLLARS IN THOUSANDS)

AGENCY: LAWFUL GAMBLING
PROGRAM: LAWFUL GAMBLING
ACTIVITY: LAWFUL GAMBLING

ACTIVITY SUMMARY	FY 1996	Est. FY 1997	FY 1998			FY 1999		
			Base Level	Agency Plan	Governor Recomm.	Base Level	Agency Plan	Governor Recomm.
EXPENDITURES:								
DETAIL BY CATEGORY:								
STATE OPERATIONS:								
PERSONAL SERVICES	1,681	1,656	1,701	1,701	1,701	1,745	1,745	1,745
OPERATING EXPENSES	393	419	383	383	508	383	383	508
SUBTOTAL STATE OPERATIONS	2,074	2,075	2,084	2,084	2,209	2,128	2,128	2,253
TOTAL EXPENDITURES	2,074	2,075	2,084	2,084	2,209	2,128	2,128	2,253
GOV'S INITIATIVES:		FUND						
(B) INTEGRATED GAMBLING DATA SYSTEM		GEN			125			125
TOTAL GOV'S INITIATIVES					125			125
EXPENDITURES BY FUND:								
DIRECT APPROPRIATIONS:								
GENERAL	2,049	2,071	2,080	2,080	2,205	2,124	2,124	2,249
STATUTORY APPROPRIATIONS:								
SPECIAL REVENUE	25	4	4	4	4	4	4	4
TOTAL EXPENDITURES	2,074	2,075	2,084	2,084	2,209	2,128	2,128	2,253
REVENUE COLLECTED:								
DEDICATED:								
SPECIAL REVENUE	25	4	4	4	4	4	4	4
NONDEDICATED:								
GENERAL	86	84	84	84	84	84	84	84
CAMBRIDGE DEPOSIT FUND	1,345	582	1,345	1,345	1,345	582	582	582
TOTAL REVENUES COLLECTED	1,456	670	1,433	1,433	1,433	670	670	670

1998-1999 BIENNIAL BUDGET
(DOLLARS IN THOUSANDS)

AGENCY: LAWFUL GAMBLING
PROGRAM: LAWFUL GAMBLING
ACTIVITY: LAWFUL GAMBLING

			FY 1998			FY 1999		
		Est.	Base	Agency	Governor	Base	Agency	Governor
ACTIVITY SUMMARY	FY 1996	FY 1997	Level	Plan	Recomm.	Level	Plan	Recomm.
FTE BY EMPLOYMENT TYPE:								
REGULAR	35.0	35.0	35.0	35.0	35.0	35.0	35.0	35.0
TEMP/SEAS/PART_TIME	2.2	2.2	2.2	2.2	2.2	2.2	2.2	2.2
TOTAL FTE	37.2	37.2	37.2	37.2	37.2	37.2	37.2	37.2

STATE OF MINNESOTA - DEPARTMENT OF FINANCE
BIENNIAL BUDGET SYSTEM - BASE RECONCILIATION REPORT
BY SEC SEQ

AGENCY: LAWFUL GAMBLING

	ALL FUNDS		GENERAL FUND		OTHER STATE FUNDS		FEDERAL FUNDS	
	F.Y.98	F.Y.99	F.Y.98	F.Y.99	F.Y.98	F.Y.99	F.Y.98	F.Y.99
F.Y.97 APPROPRIATIONS	2,043	2,043	2,039	2,039	4	4		
BASE ADJUSTMENTS								
1998-99 COMPENSATION INFLATIO	41	85	41	85				
SUBTOTAL BASE ADJ.	41	85	41	85				
BASE LEVEL	2,084	2,128	2,080	2,124	4	4		

F.Y. 1998-99 BUDGET INITIATIVE

AGENCY: Lawful Gambling Control Board
PROGRAM: Lawful Gambling Control Board
ACTIVITY:

ITEM TITLE: Integrated Gambling Data Community System Project

	<u>1998-99 Biennium</u>		<u>2000-01 Biennium</u>	
	<u>F.Y. 1998</u>	<u>F.Y. 1999</u>	<u>F.Y. 2000</u>	<u>F.Y. 2001</u>
Expenditures: (\$000s)				
General Fund				
- State Operations	\$125	\$125	\$125	\$125
Revenues: (\$000s)				
General Fund	\$-0-	\$-0-	\$-0-	\$-0-

Statutory Change? Yes ____ No X

If yes, statutes(s) affected:

GOVERNOR'S RECOMMENDATION:

The Governor recommends a biennial appropriation of \$250,000 for a new system that will enable Lawful Gambling to improve its regulation of the lawful gambling industry through electronic licensing, filing and the exchange of data between the board, its clients, and state and local government.

RATIONALE:

In order for the Gambling Control Board to provide data sharing and efficient service to its clientele, both internal and external, its current information system must be updated so that all information collected is maintained and processed through one integrated database.

The board currently uses a FoxPro for DOS system for its major licensing program but the program will no longer be supported by the manufacturer, Microsoft, after 1997. In addition, the board's LAN is currently using Microsoft Windows 3.1 for its working environment with the intention of moving towards Windows NT, in partnership with the Department of Revenue (DOR). A new operating system must be developed that is compatible with a Windows NT-based LAN.

The board relies on information provided by DOR to determine compliance with tax laws for all licensees and individual applying for licenses and renewals. In addition, DOR relies on the licensing information provided by the board to run its lawful gambling tax program, which collects over \$67 million in state tax revenue per year. Within 2 years, the board's licensing system will no longer be compatible with the DOR system. The 2 systems must remain compatible to provide efficient service to licensees and ensure all state tax revenues are efficiently collected.

PROGRAM OUTCOMES:

Incorporation of all board education and regulatory responsibilities into an integrated database system will provide staff with the ability to perform job functions more efficiently by reducing manual tracking tasks, providing automatic cross-checking abilities, and the need to bring in other staff to answer questions regarding compliance with statutes and rules. Major benefits include:

- Staff will be able to assist an organization automatically in determining compliance with annual expense reporting, gambling manager continuing education requirements, and gambling manager examination. Currently, these functions must all be performed manually. This will speed the agency's ability to assist organizations with compliance questions, licensing processes and educational assistance.
- Licensing functions will be automated and efficient, reducing turn-around time to process applications.
- Compliance reviews can be analyzed to determine education requirements by subject, region, or compliance rate.
- Employees of all lawful gambling organizations can be cross-checked to ensure compliance with statute and rule regarding employment.
- Board-approved lawful gambling products can be cross-checked with DOR inventory records and compared with organization records.
- Disciplinary actions can be tracked and maintained electronically.
- Staff will be able to determine organizations gender equity lawful purpose spending compliance, as required by statute, and requests for public data without manually checking the files and reports submitted by non-profit organizations.
- Organization history can be maintained to determine when compliance reviews are due.
- The board will be able to respond more quickly to legislative changes and requests.

LONG-TERM IMPACT:

Without investing in information technology for this systems upgrade, the board risks lessening its ability to exchange data and information with its essential government partners: local governments, the Departments of Revenue and Public Safety and the Attorney General's Office. Further, in an industry that is becoming increasingly sophisticated, the board will find its operations inadequate to keep up with clients' demands for service, education, regulatory assistance and the ability to file and exchange data electronically. This lessening of abilities will over time translate into more errors, more omissions, decreasing compliance and lower taxes paid to the state by manufacturers, distributors and non-profit organizations.

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1998-99 Biennial Budget

AGENCY: Minnesota Racing Commission (MRC)

AGENCY DESCRIPTION:

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 racetracks 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 racetracks as well as veterinary services and oversight. Furthermore, 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.

REVENUES:

Non dedicated revenue from this level of operations estimated to be \$190,000 in F.Y. 1998 and \$190,000 in F.Y. 1999. This estimate reflects reduced pari-mutuel tax and lost unredeemed ticket revenue and receipts from Class A and B licenses, occupational licenses and fines. Reduced pari-mutuel tax and lost unredeemed ticket revenue are the result of legislation which provides that unredeemed ticket revenue will be returned to Canterbury Park, through calendar year 1999. The same legislation allows the pari-mutuel tax on the first \$12,000,000 of the handle takeout to be retained by Canterbury Park. The pari-mutuel tax section of the statute continues through F.Y. 1999. Lost unredeemed ticket revenue is estimated to be \$200,000 to \$300,000 in each year of the biennium. Lost pari-mutuel tax revenue will be \$720,000 in each year of the biennium.

ISSUES AFFECTING AGENCY'S OPERATIONS:

The horse racing industry is still in the process of recovery, but seems to be improving, slowly. It is anticipated that Canterbury Park will maintain the current level of operation through 2000. Canterbury Park and the industry will probably seek adoption of off track betting (OTB) legislation during the biennium, which it considers necessary to compete with other jurisdictions, who have added slot machines and other forms of gaming to their operations.

EXPLANATION OF AGENCY'S BUDGET PLAN:

The commission appropriation for F.Y. 1996 was \$370,000. However, the Commission only required \$367,000 during this fiscal year. Savings in rent were more than offset by expenses preparing the new offices for occupation and communications. It is anticipated that new operational costs will require this level of spending, in each year of the biennium as necessary for the Commission to regulate year round, full card simulcasting and live racing.

Near the end of F.Y. 1996, the Commission offices were moved to Canterbury Park to be closer to the operation which it regulates. It is anticipated that this move will result in savings in office rent, travel, office expense and allow more cost effective use of personnel. The savings in office rent can be easily identified, while the other expected saving are more difficult to quantify. The Commission has instituted cost containment policies which are also expected to keep expenses to those necessary to statewide regulation of the industry and to participate in industry regulation activities at an international level. These changes have resulted in a spending level of \$367,000 in F.Y. 1996 with a surplus of \$3,000, being carried over to F.Y. 1997.

Expenses were higher than anticipated due to overtime spending, caused by increased hours of live racing and pari-mutuel operations. Since these expenses occurred at different locations and times, the problem cannot be solved by hiring additional part time personnel, however remedial efforts are in progress to minimize this cost. In addition, one time expenses were incurred in printing and duplication caused by a review and significant modification in rules necessitated by the 2 year layoff when rule updating remained dormant. Computer hardware for pari-mutuel tracking and operating systems software was also updated.

It is anticipated that the level of spending in F.Y. 1996 will continue to be required to regulate Canterbury Park and County Fair pari-mutuel racing in each year of the biennium. On this basis the Commission anticipates requiring \$371,000 in F.Y. 1998 and \$379,000 in F.Y. 1999.

F.Y. 1998 - F.Y. 1999

During this period it is anticipated there will be year around full card simulcasting, 50 to 60 day live meets, beginning in late May continuing through mid August at Canterbury Park and 2 fair meets in August of F.Y. 1998 and F.Y. 1999.

Current budgetary guidelines provide for a spending level of \$371,000 for F.Y. 1998 and \$379,000 for F.Y. 1999. Since activity during the next biennium is expected to remain relatively static, the spending level during this period is not expected to change significantly, assuming no changes in industry operations.

One FTE was added in January 1995. Also, a part-time year round person will continue to be utilized to assist with overflow, as required. A full time seasonal person would be added for about 5 months annually to assist with racing operations. This person will assist in security, licensing and work with Department of Public Safety Gambling Enforcement personnel, carrying out investigations and generally enforcing the rules of the Commission. The budget also supports Commission participation in the Association of Racing Commissioners International on the Board of Directors and Board Committees. Further, this budget includes a contract state veterinarian for 4 months each year and human drug testing. The budget also contains funds to update computer hardware and software to allow better communications with the Association of Racing Commissioners International licensing and ruling database. The budget also anticipates the addition of a full-time seasonal veterinary assistant for equine medication control. The cost of this individual will be shared by the Commission, Canterbury and the horsemen.

GOVERNOR'S RECOMMENDATION:

The Governor concurs with the agency's plan.

1998-1999 B I E N N I A L B U D G E T
(DOLLARS IN THOUSANDS)

AGENCY: RACING COMMISSION
PROGRAM: RACING COMMISSION
ACTIVITY: RACING COMMISSION

ACTIVITY SUMMARY	FY 1996	Est. FY 1997	FY 1998			FY 1999		
			Base Level	Agency Plan	Governor Recomm.	Base Level	Agency Plan	Governor Recomm.
EXPENDITURES:								
DETAIL BY CATEGORY:								
STATE OPERATIONS:								
PERSONAL SERVICES	270	261	265	265	265	271	271	271
OPERATING EXPENSES	650	548	566	566	566	571	571	571
SUBTOTAL STATE OPERATIONS	920	809	831	831	831	842	842	842
LOCAL ASSISTANCE	325	531	692	692	692	580	580	580
TOTAL EXPENDITURES	1,245	1,340	1,523	1,523	1,523	1,422	1,422	1,422
EXPENDITURES BY FUND:								
DIRECT APPROPRIATIONS:								
GENERAL	367	367	371	371	371	379	379	379
STATUTORY APPROPRIATIONS:								
SPECIAL REVENUE	878	973	1,152	1,152	1,152	1,043	1,043	1,043
TOTAL EXPENDITURES	1,245	1,340	1,523	1,523	1,523	1,422	1,422	1,422
REVENUE COLLECTED:								
DEDICATED:								
SPECIAL REVENUE	918	1,041	1,041	1,041	1,041	1,041	1,041	1,041
NONDEDICATED:								
GENERAL	1,087	86	86	86	86	86	86	86
CAMBRIDGE DEPOSIT FUND	112	104	104	104	104	104	104	104
TOTAL REVENUES COLLECTED	2,117	1,231	1,231	1,231	1,231	1,231	1,231	1,231
FTE BY EMPLOYMENT TYPE:								
REGULAR	4.7	4.7	4.7	4.7	4.7	4.7	4.7	4.7
TEMP/SEAS/PART_TIME	1.7	1.7	1.7	1.7	1.7	1.7	1.7	1.7
OVERTIME	.6	.6	.6	.6	.6	.6	.6	.6
TOTAL FTE	7.0	7.0	7.0	7.0	7.0	7.0	7.0	7.0

STATE OF MINNESOTA - DEPARTMENT OF FINANCE
BIENNIAL BUDGET SYSTEM - BASE RECONCILIATION REPORT
BY SEC SEQ

AGENCY: RACING COMMISSION

	ALL FUNDS		GENERAL FUND		OTHER STATE FUNDS		FEDERAL FUNDS	
	F.Y.98	F.Y.99	F.Y.98	F.Y.99	F.Y.98	F.Y.99	F.Y.98	F.Y.99
F.Y.97 APPROPRIATIONS	1,522	1,413	370	370	1,152	1,043		
BASE ADJUSTMENTS								
1997 SALARY SUPPLEMENT TRANSF	12	12	12	12				
1998-99 COMPENSATION INFLATIO	5	10	5	10				
DOC SPACE RENT/LEASE INCR/DEC	<20>	<20>	<20>	<20>				
SMALL AGENCY S & E INFLATION	4	7	4	7				
SUBTOTAL BASE ADJ.	1	9	1	9				
BASE LEVEL	1,523	1,422	371	379	1,152	1,043		

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1998-99 Biennial Budget

AGENCY: Minnesota State Lottery

AGENCY DESCRIPTION:

The Lottery's mission is to provide secure gaming opportunities designed to maximize public participation and acceptance, within the guidelines provided by 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 constitution and the legislature to receive lottery proceeds.

The legislature established the Minnesota State Lottery during the 1989 legislative session after the citizens approved a constitutional amendment in 1988. The Lottery began selling instant tickets in April, 1990 and on-line Lotto tickets in August of 1990.

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.

Three Assistant Directors, a Chief of Security, Legal Counsel, Executive Assistant, Research Director and Public Relations Manager 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 games and systems.

Lottery administrative headquarters are in Roseville with regional offices in Virginia, Marshall, Brainerd, Owatonna, Detroit Lakes and Eagan.

Headquarters staff manage financial, personnel, purchasing, facilities, information systems, ticket and promotional distribution; contracts with retailers to sell lottery products; develop marketing and advertising strategies; plan and conduct retailer and staff training and develop new lottery products. Telemarketing sales representatives call retailers bi-weekly to provide marketing assistance, take special ticket orders and provide promotional support services. Retailer contracting, games control and validations programs are operated from the headquarters location; as are security, warehousing, ticket validation computer systems, and general administration.

Regional offices validate and pay winning tickets, maintain emergency ticket stock and promotional items for retailers and provide training to retailers. In addition, the offices are headquarters for a statewide sales staff of 50 who call on retailers to train retailer staff, plan and run special sales promotions tailored to the needs of individual retailers, recruit retailers, and ensure placement of product and point-of-sale materials. Each regional office is also staffed by 3 support staff who pay winners, answer inquiries from players and retailers, fill emergency ticket orders, and general administrative duties.

During the first 5 months of F.Y. 1997, Lottery sales were \$152.7 million. Of that amount, \$90.7 million was returned to winners; \$7.8 million paid to retailers; \$23.6 million in net proceeds were split 60/40 between the General Fund and the Environmental and Natural Resource Fund; and \$9.9 million went to the General Fund in lieu of sales tax. Also, through 11-30-96, approximately \$1.7

million was accrued for transfer to the state from unredeemed Lottery prizes in F.Y. 1997 (.7 million to the Environmental and Natural Resources Trust Fund and \$1 million to the General Fund). Since lottery sales began in 1990, over \$540 million has been transferred to Lottery beneficiaries.

The network of instant and on-line retailers continues to change. The Lottery is currently contracting with 3,400 instant and 1,900 on-line retailers. Those numbers are adjusted as the Lottery improves its ability to forecast sales and define successful retailer profiles.

Lottery net proceeds and payments in lieu of sales tax are deposited monthly with the state. Of all lottery ticket sales, 6.5% are designated as a "tax in lieu of sales tax" and deposited in the General Fund. In 1991, the legislature designated 2 beneficiaries to receive lottery net proceeds:

- The Environmental and Natural Resources Trust Fund, which receives 40% of net proceeds, is dedicated by the state constitution to the fund, with the bulk of the money designated to building a permanent trust fund.
- The state General Fund receives 60% of net proceeds as non-dedicated revenues.

In 1995 the legislature mandated that the 60% of net proceeds deposited in the General Fund were to be credited to the fund used by the commissioner of Finance to pay the debt service on the bonds issued in response to the Cambridge State Bank case. In that same session, the legislature required that 70% of unclaimed prizes be transferred to the state with 40% of that amount going to the Environmental and Natural Resources Trust Fund and 60% to the General Fund.

In addition, Lottery funds have been transferred to the General Fund for the department of human service's Compulsive Gambling Treatment Program. By the end of F.Y. 1997, the total amount transferred is \$4.755 million. In addition, the Lottery has developed a TV and radio public service advertising campaign on compulsive gambling, designed and printed stickers advertising the compulsive gambling hotline number that are posted at each Lottery retailer and available to other interested parties, as well as designed and distributed a pamphlet on compulsive gambling for use by schools, treatment and counseling professionals.

Explanation of Estimates

The lottery ticket sales estimate is the key driver affecting most other Lottery costs/expenses such as tax (in lieu of sales tax), prizes and prize reserve, retailer commissions, on-line-vendor expenses, and operating expenses. Lottery sales are expected to decline somewhat from F.Y. 1996 due to several factors:

- The installation of in-counter dispensers for instant tickets during F.Y. 1996 resulted in a surge of ticket sales. While the dispensers will continue to keep the product before the public and help maintain ticket sales, the Lottery does not expect a similar sales increase for subsequent years due to these dispensers.
- In general, the sales trend for Powerball is declining while the sale of instant tickets remains stable or shows a slight increase. Since the cost of the instant ticket product is greater than the on line ticket, changes in consumer buying patterns will mean greater costs and subsequently lower profits.

1998-99 Biennial Budget

AGENCY: Minnesota State Lottery
(Continuation)

- Since the first months of Daily Millions have produced no large winner, it is difficult to predict the long range effect of that game on Lottery sales.
- Other income for F.Y. 1997 shows an increase of \$1.5 million due to damages assessed to the on-line vendor. That income is not anticipated during either F.Y. 1998 or F.Y. 1999.

As a result, sales for F.Y. 1998 and F.Y. 1999 are projected to remain on a level with F.Y. 1997. The reduction in revenue for the next biennium reflects the reduction in Other Income. It should be remembered, however, that as with other businesses, lottery sales remain sensitive to overall economic conditions.

ISSUES AFFECTING AGENCY'S OPERATIONS:

The Lottery's mission is to maximize revenue for the state; it does that by selling lottery tickets. Lottery ticket sales can be dramatically affected by a number of factors: the state of the economy (unemployment, cost of essentials, consumer confidence), national and international events (Gulf War), competition for the discretionary dollar (other forms of gaming, recreation and entertainment). When those conditions adversely affect sales, it is essential that the Lottery initiate corrective action quickly to maintain its revenues.

The novelty of the Lottery has naturally waned and with that comes the challenge of sustaining and increasing sales by means such as new and enhanced products, player promotions and retailer incentives.

The competition for discretionary dollars in Minnesota is fierce. As alternative opportunities to wager arise or expand, new challenges to meet revenue expectations must be overcome. The Lottery intends to meet its objectives through merchandising, advertising and promotion of its games, and the introduction of new and more attractive Lottery products.

The Lottery stands ready to act as a source of information for the legislature and other policy makers who address questions of gaming in Minnesota. Should the legal or public debate over permissible state gaming formats yield directives for new lottery ventures, the Lottery stands ready to build upon its existing technological base and respond quickly with more variety in its product line.

GOALS AND OBJECTIVES:

The performance measures of the Lottery are simple: maximize the contributions to the state within the guidelines of the statute. To maintain existing revenue projections, the Lottery must anticipate, develop and foster the consumer's preference in spending of the discretionary entertainment dollar. New games are always under development, their themes and styles varied to keep pace with appeal to the market place.

The Lottery will offer a variety of price points (\$1, \$2, \$5), designs and new play styles on its instant game products. As more states are added to the Daily Millions games, the likelihood of large winners increases; that should spur sales. Competition from casinos for the consumer's dollar is significant. The challenge of both maintaining and growing revenue for the state is significant. The Lottery's goals are to:

- maintain contributions to the state in excess of \$75 million;
- maintain market share of the state gaming industry; and
- continue to operate a network of retail outlets which provides convenient access to lottery products for all Minnesotans.

EXPLANATION OF AGENCY'S BUDGET PLAN:

To maintain the Lottery's current market share, and thus the state's profit from Lottery operations, the Lottery must continue to expend moneys at the F.Y. 1997 levels by awarding prizes at the high levels established in the latter half of F.Y. 1992 as well as maintaining its efforts in promotions and advertising. Higher prize payouts (70% for some games), aggressive marketing, strategic advertising, increased emphasis on retailer promotions and incentives, innovation by field and telephone representatives, games control services and support by operations and technical staff made it possible for the Lottery to maintain its market share during this fiscal year and should have the same effect in F.Y. 1998 and F.Y. 1999.

The Lottery will continue to explore and implement methods of providing more cost effective advertising and promotions and more efficient operations, while still maintaining or increasing the Lottery's market share. These actions enable the Lottery's budget plan to absorb inflationary increases in operating costs and salaries.

The Lottery's budget plan shows no increase in overall operating expenses through the next biennium. The slight decrease from F.Y. 1997 is due to the absence of the 2 major expenditures: the additional \$800,000 payment to the Compulsive Gambling Treatment Program mandated by the legislature for F.Y. 1997 and the expenditure for a marketing segmentation study. Neither of those factors is anticipated for the next biennium. Consequently, the plan shows the same total amount paid to the state each year of the next biennium. It should be pointed out that based on the experiences of lotteries in other states, it is highly probable that a reduction of allowable operating expenses would result in lower ticket sales and a corresponding decrease in the state's profit greater than the operating funds saved.

1998-99 Biennial Budget

AGENCY: Minnesota State Lottery
(Continuation)

Lottery Budget Summary
Dollars in Thousands

	F.Y. 1996	F.Y. 1997	F.Y. 1998	F.Y. 1999
	Actual	Projection	Projection	Projection
INCOME				
Instant Ticket Sales	\$269,291	\$267,600	\$267,600	\$267,600
On-Line Daily 3 Sales	13,877	12,500	12,500	12,500
On-Line Power Ball	69,023	40,300	40,300	40,300
On-Line Gopher 5	23,459	28,900	28,900	28,900
On-Line Daily Millions	-0-	12,900	12,900	12,900
TOTAL SALES	\$375,650	\$362,200	\$362,200	\$362,200
Less Tax in Lieu of Sales Tax	24,417	23,543	23,543	23,543
Gross Receipts	\$351,233	\$338,657	\$338,657	\$338,657
Plus Other Income	3,284	3,166	1,666	1,666
Gross Revenue	\$354,517	\$341,823	\$340,323	\$340,323
EXPENSES				
Direct Costs:				
Total Game Prizes	\$230,848	\$222,573	\$223,373	\$223,373
Unclaimed Pz. Exp. Pble. to St.	2,556	2,464	2,464	2,464
Prizes/Compul. Gambling	-0-	800	-0-	-0-
Retailer Commission	18,794	18,110	18,110	18,110
Retailer Incentive	110	2,105	2,105	2,105
Subtotal	\$253,308	\$246,052	\$246,052	\$246,052
Operating Expense:				
Instant Tickets	3,180	3,180	3,180	3,180
Ticket Delivery	633	633	633	633
On-line Vendor Commission	6,525	6,479	6,479	6,479
Contrib: Compl. Gambling & Public Safety	690	690	690	690
Advertising	8,657	9,400	9,400	9,400
Salaries & Benefit, Emp. Expense	8,717	9,235	9,512	9,797
Rent	1,384	1,508	1,508	1,508
Communications	1,364	1,427	1,427	1,427
Promotions	3,368	3,522	3,430	3,362
Depreciation	868	824	824	824
Professional Services	1,204	1,819	1,437	1,361
Office & Retailer Supplies	1,184	1,204	1,112	1,036
Other	1,300	1,605	1,513	1,447
Total Operating Expense	\$39,074	\$41,526	\$41,145	\$41,146
Net Proceeds	\$62,135	\$54,245	\$53,126	\$53,125

REVENUES:

	Actual	Estimate	Estimate	Estimate
	F.Y. 1996	F.Y. 1997	F.Y. 1998	F.Y. 1999
Net Proceeds				
40% Envir. & Natural Resources Trust Fund	\$24,854	\$21,698	\$21,250	\$21,250
60% General Fund	37,281	32,547	31,875	31,876
Total Net Proceeds	\$62,135	\$54,245	\$53,126	\$53,125
Unclaimed Prizes				
40% Envir. & Natural Resources Trust Fund	\$1,022	\$986	\$986	\$986
60% General Fund	1,534	1,478	1,478	1,478
Total Unclaimed Prizes	\$2,556	\$2,464	\$2,464	\$2,464
Total Paid to Beneficiary	\$64,691	\$56,709	\$55,590	\$55,589

In addition to the amount paid to the state as the beneficiary, the Lottery also transfers the following to the General Fund:

Tax in Lieu of Sales Tax	24,417	23,543	23,543	23,543
Transfer for Compulsive Gambling Program	540	1,340	540	540
Transfer for Gambling Enforcement	150	150	150	150

TOTAL REVENUE PAID TO STATE **\$89,798** **\$81,742** **\$79,823** **\$79,822**

GOVERNOR'S RECOMMENDATION:

The Lottery has outperformed its projection of net proceeds in each of the past 5 years. In F.Y. 1992 actual net proceeds exceeded the Lottery's projection by 5.4%; in F.Y. 1993 actual exceeded projected by 11%; in F.Y. 1994 actual exceeded projected by 15%; in F.Y. 1995 actual exceeded projected by 14%; and in F.Y. 1996 actual exceeded projected by 19%.

As a result the Governor's budget includes a projection of net proceeds at \$60 million in each of F.Y. 1997, F.Y. 1998 and F.Y. 1999. The estimate of \$60 million is \$6.874 million higher than the amount estimated by the Lottery in F.Y. 1998 and F.Y. 1999. The Governor's budget includes estimates for unclaimed prizes and tax in lieu of sales tax at the levels shown in the Lottery's budget plan.

	Actual	Estimate	Estimate	Estimate
	F.Y. 1996	F.Y. 1997	F.Y. 1998	F.Y. 1999
Net Proceeds				
40% Envir. & Natural Resources Trust Fund	\$24,854	\$24,000	\$24,000	\$24,000
60% General Fund	37,281	36,000	36,000	36,000
Total Net Proceeds	\$62,135	\$60,000	\$60,000	\$60,000
Unclaimed Prizes				
40% Envir. & Natural Resources Trust Fund	\$1,022	\$986	\$986	\$986
60% General Fund	1,534	1,478	1,478	1,478
Total Unclaimed Prizes	\$2,556	\$2,464	\$2,464	\$2,464
Total Paid to Beneficiary	\$64,691	\$62,464	\$62,464	\$62,464
Tax in Lieu of Sales Tax	24,417	23,543	23,543	23,543
Transfer for Compulsive Gambling Program	540	1,340	540	540
Transfer for Gambling Enforcement	150	150	150	150
TOTAL REVENUE PAID TO STATE	\$89,798	\$87,497	\$86,697	\$86,697

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1998-99 Biennial Budget**AGENCY:** Minnesota State Retirement System (MSRS)**AGENCY DESCRIPTION:**

The MSRS is a service agency providing a comprehensive retirement program for public employees working throughout the state. Membership is comprised mainly of state employees, state law enforcement officers, constitutional officers, legislators, judges, employees from the University of Minnesota, the Metropolitan Transit commission and employees from other designated public agencies. In total, the system provides an overall retirement program for 185 agencies. In addition, MSRS also manages a tax-deferred income plan that is available to all public employees in Minnesota.

MSRS retirement operations are supported by a computerized system that maintains an individual account for every participating member. The system maintains a complete record of each member's contributions, refunds, years of employment, current status, and other program information.

CLIMATE:

Combined membership for all plans in F.Y. 1996 was just under 108,000 persons. Another 9,200 received monthly retirement payments or survivor benefits. Over 3,000 refunds were paid during the year to members terminating their public service and withdrawing from the retirement program.

The retirement programs are operated from retirement trust funds with employee contributions, employer contributions and investment income. Expenditure levels are determined by employee numbers, salary, turnover, retirements and the investment return on assets. Those expenditures and our clientele are determined by law and reflect the long-term nature of retirement programs with little short-term spending discretion.

Agency priorities include:

1. To provide guidance through individual and group counseling, handbooks, and other methods, so that members are informed of current retirement programs and income deferral options.
2. To make the monthly retirement disability, and survivor benefit payments on an accurate, efficient basis.
3. To make refunds on a timely basis for members withdrawing from the system.
4. To maintain minimal cash balances so that investment returns are maximized.

AGENCY BUDGET PLAN:

Because expenditures are driven by outside factors, mainly long-term in nature, short-term budget issues are limited. The single overriding issue is the long-term maintenance and enhancement of financial stability in the funds administered.

General Fund appropriation requirements are for the funding of retirement obligations for constitutional officers, legislators and judges not participating in the post-retirement fund.

ACTIVITY STATISTICS:

	<u>F.Y. 1995</u>	<u>F.Y. 1996</u>	<u>F.Y. 1997</u>	<u>F.Y. 1998</u>	<u>F.Y. 1999</u>
Total Membership	105,000	108,000	110,000	112,000	114,000
Refunds Paid to Members	2,900	3,000	4,000	4,000	3,000
New Retirees Added During the Year	800	1,100	1,000	1,000	1,000
Retired Members or Survivors Paid Monthly	18,600	19,200	20,000	20,500	21,000
Investments (\$'s in millions)	\$4,338	\$4,979	\$5,000	\$5,100	\$5,200
Contributions (\$'s in millions)					
Employee	\$103	\$105	\$110	\$120	\$130
Employer	\$82	\$85	\$90	\$95	100

GOVERNOR'S RECOMMENDATION:

The Governor concurs with the agency's plan.

1998-1999 BIENNIAL BUDGET
(DOLLARS IN THOUSANDS)

AGENCY: MINN STATE RETIREMENT SYSTEM

PROGRAM RESOURCE ALLOCATION:	FY 1996	Est. FY 1997	FY 1998			FY 1999		
			Base Level	Agency Plan	Governor Recomm.	Base Level	Agency Plan	Governor Recomm.
MN STATE RETIREMENT SYSTEM	198,350	210,337	220,853	220,853	220,853	231,896	231,896	231,896
ELECTIVE OFFICERS PLAN	158	165	173	173	173	182	182	182
JUDGES PLAN	6,767	7,146	7,503	7,503	7,503	7,878	7,878	7,878
LEGISLATORS PLAN	4,132	4,073	4,277	4,277	4,277	4,490	4,490	4,490
TOTAL EXPENDITURES BY PROGRAM	209,407	221,721	232,806	232,806	232,806	244,446	244,446	244,446
EXPENDITURES BY FUND:								
OPEN APPROPRIATIONS:								
GENERAL	2,320	2,158	2,266	2,266	2,266	2,379	2,379	2,379
CORRECTIONAL EMPLOYEES RETIRE	5,776	6,100	6,405	6,405	6,405	6,725	6,725	6,725
STATE EMPLOYEES RETIREMENT	149,750	157,632	165,513	165,513	165,513	173,789	173,789	173,789
HIGHWAY PATROL RETIREMENT	13,307	14,380	15,099	15,099	15,099	15,854	15,854	15,854
UNCLASSIFIED EMPLOYEES RETIRE	5,523	6,135	6,442	6,442	6,442	6,764	6,764	6,764
DEFERRED COMPENSATION	23,994	26,090	27,394	27,394	27,394	28,764	28,764	28,764
JUDICIAL RETIREMENT	6,767	7,146	7,503	7,503	7,503	7,878	7,878	7,878
STATUTORY APPROPRIATIONS:								
LEGISLATIVE ANNUITIES	1,970	2,080	2,184	2,184	2,184	2,293	2,293	2,293
TOTAL EXPENDITURES	209,407	221,721	232,806	232,806	232,806	244,446	244,446	244,446
FTE BY EMPLOYMENT TYPE:								
REGULAR	37.7	37.7	37.7	37.7	37.7	37.7	37.7	37.7
TEMP/SEAS/PART_TIME	1.9	1.9	1.9	1.9	1.9	1.9	1.9	1.9
TOTAL FTE	39.6	39.6	39.6	39.6	39.6	39.6	39.6	39.6

1998-1999 B I E N N I A L B U D G E T
(DOLLARS IN THOUSANDS)

AGENCY: MINN STATE RETIREMENT SYSTEM

			FY 1998			FY 1999		
			-----			-----		
SUMMARY OF AGENCY REVENUES	FY 1996	Est. FY 1997	Forecast	Agency Plan	Governor Recomm.	Forecast	Agency Plan	Governor Recomm.
=====	=====	=====	=====	=====	=====	=====	=====	=====
NON-DEDICATED REVENUE:								

OTHER REVENUES:								
GENERAL	590	622	638	638	638	654	654	654
CORRECTIONAL EMPLOYEES RETIRE	9,023	9,668	9,910	9,910	9,910	10,158	10,158	10,158
STATE EMPLOYEES RETIREMENT	128,007	129,763	133,003	133,003	133,003	136,325	136,325	136,325
HIGHWAY PATROL RETIREMENT	9,208	9,331	9,564	9,564	9,564	9,803	9,803	9,803
UNCLASSIFIED EMPLOYEES RETIRE	7,295	7,827	7,920	7,920	7,920	8,118	8,118	8,118
DEFERRED COMPENSATION	32,079	34,122	34,928	34,928	34,928	35,754	35,754	35,754
JUDICIAL RETIREMENT	6,525	6,757	6,926	6,926	6,926	7,099	7,099	7,099
=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL NON-DEDICATED RECEIPTS	192,727	198,090	202,889	202,889	202,889	207,911	207,911	207,911
=====								
AGENCY TOTAL REVENUES	192,727	198,090	202,889	202,889	202,889	207,911	207,911	207,911
=====								

STATE OF MINNESOTA - DEPARTMENT OF FINANCE
BIENNIAL BUDGET SYSTEM - BASE RECONCILIATION REPORT
BY SEC SEQ

AGENCY: MINN STATE RETIREMENT SYSTEM

	ALL FUNDS		GENERAL FUND		OTHER STATE FUNDS		FEDERAL FUNDS	
	F.Y.98	F.Y.99	F.Y.98	F.Y.99	F.Y.98	F.Y.99	F.Y.98	F.Y.99
F.Y.97 APPROPRIATIONS	221,721	221,721	2,158	2,158	219,563	219,563		
BASE ADJUSTMENTS								
OPEN APPROPRIATION FORECAST A	11,085	22,725	108	221	10,977	22,504		
SUBTOTAL BASE ADJ.	11,085	22,725	108	221	10,977	22,504		
BASE LEVEL	232,806	244,446	2,266	2,379	230,540	242,067		

1998-1999 B I E N N I A L B U D G E T
(DOLLARS IN THOUSANDS)

AGENCY: MINN STATE RETIREMENT SYSTEM
PROGRAM: MN STATE RETIREMENT SYSTEM

ACTIVITY RESOURCE ALLOCATION:	FY 1996	Est. FY 1997	FY 1998			FY 1999		
			Base Level	Agency Plan	Governor Recomm.	Base Level	Agency Plan	Governor Recomm.
=====	=====	=====	=====	=====	=====	=====	=====	=====
DEFERRED COMPENSATION	23,994	26,090	27,394	27,394	27,394	28,764	28,764	28,764
HWY PATROL RETMNT	13,307	14,380	15,099	15,099	15,099	15,854	15,854	15,854
CORRECTIONAL EMPL RETMNT	5,776	6,100	6,405	6,405	6,405	6,725	6,725	6,725
UNCLASSIFIED EMPL RETMNT	5,523	6,135	6,442	6,442	6,442	6,764	6,764	6,764
STATE EMPL RETMNT	146,992	154,487	162,211	162,211	162,211	170,322	170,322	170,322
MSRS ADMINISTRATION	2,758	3,145	3,302	3,302	3,302	3,467	3,467	3,467
=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL EXPENDITURES BY ACTIVITY	198,350	210,337	220,853	220,853	220,853	231,896	231,896	231,896
EXPENDITURES BY FUND:								

OPEN APPROPRIATIONS:								
CORRECTIONAL EMPLOYEES RETIRE	5,776	6,100	6,405	6,405	6,405	6,725	6,725	6,725
STATE EMPLOYEES RETIREMENT	149,750	157,632	165,513	165,513	165,513	173,789	173,789	173,789
HIGHWAY PATROL RETIREMENT	13,307	14,380	15,099	15,099	15,099	15,854	15,854	15,854
UNCLASSIFIED EMPLOYEES RETIRE	5,523	6,135	6,442	6,442	6,442	6,764	6,764	6,764
DEFERRED COMPENSATION	23,994	26,090	27,394	27,394	27,394	28,764	28,764	28,764
=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL EXPENDITURES	198,350	210,337	220,853	220,853	220,853	231,896	231,896	231,896
FTE BY EMPLOYMENT TYPE:								

REGULAR	37.7	37.7	37.7	37.7	37.7	37.7	37.7	37.7
TEMP/SEAS/PART_TIME	1.9	1.9	1.9	1.9	1.9	1.9	1.9	1.9
=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL FTE	39.6	39.6	39.6	39.6	39.6	39.6	39.6	39.6

1998-1999 B I E N N I A L B U D G E T
(DOLLARS IN THOUSANDS)

AGENCY: MINN STATE RETIREMENT SYSTEM
PROGRAM: MN STATE RETIREMENT SYSTEM
ACTIVITY: MSRS ADMINISTRATION

ACTIVITY SUMMARY	FY 1996	Est. FY 1997	FY 1998			FY 1999		
			Base Level	Agency Plan	Governor Recomm.	Base Level	Agency Plan	Governor Recomm.
=====	=====	=====	=====	=====	=====	=====	=====	=====
EXPENDITURES:								

DETAIL BY CATEGORY:								
STATE OPERATIONS:								
PERSONAL SERVICES	1,818	1,979	2,136	2,136	2,136	2,301	2,301	2,301
OPERATING EXPENSES	940	1,166	1,166	1,166	1,166	1,166	1,166	1,166
=====	=====	=====	=====	=====	=====	=====	=====	=====
SUBTOTAL STATE OPERATIONS	2,758	3,145	3,302	3,302	3,302	3,467	3,467	3,467
=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL EXPENDITURES	2,758	3,145	3,302	3,302	3,302	3,467	3,467	3,467
=====	=====	=====	=====	=====	=====	=====	=====	=====
EXPENDITURES BY FUND:								

OPEN APPROPRIATIONS:								
STATE EMPLOYEES RETIREMENT	2,758	3,145	3,302	3,302	3,302	3,467	3,467	3,467
=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL EXPENDITURES	2,758	3,145	3,302	3,302	3,302	3,467	3,467	3,467
=====	=====	=====	=====	=====	=====	=====	=====	=====
FTE BY EMPLOYMENT TYPE:								

REGULAR	37.7	37.7	37.7	37.7	37.7	37.7	37.7	37.7
TEMP/SEAS/PART_TIME	1.9	1.9	1.9	1.9	1.9	1.9	1.9	1.9
=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL FTE	39.6	39.6	39.6	39.6	39.6	39.6	39.6	39.6
=====	=====	=====	=====	=====	=====	=====	=====	=====

1998-99 Biennial Budget

AGENCY: Public Employees Retirement Association (PERA)

AGENCY DESCRIPTION: Established by legislative act in 1931, the Public Employees Retirement Association (PERA) of Minnesota administers 42 retirement plans in accordance with M.S. sections 353 to 353D and 356. PERA's membership includes more than 182,000 county, city, town, school district and other public employees, retirees, their survivors and dependents. Approximately 2,100 separate governmental subdivisions within the state, as defined in M.S. 353.01 subdivision 6, participate in the PERA-administered retirement system.

The mission of PERA is to create opportunities for members to achieve a successful and secure retirement by providing the highest quality benefits and services. PERA's vision is to be seen by its members as an important part of their retirement solution because it: 1) *develops* creative methods that enable members to make sound retirement and life planning decisions; 2) *displays* relentless efforts to protect the fund and provide the best public pension packages; and 3) *delivers* exceptional services any time any place.

The agency employs 72 full-time staff and is under the direction of an Executive Director who is responsible to a policy-setting 11-member Board of Trustees. Key business processes include: 1) collecting and managing revenues; 2) maintaining membership records; 3) delivering information services; and 4) issuing benefit payments.

AGENCY ISSUES: With increasing membership and legislative changes over the years, the volume and the complexity of the work has grown significantly with little offsetting increases in staff or improvements in technology to carry the increased workload. Basic work processes need to be changed to deal with the escalating workload. PERA's business processes need to be more efficiently designed and its aging computer technology brought up to date so that the organization has a better capacity to deliver quality services to its membership. PERA is currently in the process of updating the following processes to achieve this goal:

- implementing and delivering a full range of customer services,
- designing and developing new products and services that improve the services and benefit packages PERA offers,
- collecting and managing information required to define and deliver services to customers,
- collecting and managing revenues, and
- building an information technology, human resources, and administrative infrastructure to support the above programs.

AGENCY STRATEGIES: To greatly effect change in the organization's business operations, PERA completed development of a 5 year business strategic plan in May 1994. Furthermore, PERA decided to incorporate the principles of Total Quality Management into their planning process and future reengineering efforts in order to ensure the organization maintains a strong customer focus.

The centerpiece of PERA's strategic plan focuses on redesigning the way PERA delivers its services to maximize quality to its membership at a reasonable cost. Objectives include reducing hand-offs, improving efficiency and productivity, reducing rework, and decreasing fragmented work design. PERA expects to achieve quantum improvements in cycle times for delivering benefit estimates to members and processing other member requests. Future plans also will embrace key principles of Total Quality Management.

Redesigned work processes will emphasize fact-based planning and customer-focused designs.

Key project initiatives that will be implemented during the F.Y. 1998-99 biennium include:

- continuing the migration to client/server technology,
- implementing a customer service program providing immediate responses to member requests for information while reducing interruptions to other departments,
- implementing use of imaging and workflow technology to efficiently manage the organization and movement of PERA records,
- establishing joint planning and shared goals with other stakeholders to achieve what is best for pension fund members,
- implementing designed employer reporting standards and processes to provide better and faster member information support,
- integrating financial systems to improve the quality and timeliness of financial information,
- establishing fast communication of special notifications among PERA's members and employers,
- developing and implementing plans to improve the quality of members' benefits, and
- expanding knowledge and skill of employees to maintain a skilled workforce.

REVENUE SUMMARY: Member and employer contributions, investment earnings, and income from other sources provide the funds needed to cover the liability for present and future benefits. All employees of governmental subdivisions within the state are required to be members of PERA unless they do not meet the criteria for membership, or they are included in another retirement system. There are 4 categories of membership to defined benefit retirement plans within the association; each has specific contribution and benefit provisions.

1. **PERA General**
 - a. Coordinated -- Encompasses employees who also contribute to Social Security; Payroll contribution rate: employee = 4.23% and employer = 4.48%.
 - b. Basic -- Includes employees employed prior to 1968 who are not covered by Social Security; Payroll contribution rates: employee = 8.23% and employer = 10.73%.
2. Police and Fire -- Consists of police officers, fire fighters and others authorized by statute; Payroll contribution rates: employee = 7.6% and employer = 11.4%.
3. Police and Fire Consolidated -- Includes police officers and fire fighters employed prior to 1980 with local relief associations who elected to merge and transfer plan assets and administration to PERA; Payroll contribution rates: employee = 7.6% and employer = 11.4%.

Membership in PERA's defined contribution plan is limited to elected officials and ambulance service personnel. Elected officials and their employers each contribute 5% of salary to the plan; contributions for ambulance service personnel are determined by the employer.

Typically, administrative costs, including investment fees, represent approximately 1% of the agency's revenue allocation; the bulk of expenditures include benefits, refunds and transfers to build future retirement reserves. Contribution rate changes may result from changes in actuarial assumptions and other legislative actions.

GOVERNOR'S RECOMMENDATION:

The Governor concurs with the agency's plan.

1998-1999 B I E N N I A L B U D G E T
(DOLLARS IN THOUSANDS)

AGENCY: PUBLIC EMPLOYEES RETIRE ASSOC
PROGRAM: PUBLIC EMPL RETR ASN

ACTIVITY RESOURCE ALLOCATION:	FY 1996	Est. FY 1997	FY 1998			FY 1999		
			Base Level	Agency Plan	Governor Recomm.	Base Level	Agency Plan	Governor Recomm.
PERA ANNUITIES & REF	336,186	353,874	371,390	371,390	371,390	389,770	389,770	389,770
PERA POLICE & FIRE	38,084	40,684	43,900	43,900	43,900	47,276	47,276	47,276
PERA CONSOLIDATED	41,947	64,313	66,889	66,889	66,889	69,569	69,569	69,569
PERA DEFINED	339	5,450	5,723	5,723	5,723	6,009	6,009	6,009
TOTAL EXPENDITURES BY ACTIVITY	416,556	464,321	487,902	487,902	487,902	512,624	512,624	512,624
EXPENDITURES BY FUND:								
OPEN APPROPRIATIONS:								
POLICE AND FIRE CONSOLIDATED	41,947	64,313	66,889	66,889	66,889	69,569	69,569	69,569
PUBLIC EMPLOYEES RETIREMENT	333,411	350,086	367,590	367,590	367,590	385,970	385,970	385,970
POLICE AND FIRE	38,084	40,684	43,900	43,900	43,900	47,276	47,276	47,276
STATUTORY APPROPRIATIONS:								
PERA DEFERRED COMPENSATION	339	5,450	5,723	5,723	5,723	6,009	6,009	6,009
PUBLIC EMPLOYEES RETIREMENT	2,775	3,788	3,800	3,800	3,800	3,800	3,800	3,800
TOTAL EXPENDITURES	416,556	464,321	487,902	487,902	487,902	512,624	512,624	512,624
FTE BY EMPLOYMENT TYPE:								
REGULAR	67.0	69.3	71.5	71.5	71.5	71.5	71.5	71.5
TEMP/SEAS/PART_TIME	1.8	1.8	1.8	1.8	1.8	1.8	1.8	1.8
OVERTIME	.9	.9	.9	.9	.9	.9	.9	.9
TOTAL FTE	69.7	72.0	74.2	74.2	74.2	74.2	74.2	74.2

1998-1999 B I E N N I A L B U D G E T
(DOLLARS IN THOUSANDS)

AGENCY: PUBLIC EMPLOYEES RETIRE ASSOC

SUMMARY OF AGENCY REVENUES	FY 1996	Est. FY 1997	FY 1998			FY 1999		
			Forecast	Agency Plan	Governor Recomm.	Forecast	Agency Plan	Governor Recomm.
=====								
NON-DEDICATED REVENUE:								

OTHER REVENUES:								
PERA DEFERRED COMPENSATION	1,127	1,260	1,323	1,323	1,323	1,389	1,389	1,389
POLICE AND FIRE CONSOLIDATED	22,683	23,817	25,008	25,008	25,008	26,258	26,258	26,258
PUBLIC EMPLOYEES RETIREMENT	252,379	310,490	326,015	326,015	326,015	342,315	342,315	342,315
POLICE AND FIRE	60,230	61,054	64,107	64,107	64,107	67,312	67,312	67,312
=====								
TOTAL NON-DEDICATED RECEIPTS	336,419	396,621	416,453	416,453	416,453	437,274	437,274	437,274
=====								
DEDICATED RECEIPTS:								

OTHER REVENUES:								
GENERAL	3,498							
OTHER SOURCES:								
PUBLIC EMPLOYEES RETIREMENT	2,853	3,800	3,800	3,800	3,800	3,800	3,800	3,800
=====								
TOTAL DEDICATED RECEIPTS	6,351	3,800	3,800	3,800	3,800	3,800	3,800	3,800
=====								
AGENCY TOTAL REVENUES	342,770	400,421	420,253	420,253	420,253	441,074	441,074	441,074
=====								

STATE OF MINNESOTA - DEPARTMENT OF FINANCE
BIENNIAL BUDGET SYSTEM - BASE RECONCILIATION REPORT
BY SEC SEQ

AGENCY: PUBLIC EMPLOYEES RETIRE ASSOC

	ALL FUNDS		GENERAL FUND		OTHER STATE FUNDS		FEDERAL FUNDS	
	F.Y.98	F.Y.99	F.Y.98	F.Y.99	F.Y.98	F.Y.99	F.Y.98	F.Y.99
F.Y.97 APPROPRIATIONS	464,333	464,333			464,333	464,333		
BASE ADJUSTMENTS								

OPEN APPROPRIATION FORECAST A	23,569	48,291			23,569	48,291		

SUBTOTAL BASE ADJ.	23,569	48,291			23,569	48,291		

BASE LEVEL	487,902	512,624			487,902	512,624		

AGENCY: Teachers Retirement Association (TRA)

GOVERNOR'S RECOMMENDATION:

The Governor concurs with the agency's plan.

AGENCY DESCRIPTION:

The mission of the Teachers Retirement Association (TRA) is to administer benefits and provide reliable information. Currently, TRA serves over 100,000 active, inactive, and retired members. The management of the Association is vested in an Board of Trustees consisting of 8 members. The Board of Trustees appoints an Executive Director to administer the daily operations of the Association.

At June 30	Active Members	Inactive Members	Benefit Recipients
1995	67,558	21,514	23,168
1994	66,514	20,901	22,137
1993	65,268	20,309	20,810

ISSUES AFFECTING AGENCY'S OPERATIONS:

While the number of active members has stabilized in recent years, the number of benefit recipients has nearly doubled over the past 10 years. We expect the number of retirees to grow over the next decade as retirees live longer and the beginning of the "baby boom" generation begins to retire. TRA is experiencing increasing demand to provide more retirement information earlier in a person's career, competition from other pension providers, and a higher expectation of customer service. To address these changing demands, TRA is reengineering its underlying work processes. New technology is being added to foster a more proactive customer service environment and to avoid the hiring of an estimated 18-28 additional employees. Work will also begin on the implementation of a document imaging system that converts paper files to electronic images. Other major projects targeted over the next 5 years include:

- installing a telephone response system and customer service center to handle an increased volume of calls;
- establishing automated processes making it possible to request benefit estimates immediately by telephone or computer;
- providing and enhancing preretirement presentations; and
- redesigning and improving the estimates and other information provided on annual statements of account.

EXPLANATION OF AGENCY'S BUDGET PLAN:

The main sources of fund revenues are employee contributions, employer contributions, and income from investments held in trust. The 3 main categories of expenses are monthly benefit payments, refunds of employee contributions, and administration.

TRA will continue to make accurate and timely monthly benefit payments to approximately 25,000 benefit recipients. Approximately 1,500 new retirees are expected annually. TRA provides pre-retirement counseling services in the TRA office and at 16 outstate counseling sites. During F.Y. 1997, TRA is implementing a new employer payroll reporting system to improve the frequency and quality of payroll data maintained on active TRA members.

1998-1999 B I E N N I A L B U D G E T
(DOLLARS IN THOUSANDS)

AGENCY: TEACHERS RETIREMENT ASSOC
PROGRAM: TEACHERS RETIRE ASN

			FY 1998			FY 1999		
ACTIVITY RESOURCE ALLOCATION:	FY 1996	Est. FY 1997	Base Level	Agency Plan	Governor Recomm.	Base Level	Agency Plan	Governor Recomm.
=====	=====	=====	=====	=====	=====	=====	=====	=====
TEACHERS RETIRE ASN	383,024	432,000	474,559	474,559	474,559	521,385	521,385	521,385
TRA ADMINISTRATION	4,219	5,951	6,538	6,538	6,538	7,182	7,182	7,182
BUSINESS REENGINEERING		550	604	604	604	664	664	664
=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL EXPENDITURES BY ACTIVITY	387,243	438,501	481,701	481,701	481,701	529,231	529,231	529,231
EXPENDITURES BY FUND:								
=====	=====	=====	=====	=====	=====	=====	=====	=====
OPEN APPROPRIATIONS:								
TEACHERS RETIREMENT	387,243	438,501	481,701	481,701	481,701	529,231	529,231	529,231
=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL EXPENDITURES	387,243	438,501	481,701	481,701	481,701	529,231	529,231	529,231
FTE BY EMPLOYMENT TYPE:								
=====	=====	=====	=====	=====	=====	=====	=====	=====
REGULAR	52.9	52.9	52.9	52.9	52.9	52.9	52.9	52.9
TEMP/SEAS/PART_TIME	.1	.1	.1	.1	.1	.1	.1	.1
OVERTIME	.5	.5	.5	.5	.5	.5	.5	.5
=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL FTE	53.5	53.5	53.5	53.5	53.5	53.5	53.5	53.5

1998-1999 B I E N N I A L B U D G E T
(DOLLARS IN THOUSANDS)

AGENCY: TEACHERS RETIREMENT ASSOC

			FY 1998			FY 1999		
		Est.		Agency	Governor		Agency	Governor
SUMMARY OF AGENCY REVENUES	FY 1996	FY 1997	Forecast	Plan	Recomm.	Forecast	Plan	Recomm.
NON-DEDICATED REVENUE:								
OTHER REVENUES:								
TEACHERS RETIREMENT	306,766	336,674	372,426	372,426	372,426	391,045	391,045	391,045
TOTAL NON-DEDICATED RECEIPTS	306,766	336,674	372,426	372,426	372,426	391,045	391,045	391,045
AGENCY TOTAL REVENUES	306,766	336,674	372,426	372,426	372,426	391,045	391,045	391,045

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1998-99 Biennial Budget

AGENCY: Minneapolis Employees' Retirement Fund

AGENCY DESCRIPTION:

The Minneapolis Employees' Retirement Fund (MERF) was established in 1919 by the State Legislature to provide members with survivor and disability benefits during employment and financial security through benefits after retirement from service.

MERF is a cost-sharing multiple employer plan governed by a 7 member Board of Directors. Five employee representatives, 2 of whom must be retired members, are elected to the Board by the Minneapolis Municipal Association. Under State law, 2 elected officials serve *ex officio*: The Mayor of the City of Minneapolis (or a designee), and a representative from the Minneapolis City Council.

Employers participating in the Fund are:

The City of Minneapolis
Minneapolis Special School District No. 1
City of Minneapolis Water Department
Minneapolis-St. Paul Metropolitan Airports Commission
Metropolitan Waste Control Commission
Municipal Building Commission

MERF is a "closed fund." Employee membership is restricted in law to those employees hired prior to 7-1-78. Any employees hired after that date become members of the Public Employees' Retirement Fund (PERA).

Management of the Fund is vested in the Executive Director, who serves at the pleasure of the Board, and has responsibility for administering the Fund under Board direction in accordance with Minnesota Law. MERF assets are not managed by the State Board of Investment, as is the case for the funds administered through the 3 statewide retirement systems: MSRS, PERA, and TRA. The assets of the fund are, however, almost exclusively invested by outside money managers under contract.

Current Fund Status:

Retirees & survivors	4,765
Deferred Retirements	78
Terminated/Non vested	172
Active Members	1,782
Projected Payroll	\$75,356,000
Average Age	50.9
Average Service	23.5
Current Assets	\$1,018,540,000
Actuarial Accrued Liability	<u>1,266,324,000</u>
Funding Ratio	80.43 %

STATE APPROPRIATIONS:

Because the fund is closed to new members, a diminishing payroll base exists from which to draw contributions to meet the liabilities of the fund through the amortization target date of 2020. The unfunded liabilities of the plan must be zero by that date in order for the fund to meet all of its future benefit and administrative costs with remaining assets and investment returns. M.S. 422.A establishes a formula for allocation of the supplemental contribution obligations among contributors, including a capped state obligation to assist the employer units in financing these unfunded liabilities.

The annual state obligation to amortize the unfunded liabilities is specified in statute as:

- The total annual level dollar amount necessary to amortize the unfunded liability by the year 2020,

Less

- A contribution from the employer units equal to:
 1. 2.5% of payroll, plus,
 2. \$3,900,000 from all employers, plus
 3. Any remaining required contributions allocated to the Metropolitan Airports Commission and the Metropolitan Waste Commission.

Laws of 1991, Chapter 345, capped the annual state obligation as the lesser of the amount derived above, or \$10,455,000 per state fiscal year. The actuary for the Legislative Commission on Pensions and Retirements calculates the obligation under the above formula, and compares the result with the statutory cap. The MERF valuation for the fiscal year ended 6-30-96 indicates that for state F.Y. 1997, the lesser of the 2 is the capped appropriation. This is the base that applies for each year of the 1998-99 biennium. The state share of total supplemental contributions is approximately 60%.

In addition, M.S. 422.A requires that the state pay the full amortized cost of supplemental benefits for Pre-1973 retirees through the fiscal year ending 6-30-2001. This liability is projected at \$550,000 for each year of the 1998-99 biennium.

GOVERNOR'S RECOMMENDATION:

The Governor recommends base-level funding up to \$11,005,000 for each year of the 1998-99 biennium.

1998-1999 B I E N N I A L B U D G E T
(DOLLARS IN THOUSANDS)

AGENCY: MPLS PENSIONS/RETIREMENT
PROGRAM: MINNEAPOLIS MUNICIPAL EMPLOYEE
ACTIVITY: MINNEAPOLIS MUNICIPAL EMPLOYEE

ACTIVITY SUMMARY	FY 1996	Est. FY 1997	FY 1998			FY 1999		
			Base Level	Agency Plan	Governor Recomm.	Base Level	Agency Plan	Governor Recomm.
EXPENDITURES:								
DETAIL BY CATEGORY:								
LOCAL ASSISTANCE	11,005	11,005	11,005	11,005	11,005	11,005	11,005	11,005
TOTAL EXPENDITURES	11,005	11,005	11,005	11,005	11,005	11,005	11,005	11,005
EXPENDITURES BY FUND:								
DIRECT APPROPRIATIONS:								
GENERAL	11,005	11,005	11,005	11,005	11,005	11,005	11,005	11,005
TOTAL EXPENDITURES	11,005	11,005	11,005	11,005	11,005	11,005	11,005	11,005
FTE BY EMPLOYMENT TYPE:								
TOTAL FTE								

1998-99 Biennial Budget

AGENCY: Local Police & Fire Amortization Aid

AGENCY DESCRIPTION:

The state provides aid to local jurisdictions and relief associations through several programs administered by the Department of Revenue's Local Government Aids Division. The largest of these is Police and Fire State Aid, which covers the employer retirement contributions for most jurisdictions (approximately \$126 million for the biennium; see *State & Local Finance Summary*).

There are several other, smaller statutory General Fund Aids provided to jurisdictions for public safety personnel retirement funding purposes. This section of the budget document addresses these smaller aids, each discussed separately below.

Regular Police & Fire Amortization Aid

M.S. 423A.02 established a state obligation to provide aid to assist local police or fire retirement associations with the financing of their unfunded liabilities. Only those associations being phased out are eligible for the aid. The aid continues until the association ceases to exist, or achieves full funding status.

Current statute fixes *regular* amortization distributions to all eligible funds as the level annual dollar amount required to amortize by 2010, the unfunded actuarial accrued liability of the relief association as reported in the valuation of the fund for 1978. This amount is adjusted for reductions due to the amount required to pay the interest on the unfunded liability for calendar year 1981, at the rate specified in M.S. 1978, Sec. 356.215, subd. 4, clause 4.

In 1991, M.S. 423A.02, subd. 1 was modified to place a cap on total annual regular amortization aid expenditures for all eligible municipalities at \$5,055,000. As relief associations achieve full funding status and cease to be eligible that cap amount is, in effect, reduced dollar-for-dollar. Expenditures for both this aid and the Supplemental Amortization Aid (below) are also affected by investment returns and retiree benefit increases of the Minneapolis Police and Fire Relief Associations. If one or both of these funds pays a "13th Check," their aid is reduced and reallocated as described under the "Redirected Amortization Aid" section below. In F.Y. 1996, this "13th Check" offset was \$1,735,233.

Supplemental Police & Fire Amortization Aid

An additional *supplemental* amortization aid of \$1,000,000 is statutorily appropriated under M.S. 423A.02, subd. 1a, for distribution among the associations in proportion to the relief association's share of total unfunded actuarial accrued liabilities of all relief associations as of 1983.

Firefighter Supplemental Benefit Tax Reimbursements

M.S. 424A.10 requires firefighter relief associations to pay a supplemental retirement benefit which is in lieu of the basic retirement benefit being exempt from state income tax. This is an open appropriation. Expenditures under this law are expected to be about \$375,000 each year in the 1998-99 biennium.

Redirected Amortization Aid

Laws 1996, Chapter 438, Article 4, created a new aid for local fire relief associations and 1st Class City teacher retirement funds. This aid is roughly equivalent to the amount of regular and supplemental amortization aid (described above) that is not distributed for local police and salaried fire relief association costs in a fiscal year. The difference between \$5,720,000 and these amounts (which include any Minneapolis "13th Check" offset) is determined and distributed as follows, using amounts from F.Y. 1996 for purposes of illustration.

Benchmark / Starting Point	\$5,720,000
Less: Regular Amort. Aid	2,985,765
Supplemental Amort. Aid	521,604
Difference:	2,212,631
Distribution of Redirected Total	
MPLS-TRA Share = 49%	1,084,189
St. Paul TRA Share = 21%	464,653
<i>Total to 1st Class Teachers</i>	[1,548,842]
* Volunteer Fire Relief Share = 30%	663,789

** Supports a minimum \$260 contribution "floor" per volunteer firefighter. This amount was added to the Fire State Aid distributions to jurisdictions in F.Y. 1996, and is not included in the activity and program totals on the fiscal page below.*

GOVERNOR'S RECOMMENDATION:

The Governor recommends the current law base level expenditure for the biennium on each of these separate aids.

1998-1999 B I E N N I A L B U D G E T
(DOLLARS IN THOUSANDS)

AGENCY: LOCAL POLICE & FIRE AMORT AID
PROGRAM: REV COLLECT & LOCAL GOVT AID

ACTIVITY RESOURCE ALLOCATION:	FY 1996	Est. FY 1997	FY 1998			FY 1999		
			Base Level	Agency Plan	Governor Recomm.	Base Level	Agency Plan	Governor Recomm.
REGULAR POL & FIRE AMORT AID	4,815	2,239	4,925	4,925	4,925	4,925	4,925	4,925
POL & FIRE SUPPLEMENTAL AMORT	1,000	522	1,000	1,000	1,000	1,000	1,000	1,000
1ST CLASS TCHRS REDIRECTED AID	1,549							
FIRE RELIEF TAX REIMBURSEMENTS	415	415	378	378	378	375	375	375
TOTAL EXPENDITURES BY ACTIVITY	7,779	3,176	6,303	6,303	6,303	6,300	6,300	6,300
EXPENDITURES BY FUND:								
OPEN APPROPRIATIONS:								
GENERAL	7,779	3,176	6,303	6,303	6,303	6,300	6,300	6,300
TOTAL EXPENDITURES	7,779	3,176	6,303	6,303	6,303	6,300	6,300	6,300
FTE BY EMPLOYMENT TYPE:								
TOTAL FTE								

1998-99 Biennial Budget

AGENCY: Minneapolis Teachers' Retirement State Aid

AGENCY DESCRIPTION:

The Minneapolis Teachers' Retirement Fund Association (MTRFA) was established in 1909 to provide retirement benefits for all certified personnel of the Minneapolis Public Schools, Special School District No. 1.

The MTRFA is not adequately funded, and has for some time experienced significant contribution deficiencies. In 1993, the Legislature and the Governor attempted to resolve part of this large, ongoing funding problem by establishing in statute levy authority on the part of the Minneapolis School District and City to raise revenues for the purpose of making an additional contribution to the Fund (Laws 1993, Chapter 357, Section 3, modifying M.S. 354A.12).

The law also established a state match of these additional contributions, for every \$1,000 raised and contributed through the optional levy by the school district and/or city, up to a maximum of \$2,500,000 in any state fiscal year. Hence, the law provides a potential combined additional contribution of \$5,000,000 each fiscal year to reduce the unfunded liabilities of the fund.

This state matching aid is paid from the General Fund by the Commissioner of Finance to the MTRFA upon the conditions that:

1. The accrued liability funded ratio of the plan, as of the most recent actuarial valuation, is lower than that for the statewide Teachers' Retirement Fund (TRA);
2. Documentation is received demonstrating that the levy(ies) have been certified, collected and remitted to the MTRFA by the City and/or School District.

The aid is also indexed to the current law general education revenue formula allowance as specified in M.S. 124A.24, subd.2 (base year = 1994). Any change in the formula allowance would trigger a different statutory maximum state matching aid obligation.

In addition to this State Aid, Minneapolis Teachers is eligible for "Redirected Local Police & Fire Amortization Aid" [Laws 1996, Chapter 438, Article 4]. If investment performance is sufficient and the Minneapolis Police and/or Fire Relief Associations pay a "13th check" post-retirement increase, the State P&F amortization aid is reduced by approximately \$2.2 million for the year [See Local Police & Fire Amortization Aid section in this volume]. This amount is then reallocated among the Minneapolis and St. Paul teacher funds, along with local volunteer fire relief associations. MPLS-TRFA's share of that "Reallocated Aid" was \$1,084,000 in FY 1996.

Beginning July 1, 1998, the City and Special School District No. 1 are each required to make additional contributions to the fund totaling \$500,000 combined.

FUND PROFILE:

Funding

Statutory contributions	19.18%
(combined employer and employee, as % of payroll)	
Required contributions	<u>25.15%</u>
Deficiency	(5.97%)
Current Assets	\$612,852,000
Actuarial Accrued Liability	<u>1,055,063,000</u>
Funded Ratio	58.09%

Plan Participants

Active members	4,690
Members on leave of absence	88
Projected payroll	\$182,179,000
Average annual earnings	\$38,844
Average age	43.2
Average service	9.7
Service retirements	2,590
Disability retirements	22
Survivors	232
Deferred retirements	640
Terminated/Non-vested	1,106

GOVERNOR'S RECOMMENDATION:

The Governor recommends the base level of appropriations, along with an additional \$60,000 in FY 1998 and \$365,000 in FY 1999.

These increases represent the new obligations associated with the Governor's proposal to lift the caps on K-12 spending from the previous biennium. Removing the cap also creates a higher general fund obligation for this aid.

1998-1999 BIENNIAL BUDGET
(DOLLARS IN THOUSANDS)

AGENCY: MPLS TEACHERS STATE AID
PROGRAM: ADMINISTRATIVE
ACTIVITY: ADMINISTRATIVE

ACTIVITY SUMMARY	FY 1996	Est. FY 1997	FY 1998			FY 1999		
			Base Level	Agency Plan	Governor Recomm.	Base Level	Agency Plan	Governor Recomm.
=====	=====	=====	=====	=====	=====	=====	=====	=====
EXPENDITURES:								

DETAIL BY CATEGORY:								
LOCAL ASSISTANCE	2,461	2,782	2,722	2,722	2,782	2,484	2,484	2,782
=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL EXPENDITURES	2,461	2,782	2,722	2,722	2,782	2,484	2,484	2,782
=====								
GOV'S INITIATIVES:								

(B) K-12 FORMULA AID - INDEX RECOGNITION					60			365
=====					=====			=====
TOTAL GOV'S INITIATIVES					60			365
=====								
EXPENDITURES BY FUND:								

OPEN APPROPRIATIONS:								
GENERAL	2,461	2,782	2,722	2,722	2,782	2,484	2,484	2,782
=====	=====	=====	=====	=====	=====	=====	=====	=====
TOTAL EXPENDITURES	2,461	2,782	2,722	2,722	2,782	2,484	2,484	2,782
=====								
FTE BY EMPLOYMENT TYPE:								

=====								
TOTAL FTE								

1998-99 Biennial Budget

AGENCY: Saint Paul Teachers' Retirement State Aid

AGENCY DESCRIPTION:

The St. Paul Teachers' Retirement Fund Association (StP-TRFA) was established in 1909 to provide retirement benefits for all certified personnel of the Saint Paul Public Schools, ISD #625.

The StP-TRFA is not adequately funded, though significant improvement has occurred in the last 3 years. In 1993, the legislature and the Governor attempted to resolve part of the ongoing funding problem faced by this fund by creating a statutory appropriation of \$500,000 from the state General Fund, payable by the Commissioner of Finance on October 1, annually (Laws 1993, Chapter 357, Section 3, modifying M.S. 354A.12).

This aid terminates the first year that StP-TRFA's accrued liability funded ratio equals or exceeds that of the statewide Teachers' Retirement Association (TRA) as reflected in the most recent actuarial reports prepared by the consulting actuary of the Legislative Commission on Pensions and Retirements.

The aid is also indexed to the general revenue formula allowance as specified in M.S. 124A.24, subd. 2 (base year = 1994). Any change in the formula allowance would trigger a different statutory aid obligation.

StP-TRFA is, like the Minneapolis Teacher fund, eligible for "Redirected Local Police & Fire Amortization Aid" [Laws 1996, Chapter 438, Article 4]. If investment performance is sufficient and the Minneapolis Police and/or Fire Relief Associations pay a "13th check" post-retirement increase, the state P&F amortization aid is reduced by approximately \$2.2 million for the year (see Local Police & Fire Amortization Aid section in this volume). This amount is then reallocated among the Minneapolis and St. Paul teacher funds, along with local volunteer fire relief associations. StP-TRFA's share of that "Reallocated Aid" was \$465,000 in F.Y. 1996.

Beginning July 1, 1998, the St. Paul school district must also contribute an additional \$200,000.

AGENCY ISSUES:

FUND PROFILE/STATISTICS:

Funding

Statutory contributions	15.91%
(Combined employer and employee, as % of payroll)	
Required contributions	16.97%
Deficiency	(1.06%)
Current Assets	\$494,931,000
Actuarial Accrued Liability	664,072,000
Funded Ratio	74.53%

Plan Participants

Active members	3,805
Members on leave of absence	129
Projected payroll	\$155,146,000
Average annual earnings	\$40,774
Average age	43.8
Average service	11.2
Service retirements	1,395
Disability retirements	22
Survivors	178
Deferred retirements	136
Terminated/Non-vested	1,011

GOVERNOR'S RECOMMENDATION:

The governor recommends base level appropriations for this aid, along with an increase of \$12,000 in F.Y. 1998 and \$72,000 in F.Y. 1999 to reflect the indexing effect of the Governor's proposed increase in the general education revenue formula allowance.

1998-1999 BIENNIAL BUDGET
(DOLLARS IN THOUSANDS)

AGENCY: ST PAUL TEACHERS STATE AID.
PROGRAM: ADMINISTRATIVE
ACTIVITY: ADMINISTRATIVE

ACTIVITY SUMMARY	FY 1996	Est. FY 1997	FY 1998			FY 1999		
			Base Level	Agency Plan	Governor Recomm.	Base Level	Agency Plan	Governor Recomm.
EXPENDITURES:								
DETAIL BY CATEGORY:								
LOCAL ASSISTANCE	509	556	544	544	556	497	497	556
TOTAL EXPENDITURES	509	556	544	544	556	497	497	556
GOV'S INITIATIVES:		FUND						
(B) K-12 FORMULA AID - INDEX RECOGNITION		GEN			12			72
TOTAL GOV'S INITIATIVES					12			72
EXPENDITURES BY FUND:								
OPEN APPROPRIATIONS:								
GENERAL	509	556	544	544	556	497	497	556
TOTAL EXPENDITURES	509	556	544	544	556	497	497	556
FTE BY EMPLOYMENT TYPE:								
TOTAL FTE								



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